



Investment
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MONTHLY INFLATION DIGEST

MARCH, 2023





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HIGHLIGHTS

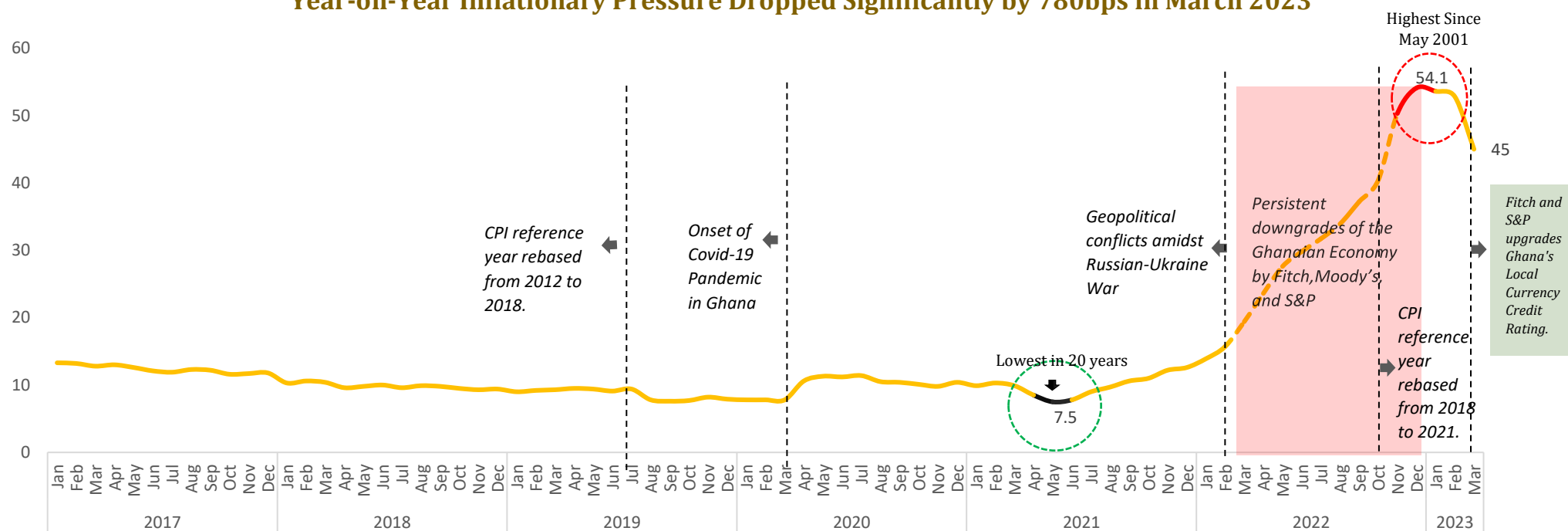
- ▶ Consumer Price Index (“Inflation”) for the month of March 2023 averaged 45%, further declining by 7.8% from what was recorded in February 2023 (52.8%).
- ▶ Regional inflationary pressures eased significantly with 15 out of 16 regions witnessing a decline in the CPI from what was recorded in January 2023.
- ▶ Both Food and Non-Food inflation dropped with food inflation reducing by 8.3% from 59.1% in February to 50.8%, and Non-food inflation nosediving from 47.9% to 40.6% in March 2023.
- ▶ Inflation for both local and imported items recorded significant decreases; local inflation eased by 7.1% and imported inflation dipped by 10.7%.
- ▶ There was also a wide drop in the number of items whose inflation rate exceeded 100% in January. The number dropped from 19 items in January to 3 items in March.
- ▶ Inflation for imported items constituted the largest proportion of items whose inflation rate exceeded the national average.
- ▶ Global inflationary pressures are declining gradually. However, inflation rates in West African economies with floating and flexible exchange rate regimes remained elevated compared to their counterparts with fixed exchange rates.
- ▶ We expect inflation rate to nosedive further in April 2023 due to the Cedi’s relative stability. However, factors such as the recent upward trend in the price of crude, the upward adjustment of ex-pump fuel prices, and the new revenue measures recently passed by the government together pose upside risks to our forecast.

DESCRIPTION OF THE YEAR-ON-YEAR INFLATION GRAPH

- ▶ In July 2019, the Ghana Statistical Service (GSS) rebased the CPI reference year from 2012 to 2018; this saw the inflation rate decline from 9.4% to 7.8% in August 2019.
- ▶ Inflationary pressures remained lower in 2019 and averaged 8.6% between January to December 2019. However, at the onset of the pandemic in Ghana in March 2020, the relatively lower inflation recorded in 2019 saw a turn in subsequent months, as the CPI posted an upward trend (after COVID hit the economy) and averaged 10.6% between April to December 2020.
- ▶ Inflation in the year 2021 remained relatively lower, attaining its lowest point in 20 years in May 2021 (7.5%) and averaging 9.9% throughout 2021. However, the lower rates recorded in 2021 were reversed in 2022; this was occasioned chiefly by Covid-19 induced supply chain bottlenecks coupled with geopolitical conflicts at the peak of the Russian-Ukraine war (which started in February 2022) which further placed the “strained” global economy under hyperinflationary pressure.
- ▶ In combination with the overlapping crisis of the after-effects of the pandemic and Russian-Ukraine war, the continuous downgrade of Ghana’s economy by rating agencies, namely, Fitch, S&P, and Moody’s contributed to the rising inflation rate to a twenty (20) year high of 54.1% in December 2022 from 13.9% in January 2022.
- ▶ Meanwhile, in September 2022, the CPI reference year was rebased from 2018 to 2021 to reflect more accurately the rate of change of prices in the country’s basket of goods.
- ▶ After hitting a high of 54.1% in December 2022, Ghana’s inflation projected a downwards trend, declining by 9.1% from what was recorded in December.
- ▶ Currently, Year-on-Year Inflation for March 2023 averaged 45%, reflecting the further drop in the rate of increases in the prices of goods and services recorded in February 2023 (52.8%).



Year-on-Year Inflationary Pressure Dropped Significantly by 780bps in March 2023



- ➔ Year-on-Year Inflation declined by 780 basis points from 52.8% in February to 45% in March 2023.
- ➔ The decline in inflationary pressures caused deflation in the prices of some items in both food and non-food categories on a month-on-month basis.
- ➔ Within the Food category on a month-on-month basis, 13 out of 15 items (86.7%) recorded declines in their prices in March, with tea, mates, and other plants products for infusion (-4.3%), coffee & coffee substitutes (-3.3%) and fruits & vegetable juice (-2.5%) being products within the Food category with substantial decreases.
- ➔ In the Alcoholic and Non-food category, the prices of 6 out of 12 (50%) items recorded a downward out-turn with housing, water, electricity, gas, and other fuels (-10%), recreation, sports, and culture (-9.5%) and health (-4%) being the items with the most significant rates of decline.



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Regional year-on-year inflationary pressures eased generally at the end of the first quarter of 2023 with 15 out of the 16 regions witnessing various degrees of declines from what was recorded in January.

