

**Macroeconomic
Intelligence**

CPI Inflation Update

November 11, 2024

**Increases from the Food and
Non-food Baskets nudges
Headline Inflation 60bps
Higher to 22.1% in Oct. '24**

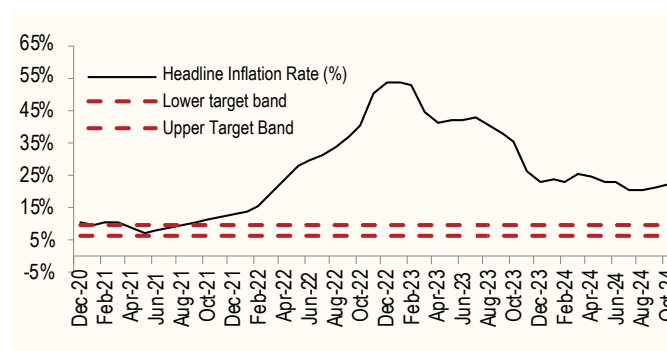
Increases from the Food and Non-food Baskets Nudges Headline Inflation 60bps Higher to 22.1% in Oct-24

Ghana's CPI inflation for Oct-2024 expectedly drifted higher for the second consecutive month following the surprise uptick recorded in September. The magnitude of the increase was, however, slightly slower than envisaged as the two-point climb in the Oct-2024 CPI level drifted headline inflation 60bps higher to 22.1% y/y (vs our expectation of a high 22%). However, our analysis of the numbers reveals what appears to be an overstatement of the Oct-2024 Inflation by about 30bps resulting from a miscalculation as we believe the reference CPI for Oct-2023 used in the computation was understated. Thus, Incorporating the appropriate Oct-23 CPI level of 195.24 points should result in an inflation print of 21.8% y/y for Oct-2024.

The increase came from both the food and non-food baskets. Whereas food inflation increased by 60bps y/y to 22.8% in Oct-2024 - a slower pace of increase relative to the 3% increase in Sept-2024, non-food inflation reversed course, climbing by 60bps y/y to 21.9%, extending the uneven path of disinflation thus far in 2024. Month-on-month, the overall inflation print slowed to 0.9% in October (-1.9%), with the food and non-food baskets also recording 3.9% and 0.2% decline in October to 0.3% and 1.4%, respectively. Overall, nine (9) out of the thirteen (13) divisions recorded higher inflation rates y/y, headlined by the alcoholic beverages (+4.1%), insurance & financial services (+3.3%) and personal care & social protection (+2.4%) divisions. However, the m/m trend showed a reversal from the sharp increase from the food (-3.9% m/m) and information & communication (-2.4% m/m) divisions in September, along with five other sub-divisions, continuing the undulating m/m trend of inflation through 2024.

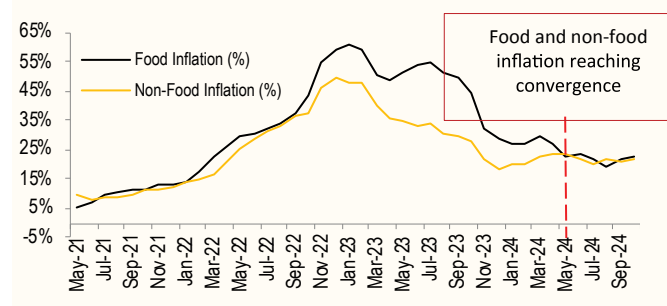
Rising fuel costs, Cedi depreciation and potential yuletide-induced price pressures reinforce our view of a slightly elevated inflation profile: We maintain our view of a slightly elevated inflation profile through the fourth quarter. The simmering upside pressures to inflation could emanate from both the food and non-food baskets as the underlying triggers of inflation appear broad-based. The added pass-through pressures from rising ex-pump petroleum prices, Cedi's continuing bearish run, increased GHS liquidity as the 2024 general election reaches a crescendo and potential yuletide-induced demand pressures on consumables post-elections further supports our view. Thus, we expect the end-2024 headline inflation print to miss the Bank of Ghana revised forecast of 18% and the Government of Ghana's forecasts of 15% by far and re-affirm our outlook for end-year headline inflation around 22%, all things being equal.

Figure 1: Uptick in inflation continues for the second consecutive month after barking the trend in Sept-2024



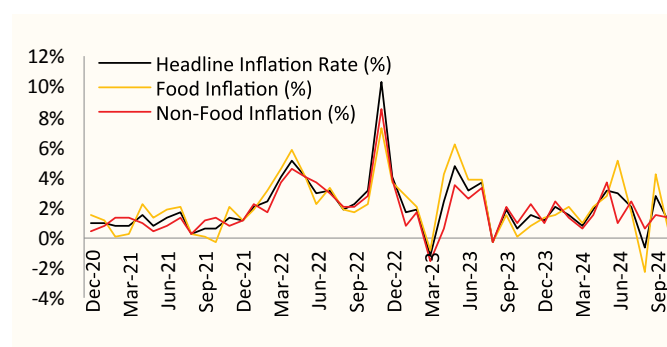
Source: GCB Research | Bank of Ghana | Ghana Statistical Service

Figure 2: Food and non-food inflation converging as food price pressure softens



Source: GCB Research | Bank of Ghana | Ghana Statistical Service

Figure 3: The undulating path of M/M inflation lingers on

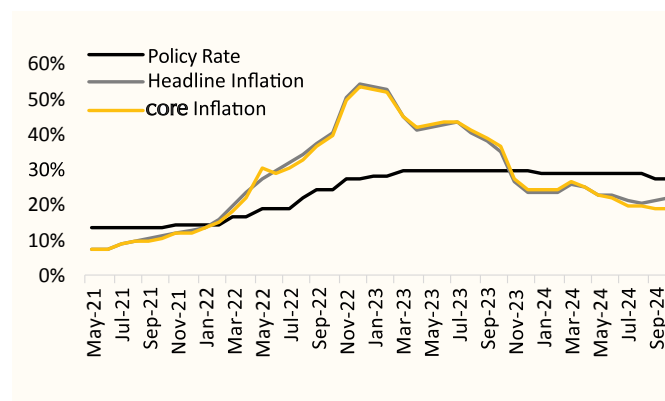


We expect a rate-neutral decision at the Nov-2024 MPC meeting: While there are simmering upside risks, inflation appears broadly contained around current levels and we do not expect significant spikes in the near term. Even with our projected outlook of around 22% at end-2024, inflation should still close 2024 within the target range of the monetary policy consultative clause under the IMF programme. Again, we believe the monetary policy stance is still appropriately tight and should ultimately shape inflation expectations beyond 4Q2024. Accordingly, we believe the Monetary Policy Committee has closed out 2024 on the policy front with the 200bps cut in September and we do not envisage any further policy action at the November meeting.

Northward trek in nominal yields could be marginal going forward as money market rates approach convergence: We note the uptick in nominal yields has continued through the last twelve auctions with the nominal yield on the benchmark 91-day climbing 2.04% to 26.83% since August 26, 2024. Amidst the bearish sentiments stemming from the perceived risks to T-bills, we believe the Treasury is conceding yields to remain competitive at the auctions and sustain demand for T-bills which remains the main source funding option for the budget.

However, with nominal T-bill yields now broadly aligned with the OMO rates, upward movements could be marginal going forward.

Figure 4: Monetary Policy stance still appropriately tight despite the 200bps cut



Source: GCB Research | Ghana Statistical Service | Bank of Ghana

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