

## Base Effects to Taper Inflationary Pressures.

Inflation – March 2021

Ghana's March inflation rate rose by 10.30% y/y (February: 10.30% y/y) compared to Cordros' estimate of 10.35% y/y and Bloomberg's average consensus forecast (10.22% y/y). Compared to the previous month, the headline inflation increased by 0.9% m/m (February: 0.8% m/m). The increase was primarily due to a faster increase in rent prices. Specifically, the Housing, Water, Electricity, Gas, and other Fuels (HEWGF) basket rose to a 9-month high of 5.1% m/m (February: +3.9% m/m). Consequently, the non-food prices rose by 1.4% m/m (February: +1.4% m/m) – the highest since June 2020 (+1.8% m/m).

Meanwhile, prices of food and non-alcoholic beverages (+0.2% m/m vs February: -0.01% m/m) rose due to the slower price declines seen across vegetables (-0.1% vs February: -1.4% m/m) and fish and other seafood (-0.1% vs February: -1.4% m/m). On a year-on-year basis, food inflation moderated sharply to 10.8% y/y (February: 12.3% y/y) while the non-food inflation increased by 10.0% y/y (February: 8.8% y/y).

We expect the stabilization of fuel prices to reduce the non-food basket's pressure for the current month. Similarly, we expect higher rent prices to push up the HEWGF sub-basket, albeit at a slower pace when compared to the prior month. **Accordingly, we forecast m/m non-food inflation reading of 1.4% with the low base effect from the corresponding period of 2020, translating to 7bps increase in the non-food inflation to 10.7% y/y.** On the other hand, we expect the high base effect in the prior year to moderate food prices in the current month. **As a result, we see the food inflation at 0.5% m/m translating to a y/y reading of 4.5%.**

**Overall, we forecast a 1.0% m/m increase in headline inflation, cascading to 228bps moderation in the year-on-year inflation to 8.02% y/y.**

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Figure 1: Trend in Food and Non-Food Inflation (y/y)

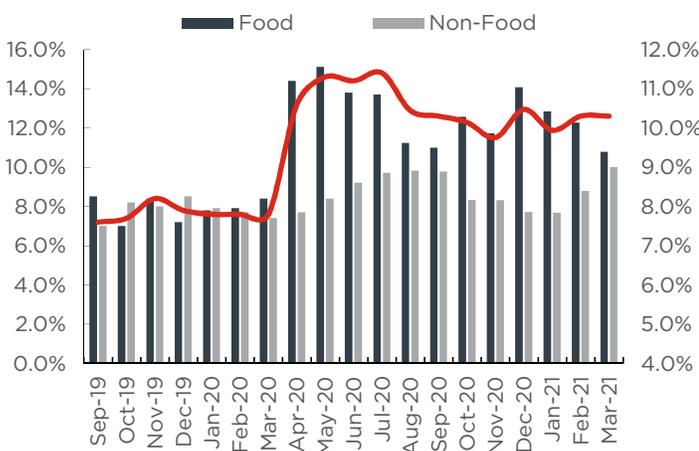
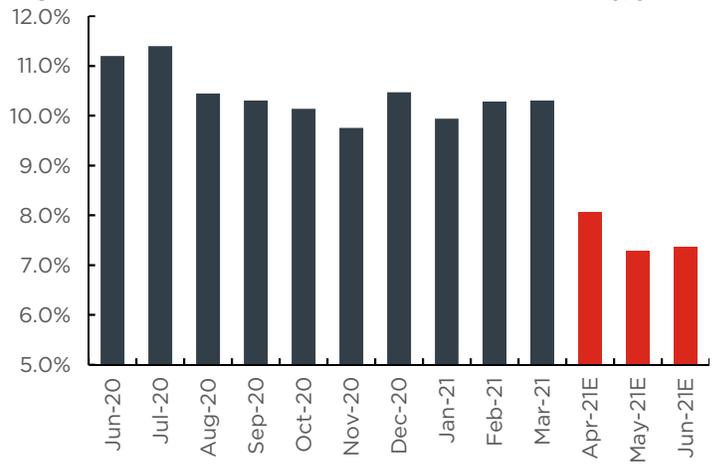


Figure 2: Headline Inflation – Historical and Forecast (y/y)



Source: GSS, Cordros Research Estimates

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