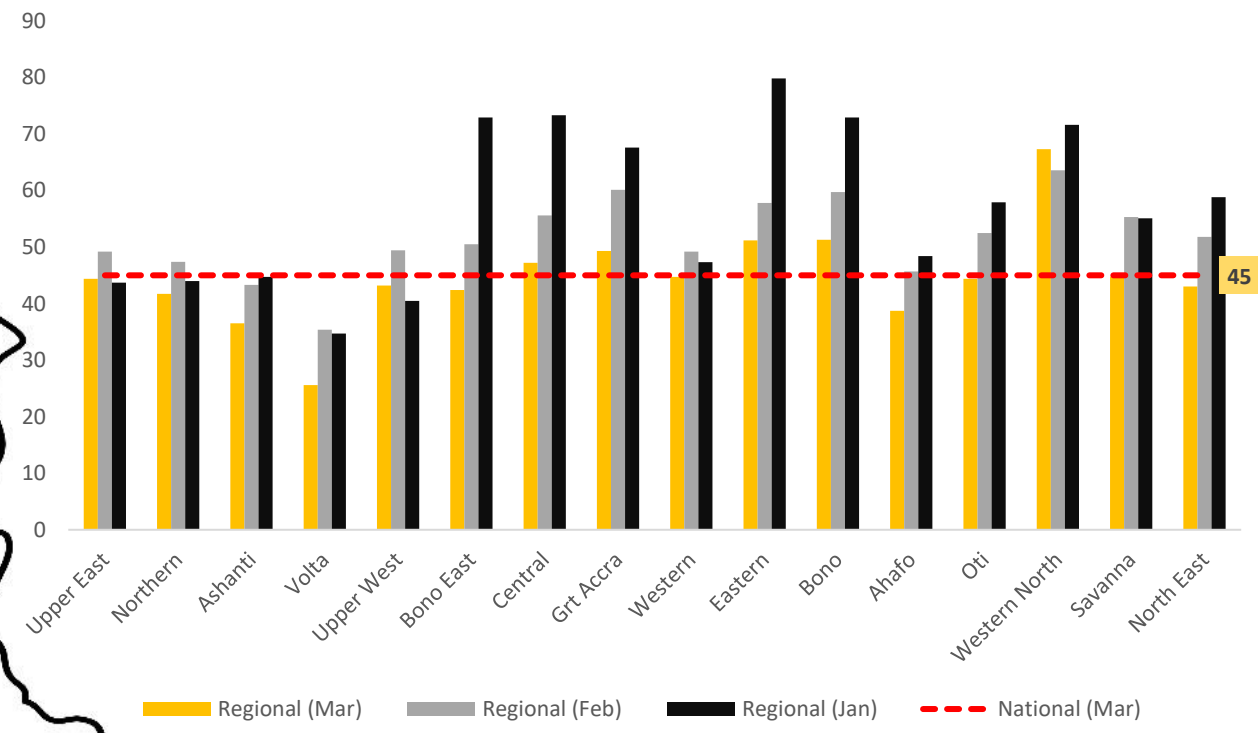
Regions that saw a marked decrease in inflation include Bono East, sliding from 72% in January to 42.4% in March, and Eastern Region also falling from 79.8% in January to 51.2% in March.

Other regions that experienced a significant decline in inflation include Central (from 73.3% in January to 47.2% in March), Bono (from 72.9% in January to 51.3% in March) and Greater Accra (67.6% in January to 49.3% in March).

After the Upper East region's inflation surged from 43.7% in January to 49.2% in February and subsequently made a turn to slide to 44.4% in March, it became the only region whose March inflation exceeded that of January (i.e. by 0.7%).

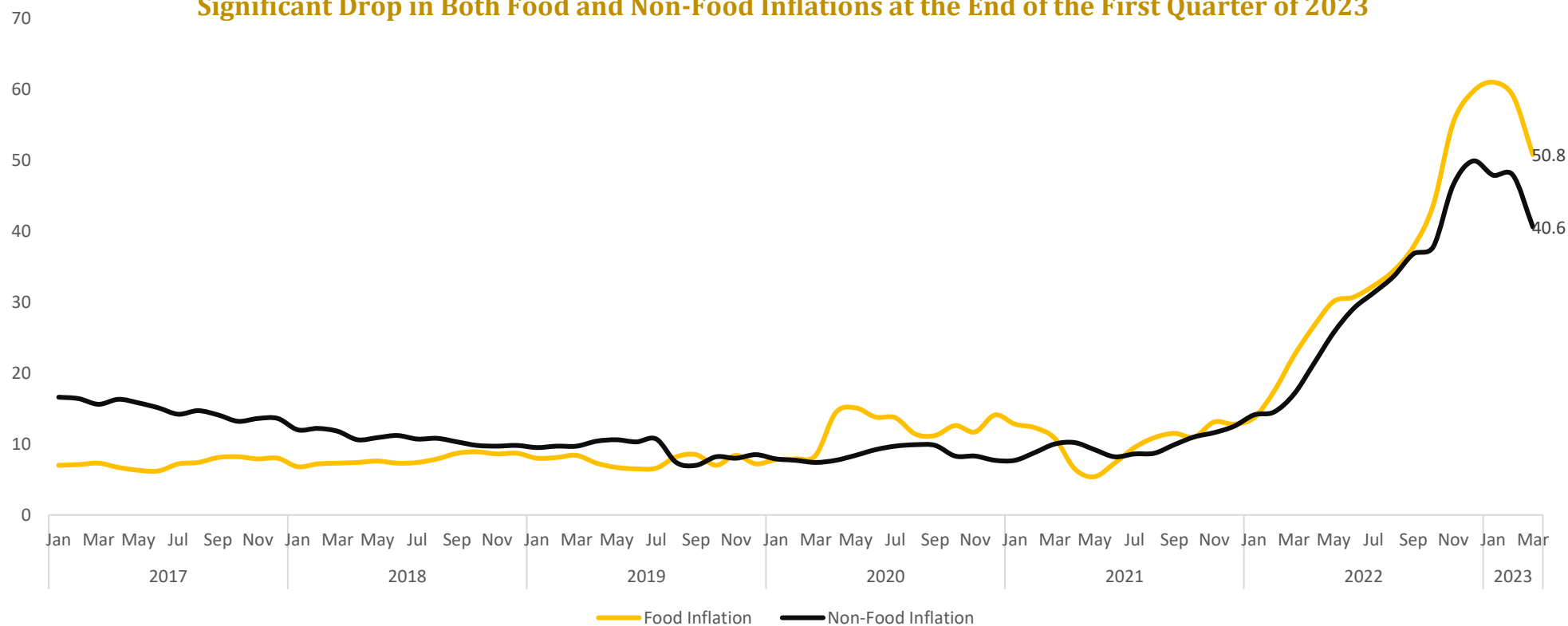
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Broad-Based Decline in Regional Inflation in March 2023





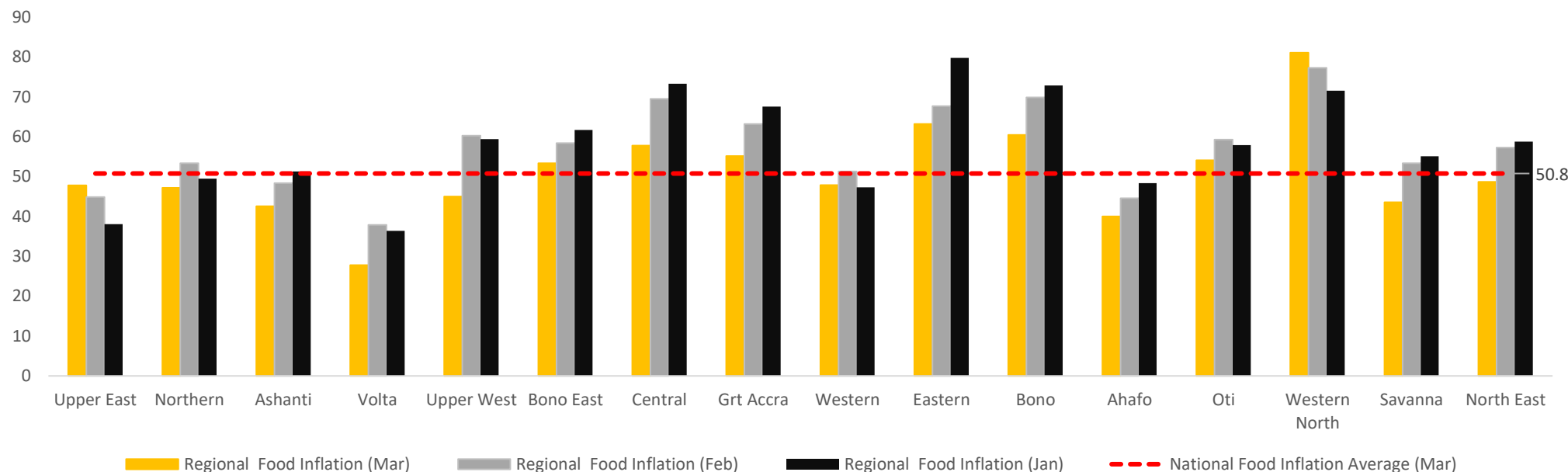
Significant Drop in Both Food and Non-Food Inflation at the End of the First Quarter of 2023



- ▶ Year-on-Year food prices dropped significantly by 10.2 percentage points from 61% in January 2023 to 50.8% in March 2023. This is on the back of a broad base decline in prices of food items in March 2023. In total, the prices of 13 out of 15 food items recorded deflation (on a month-on-month basis) with major items being tea, mates & other plants of infusion, coffee and coffee substitutes, and fruits and vegetable juices.
- ▶ Similarly, Year-on-Year Non-food inflation also declined by 7.3 percentage points from 47.9% in January to 40.6% in March. Key items that drove the decline include Information and communication, housing, water, electricity, gas, and other fuel and recreation, and sports, respectively.



