

## Inflationary Pressures to Decelerate on Stable Utility Prices amidst Favourable Base Effect.

Inflation – April 2021

In our March 2021 Ghana inflation report: [Base Effects to Taper Inflationary Pressures](#), we stated that there would be moderation in the April 2021 headline inflation largely driven by the favourable base effect from the prior year. True to our prognosis, Ghana's headline inflation moderated by 184bps to 8.5% y/y in April (March: 10.3% y/y) – the lowest since March 2020 (7.8% y/y). The outturn was 48bps higher than Cordros' estimate (8.02% y/y), with the deviation coming from the food basket. On a month-on-month basis, the headline inflation printed 1.5% (March: 0.9%).

The prices of food items increased by 209bps to 2.29% m/m in April. We highlight that the preceding was due to higher prices seen across Vegetables (+5.4% m/m vs March: -0.1% m/m), and Fish and other seafood (+2.4% m/m vs March: -0.1% m/m). On a year-on-year basis, food inflation moderated by 432bps to 6.5% y/y (compared with our estimate of 4.5% y/y) primarily due to the high base effect from the prior year.

Unsurprisingly, non-food inflation moderated to 0.95% m/m (March: 1.39% m/m) as the impact of higher rent prices began to wane amidst stable fuel prices compared to the previous month. Hence, the price moderation in the HWEGF (+1.0% m/m vs March: 5.1% m/m) sub-basket offset the increase recorded in the health (+68bps to 1.2% m/m) and clothing & footwear (+140bps to 1.6% m/m) sub-baskets. On a year-on-year basis, non-food inflation increased by 22bps to 10.21% y/y driven by broad-based increases across the clothing & footwear (7.08% y/y vs March: 6.01% y/y), transportation (9.57% y/y vs March: 6.83% y/y) and financial services (8.96% y/y vs March: 7.84% y/y) sub-baskets.

Over the medium term, we expect food inflation to trend downwards driven by high base effect from the prior year. In May 2021, we estimate food inflation will increase by 1.6% m/m, translating to 5.7% y/y (April: 6.5% y/y). Similarly, we expect stable fuel and rent prices to keep the non-food inflation in check. Consequently, we look for a 1.1% m/m reading in the non-food basket, translating to 10.0% y/y.

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Covering all bases, we forecast a 1.3% m/m increase in headline inflation in May, with the favourable base effect from the prior year translating to a y/y reading of 8.1%.

Economic note

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

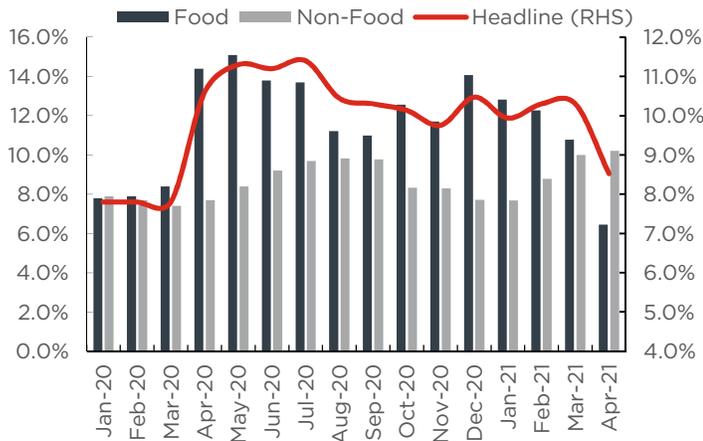
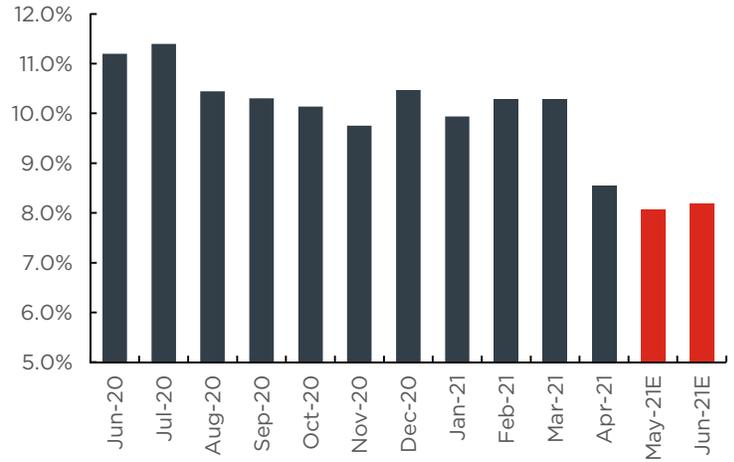


Figure 2: Headline Inflation – Historical and Forecast (y/y)



Source: GSS, Cordros Research Estimates

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