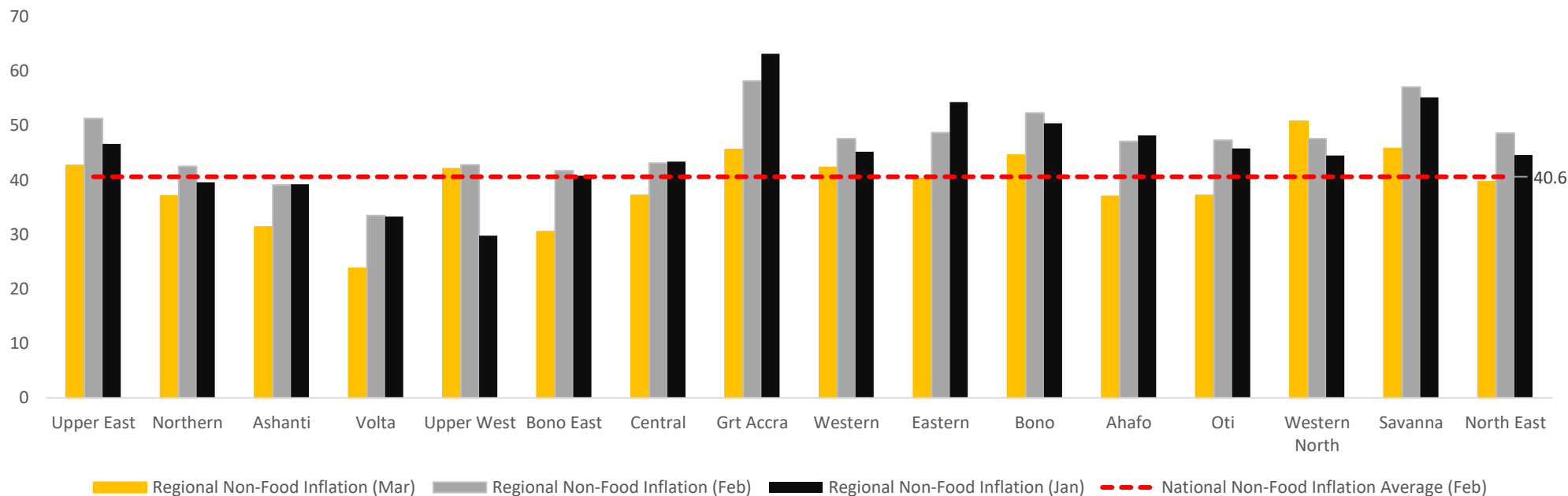
Food Inflation Moderates in Fourteen Regions in Q1 2023



- ▶ *Regional Food inflation declined largely at the end of the first quarter of 2023 with 14 out of 16 regions recording various degrees of decrease.*
- ▶ *Regions that experienced a significant drop in food inflation were Eastern (i.e. declined from 79.8% in January to 63.2% in March), Central (i.e. declined from 73.3% in January to 57.8% in March), and Upper West (i.e. declined from 59.4% in January to 45% in March). Others were Greater Accra and Bono Regions, respectively.*
- ▶ *On the flip side, food inflation increased in Western North (from 71.6% in January to 81.1% in March) and Upper East Region (from 38.1% in January to 47.8% in March) respectively.*
- ▶ *Compared to the national food inflation average (59.1%), food inflation for March 2023 was significantly above the national average in Western North (81.1%). Other Regions whose food inflation remained above the national average include Eastern (63.2%), Bono (60.2%), Bono East (58.4%), Central (57.8%) Greater Accra (55.2%) and Oti (54.1%) respectively.*



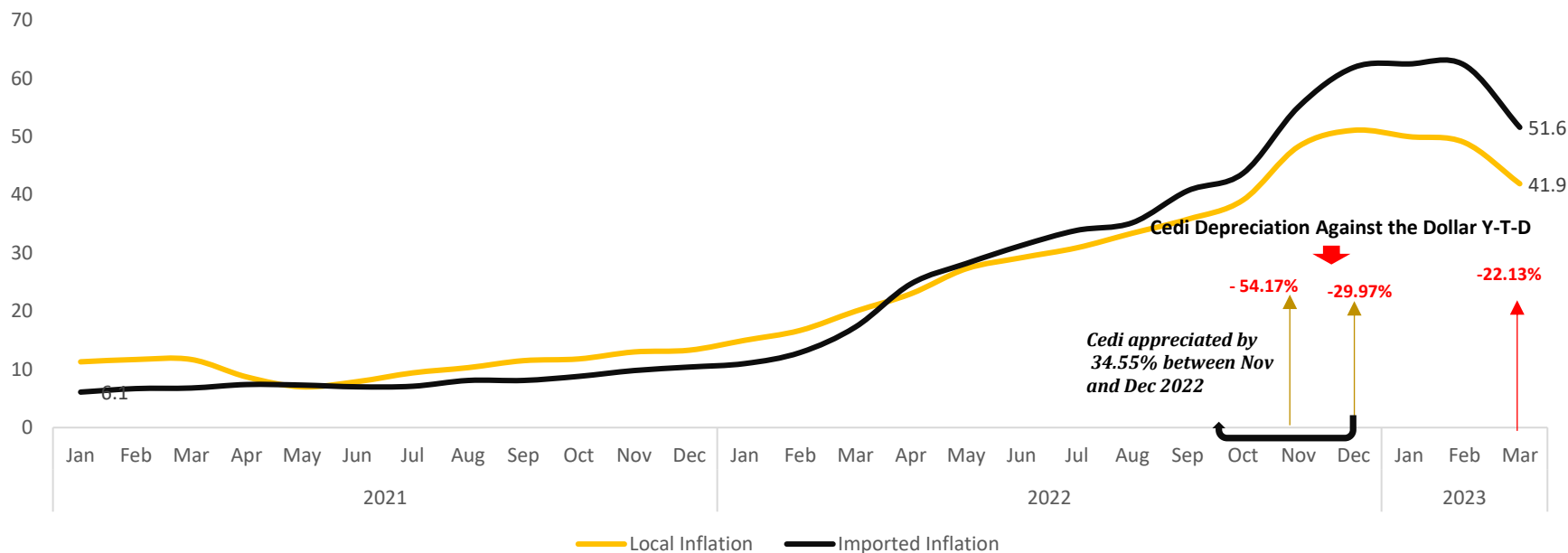
Non-Food Inflation for February Remained Significantly Elevated Above the National Average (47.9%) in Greater Accra (58.2%) and Savanna (57.1%)



- ▶ Non-food inflation narrowed in 14 out of 16 regions from what was recorded in January 2023. Greater Accra (17.6%), Ahafo (11.2%), Bono East (10.3%), and Savanna (9.4%) were the Regions that recorded a significant decline compared to January's figures.
- ▶ However, in the Upper West and Western North Regions, Non-food inflation widened from 29.8% in January to 42.1% in March, and from 44.5% in January to 50.8% in March, respectively.
- ▶ Meanwhile, seven Regions had their non-food inflation above the national average. These were Western North (50.8%), Savanna (45.8%), Greater Accra (45.6%), Bono (44.6%), Upper East (42.7%), Western (42.3%) and Upper West (42.1%) Regions, respectively.
- ▶ Volta Region recorded the lowest Non-food inflation, thus declining from 33.3% in January to 23.8% at the end of Q1 2023.



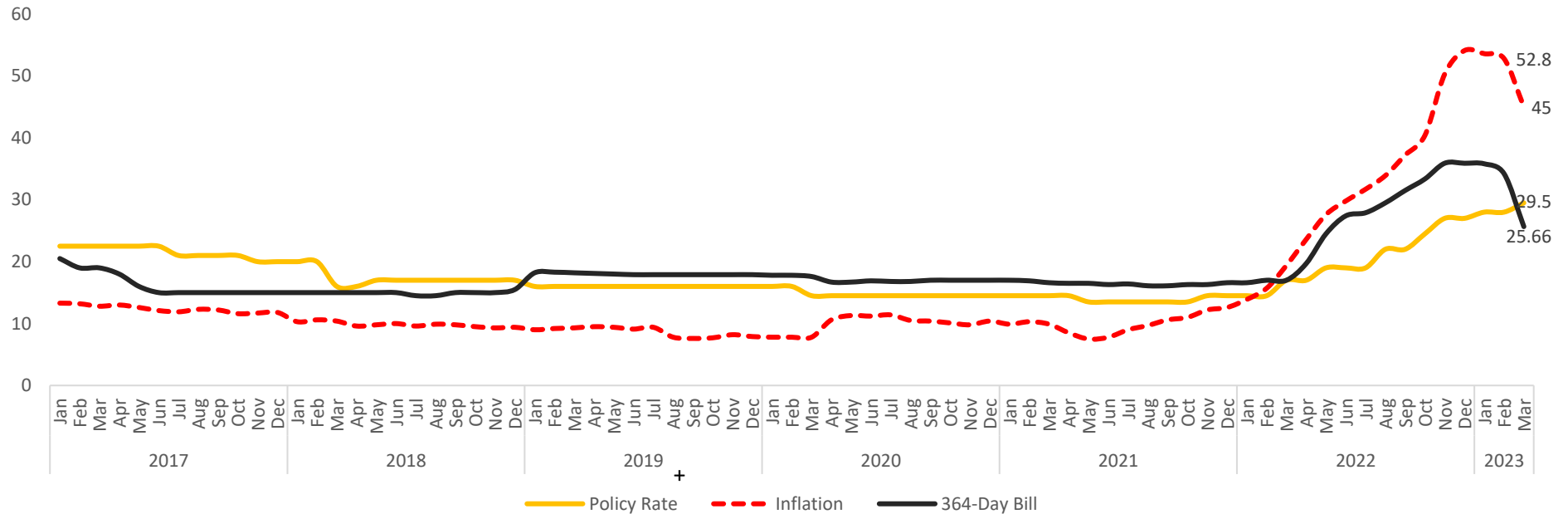
Both Local and Imported Inflation Dropped in Q1 2023.



- Subsequent to the further widening of the rate of increase in the prices of imported items in January 2023 by 60bps, imported inflation dropped for the second consecutive month in 2023. It declined by 20bps from 62.5% in January to 62.3% in February and further fell largely to 51.6% (1070 bps decline) in March. This is partially attributed to the moderation of global inflationary pressures and a relatively stable Cedi in February and March, respectively.
- Year-on-Year local inflation was also down marginally from 50% in January 2023 to 49% in February, and further dipped to 41.9% in March 2023, partly on the back of the decrease in ex-pump fuel prices and associated adjustments in transportation costs.



Inflation and Interest Rates on Downward Trajectory, MPR Further Soared by 150 Basis Points



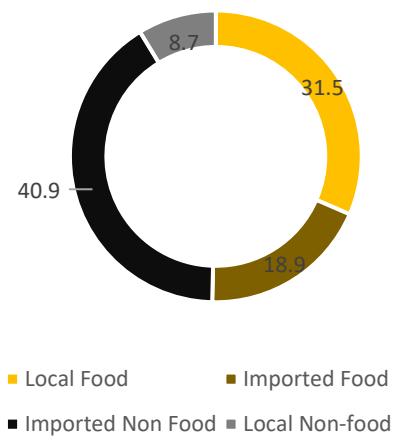
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- ▶ *Despite the third consecutive fall in the year-on-year Inflation Rate, it remains exceedingly higher than the Policy Rate.*
- ▶ *The Monetary Policy Committee increased the Monetary Policy Rate by 150 basis points from 28% to 29.5% at its 111th meeting. This was informed by factors including the relatively tight global financing conditions and concerns of excess liquidity in the domestic market, following the DDEP.*
- ▶ *Subsequent to the Government's initial rejection of all T-bills bids during Tender 1840 in March 2023 due to the excessively higher rates on short-term instruments, treasury interest rates for the first time since April 2022 fell below the Policy Rate.*

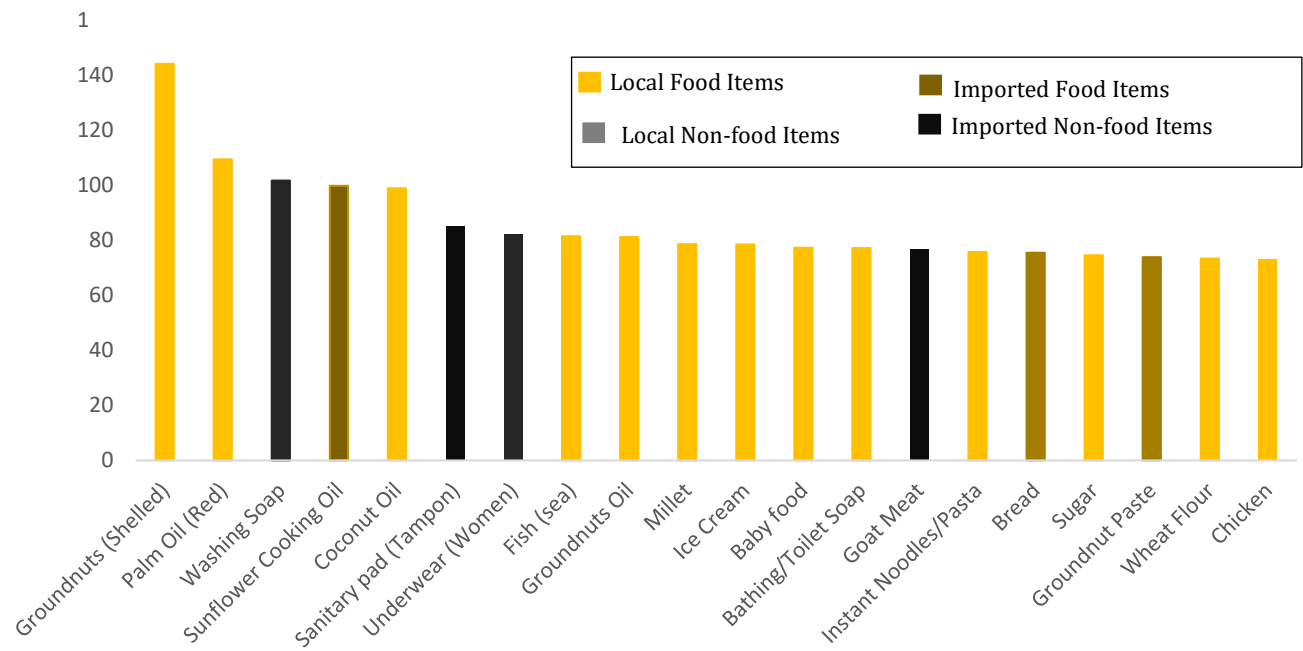
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Prices of Imported Items Category Dominated Items whose Inflation Rates were Higher than the National Average



Cedi's Stability in February and March Played a Key Role in Reducing the Number of Items Whose Inflation Rates Exceeded 100% earlier in January

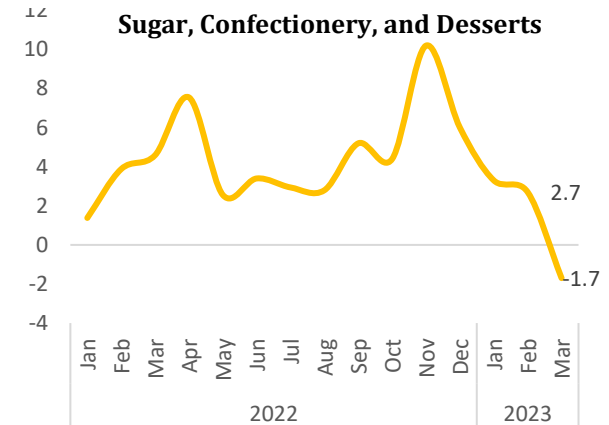
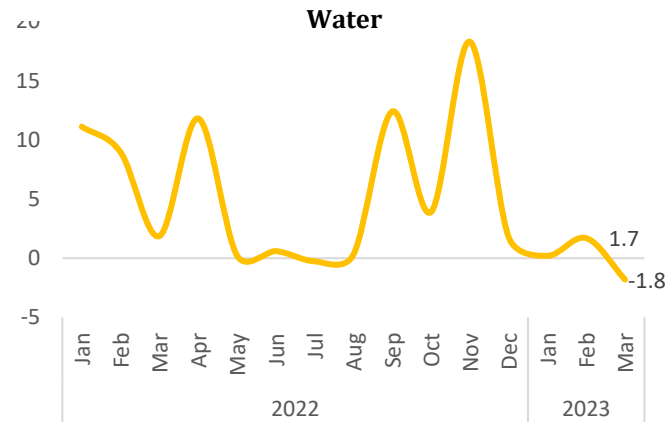
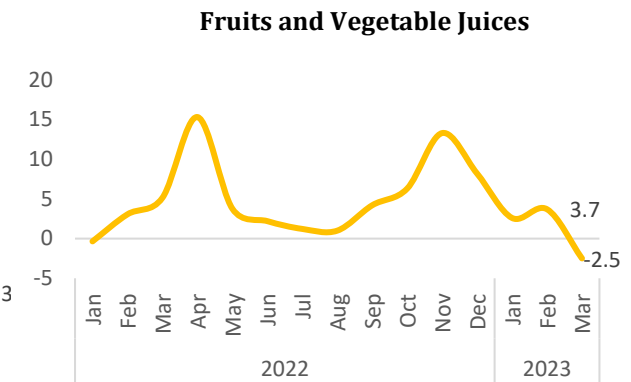
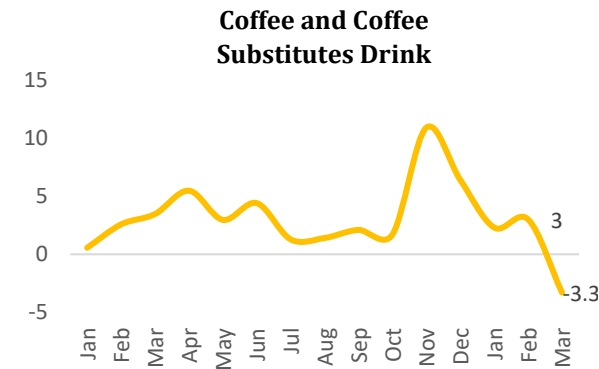
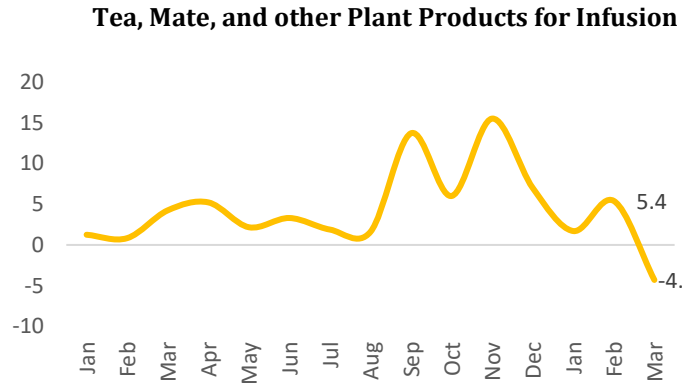


Imported non-food items (40.9%) dominate items that had inflation higher than the national average (45%).

- Items with a year-on-year inflation rate exceeding 100% reduced from nineteen (19 products) in January to three (3 products) at the end of Q1.
- The significant drop in the number of items with inflation rates further buttresses the moderation of Ghana's inflationary pressures.



Month-on-Month Food Inflation Disaggregation



- ➔ The majority of items within the Food category (86.7%) recorded declines in their prices (deflation) on a month-on-month basis. Key amongst these were tea, mates, & other plant products for fusion (prices declined by -4.3%), coffee and coffee substitutes (prices declined by -3.3%), and fruits and vegetable juices (prices declined by -2.5%).
- ➔ Others include live animals, meat & other parts of slaughtered land animals (prices declined by -2.3%), water (prices declined by -1.8%), and sugar, confectionery, and desserts (prices declined by -1.7%) respectively.



On a year-on-year basis, the rate of increase in prices of food items narrowed generally in March.

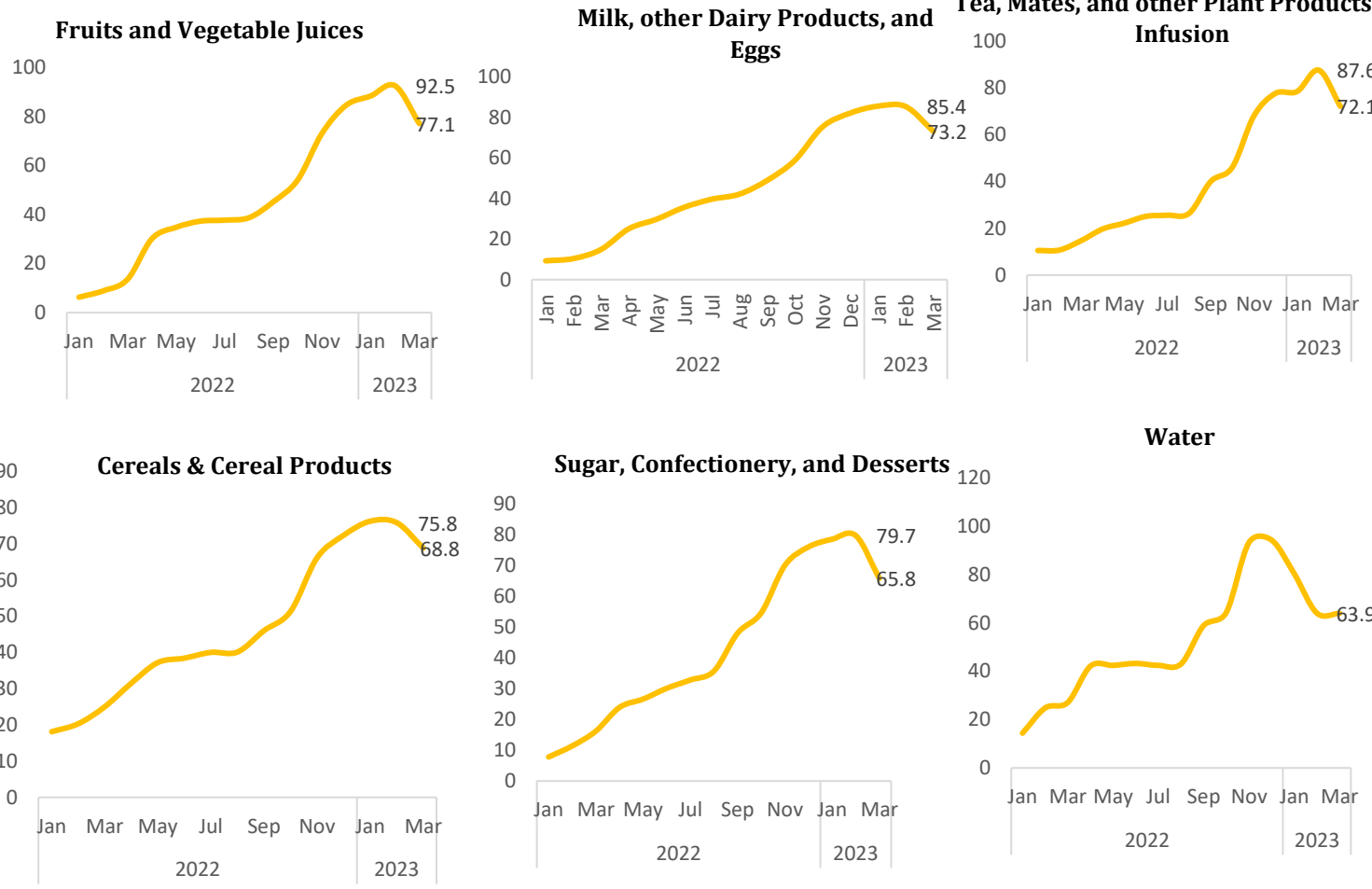
Fruits and vegetable juices recorded the highest food inflation during March. Its rate, however, dropped from 92.5% in February to 77.1% in March.

This was followed by milk, other dairy products, and eggs with inflation rates of 73.2% from 85.4% in February. Tea, mates, and other plant products for infusion followed closely with year-on-year inflation rates of 72.1% from 87.6% in February.

Cereals & cereal products recorded the fourth highest rate of increase (68.8%). Sugar, confectionery, and desserts came fifth with a rate of 66.8%.

Water emerged sixth with year-on-year inflation further moderating from a record high of 64% in February to 63.9% in March 2023.

Year-on-Year Food Inflation Disaggregation



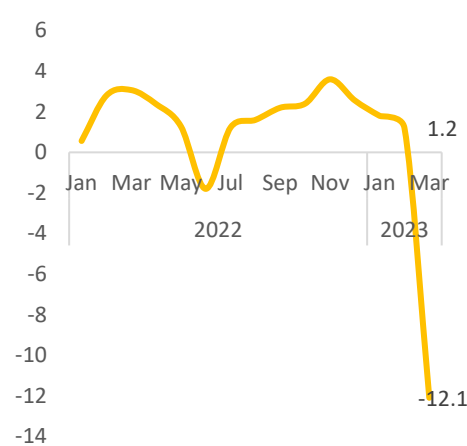
Source: Ghana Statistical Service, UMB IHL Analytics and Research



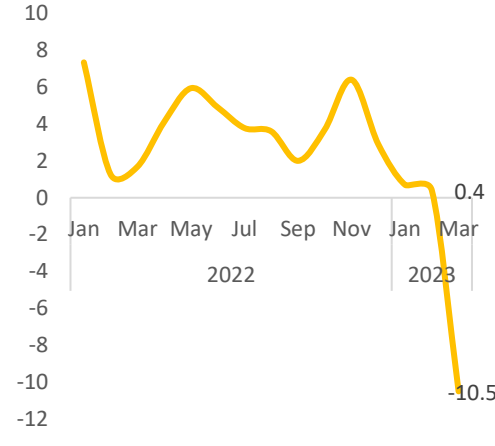
Month-on-Month Non-Food Inflation Disaggregation

- Within the Non-Food category, there was a wider decline in prices of items on a month-on-month basis.
- Information and Communication items recorded the highest decline in prices. It declined by -12.1% in March 2023.
- This was closely followed by items in the category of housing, water, electricity, gas, and other fuels which fell by -10.5%. Recreation, Sport, and Culture also declined by -9.5%.
- Other items within the Non-food category that recorded a significant decline in their prices are health (-6.3%), transportation (-4%) and insurance and financial services (-2.2%) respectively.

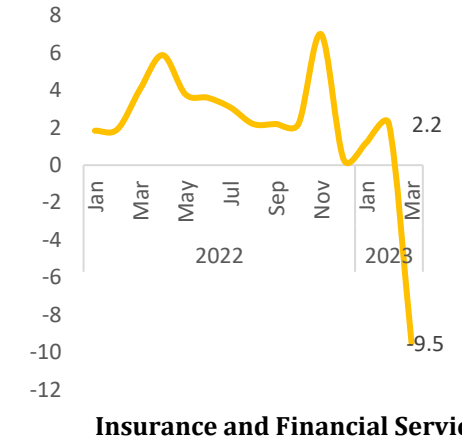
Information and Communication



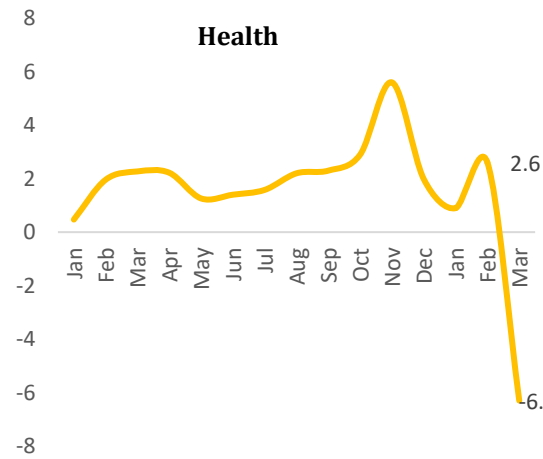
Housing, Water, Electricity, Gas, and other Fuels



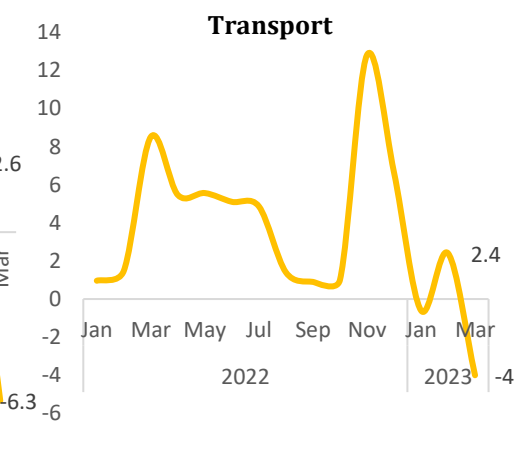
Recreation, Sport, and Culture



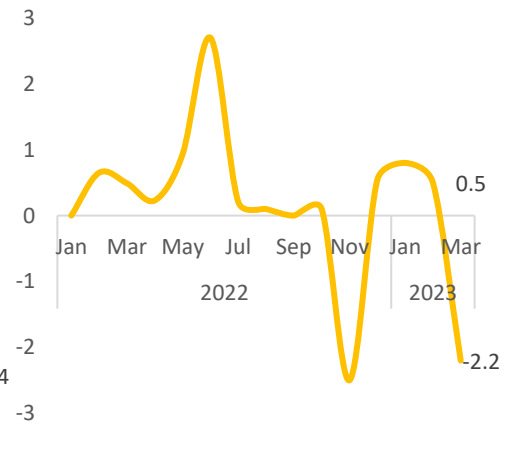
Health



Transport



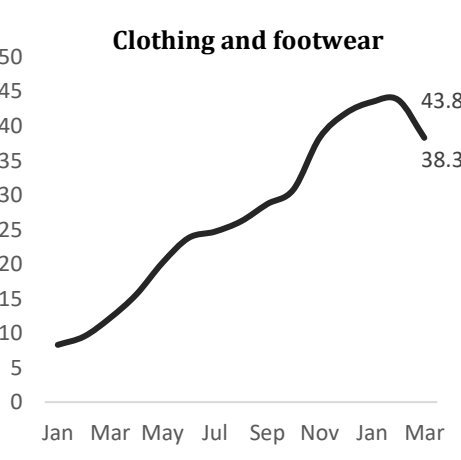
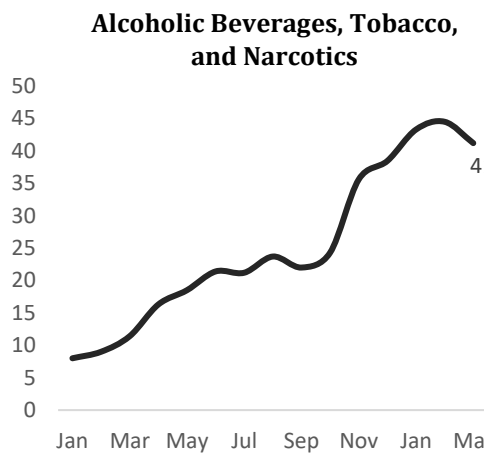
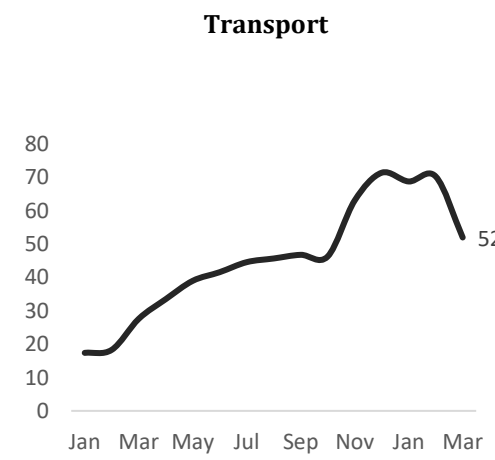
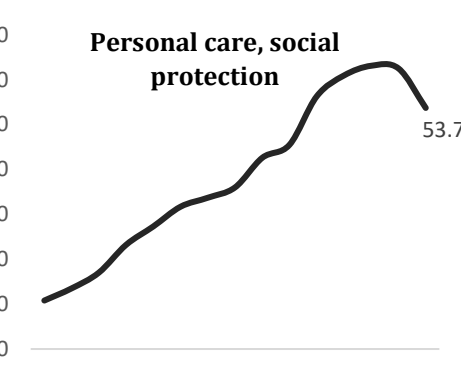
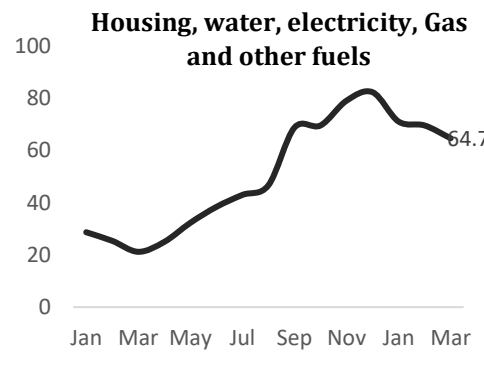
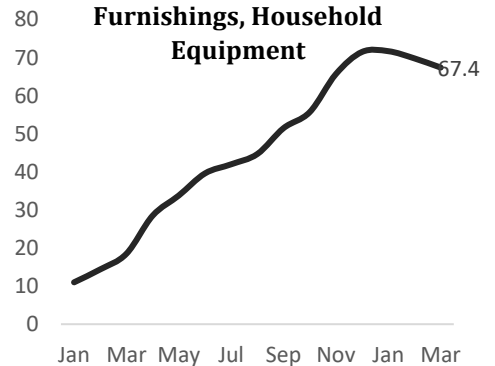
Insurance and Financial Services





Year-on-Year Non-Food Inflation Disaggregation

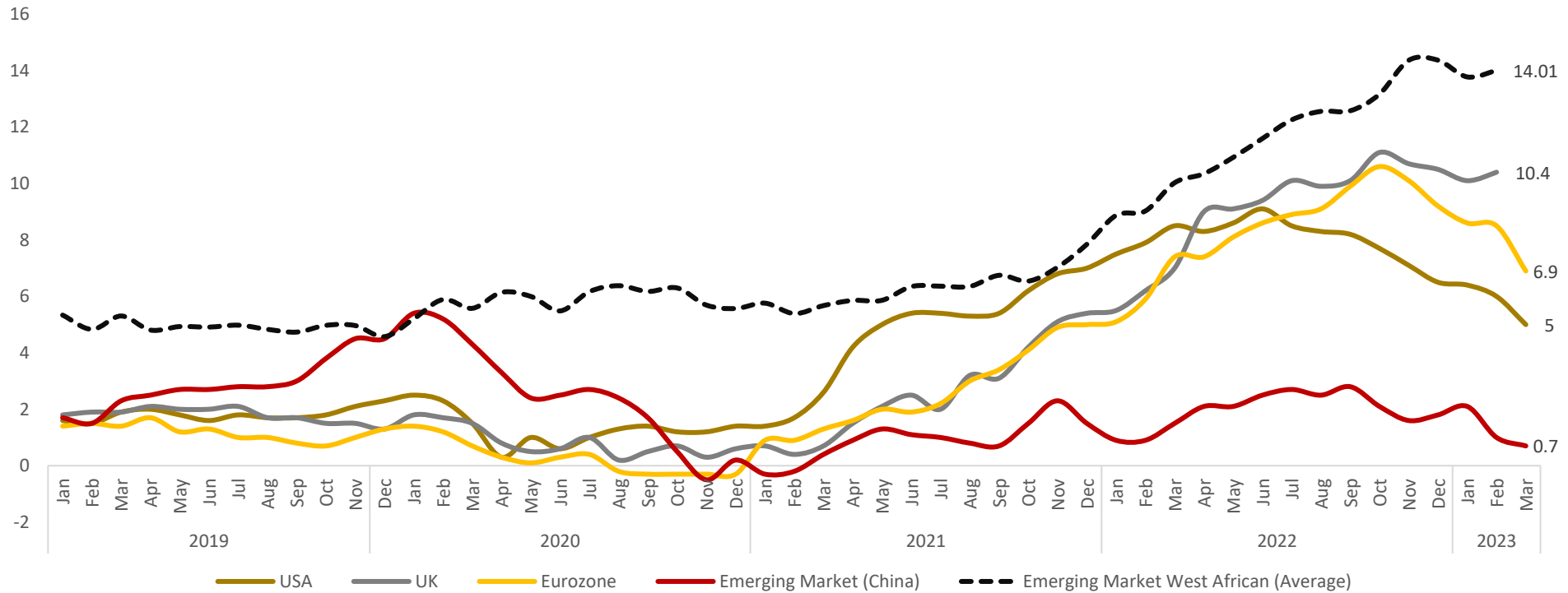
- Furnishings and household equipment emerged as the item with the highest rate of increase (67.4%) in March.
- Housing, water, electricity, gas, and other fuels followed closely with year-on-year inflation of 64.7%.
- In third place, personal care and social protection recorded a 53.7% year-on-year inflation in March. This was closely followed by transport which saw a 52% year-on-year inflation rate.
- Alcoholic beverages, tobacco, and narcotics, and clothing were fifth and sixth with year-on-year inflation rates of 41.2% and 38.3% respectively.



Source: Ghana Statistical Service, UMB IHL Analytics and Research



Inflationary Pressures Ease at the Global Front



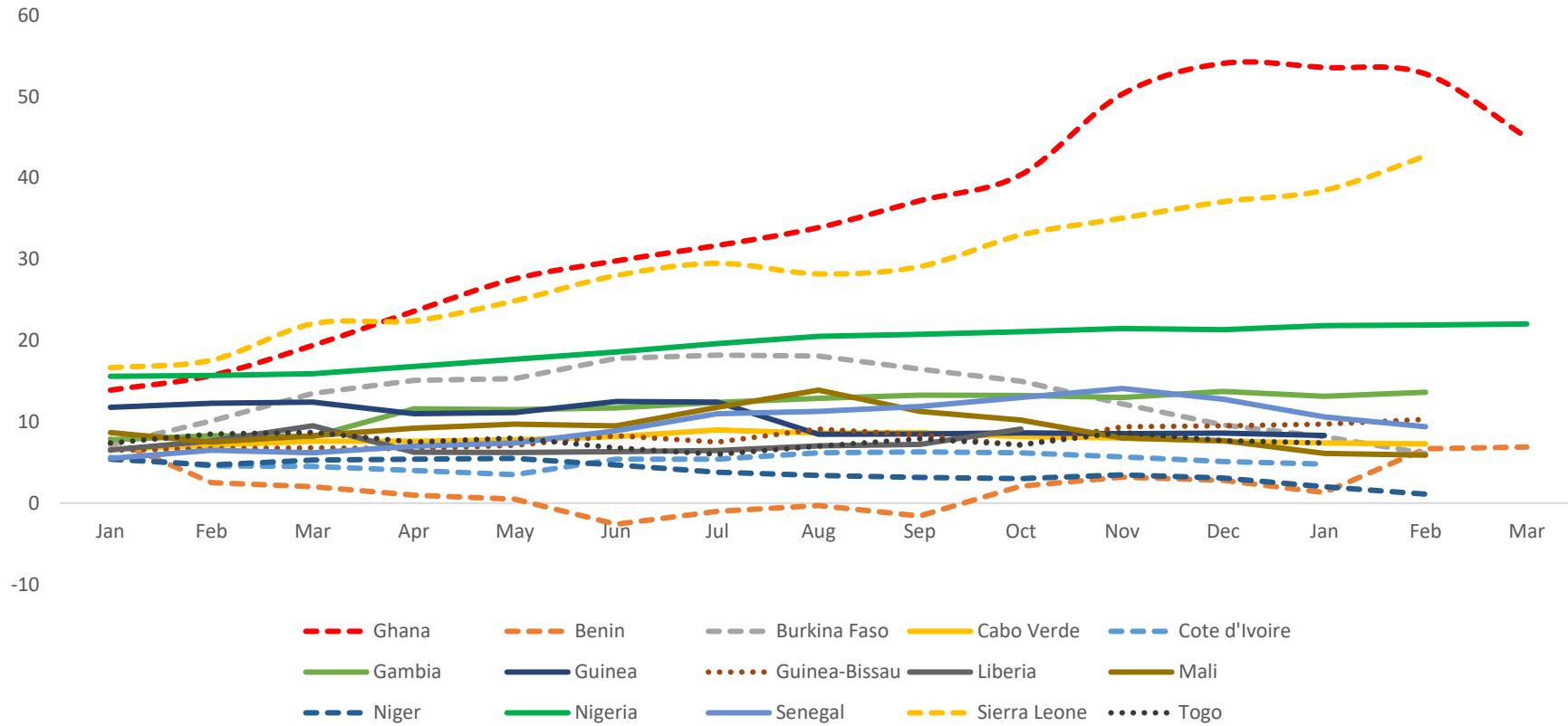
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Global inflation in advanced economies moderate at a slower pace; remains above pre-pandemic levels in major economies.

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Inflation Continues to be High Within West African Countries that have Floating and Flexible Exchange Rate Regimes Compared to those with Fixed Exchange Rates



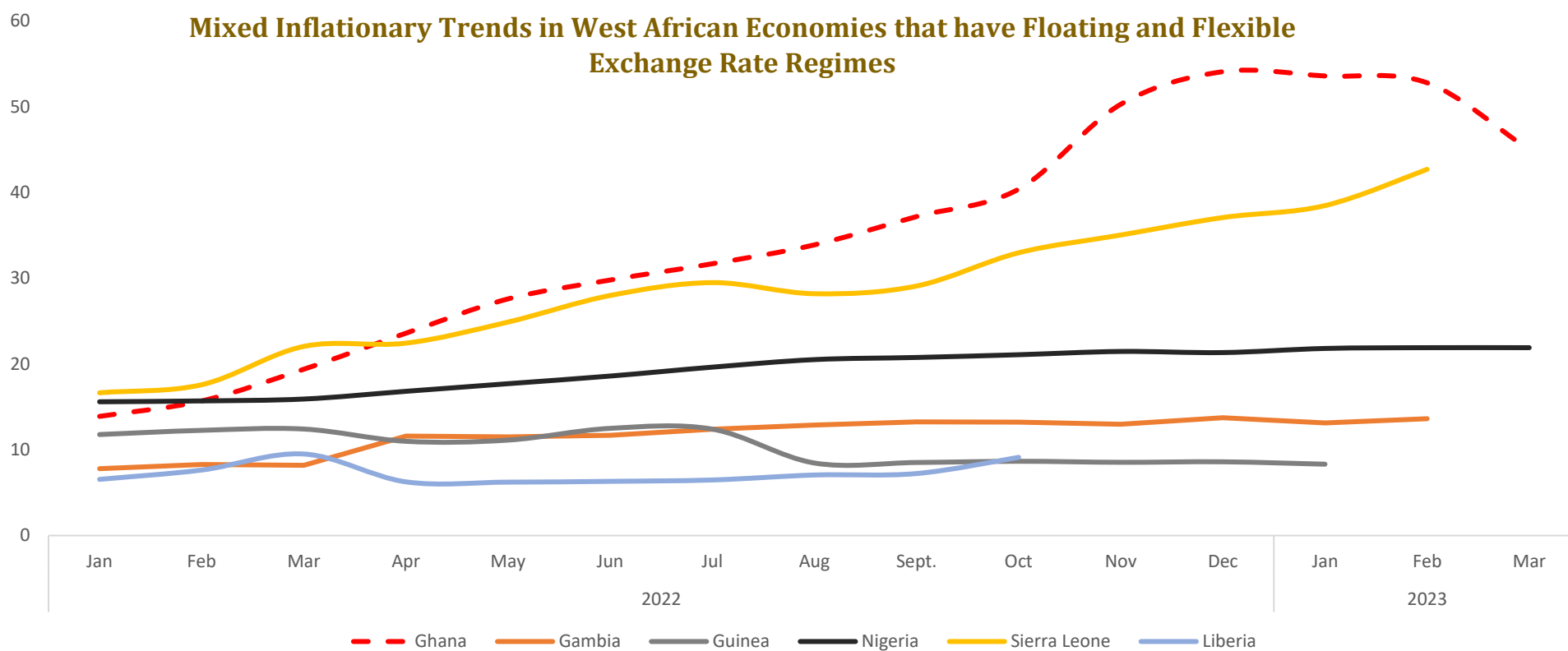
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Despite moderation in global inflationary pressures, West African economies with floating and flexible exchange rate regimes continue to post elevated inflation rates, with Ghana and Sierra Leone leading the rates in the Sub-region.

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Mixed Inflationary Trends in West African Economies that have Floating and Flexible Exchange Rate Regimes



High inflationary pressures moderate in Ghana; Upward trajectory seen in Sierra Leone; Nigeria, Gambia and Guinea experiencing relative stability.



Outlook for April 2023

Looking forward, we estimate Year-on-Year inflation for the month of April to further moderate marginally by 1.5-2.0 percentage points, averaging between **43% - 43.5%**, as the economy's underlying inflationary pressures moderate. This would be largely attributable to the relative stability of the Cedi's performance on the forex market.

However, the recent upward trend in the price of crude on the international market, the upward adjustment of ex-pump fuel prices in the domestic economy, and the new revenue measures recently passed by the government (more specifically, The Growth and Sustainability Levy Act, and The Excise Duty Amendment Act) together pose upside risks to our forecast.

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