

The background features a blurred image of several stacks of gold coins on the left and a grey bar chart with a red line graph on the right. The red line graph shows an overall upward trend, starting from the bottom left and ending with an arrowhead pointing towards the top right. A large, semi-transparent orange shape is overlaid on the left side of the image, containing the main title and date.

# **UMB IHL MONTHLY INFLATION DIGEST**

**FEBRUARY, 2023**



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## HIGHLIGHTS

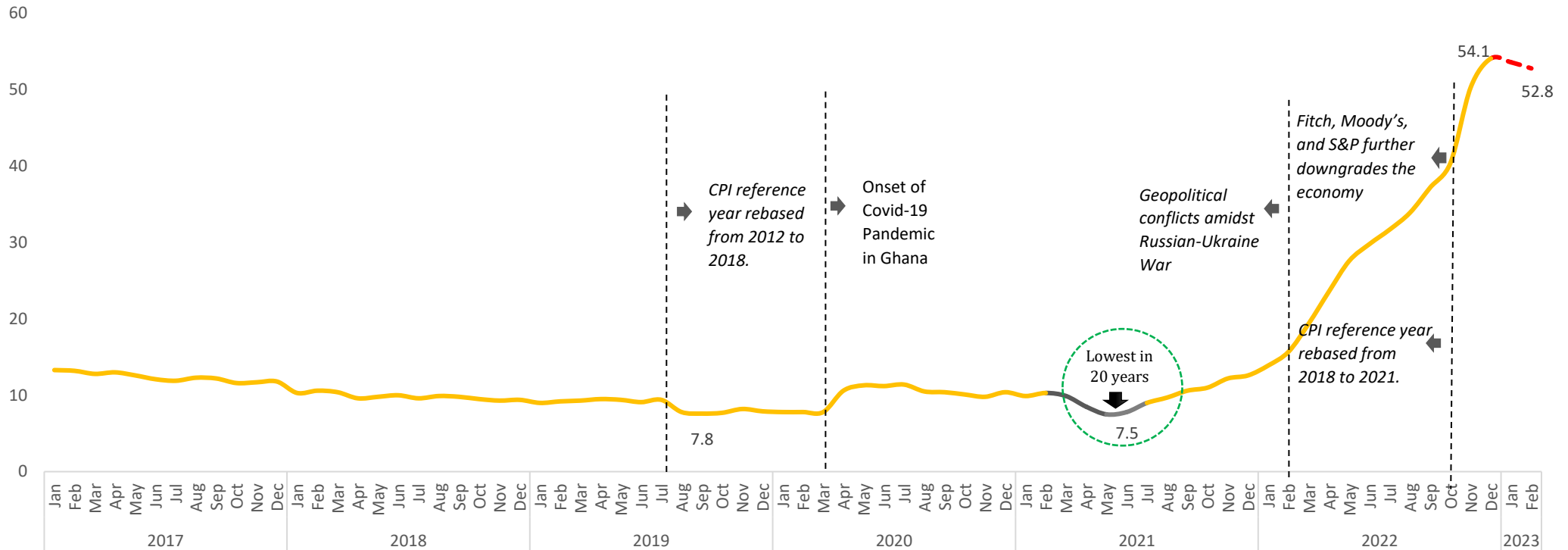
- ▶ Consumer Price Index (“Inflation”) for the month of February 2023 averaged 52.8%, indicating a further decline of 0.8% from what was recorded in January 2023 (53.6%).
- ▶ Inflationary pressure eased in majority of the regions except for Upper West, Upper East, Northern and Western regions which saw rates widened.
- ▶ Food inflation dropped by 1.9% from 61% in January to 59.1% in February 2023, while non-food inflation remained unchanged at 47.9% within the same period under review.
- ▶ Inflation for both local and imported items dropped marginally; local inflation eased by 1% while imported inflation dipped by 0.2% in the month of February.
- ▶ There was also a significant drop in the number of items whose inflation rate exceeded 100% in January. The number dropped from 19 items to 5 items in February.
- ▶ Inflationary pressures within West African economies with floating and flexible exchange rate regimes however remained elevated compared to their counterparts with fixed exchange rate regimes.
- ▶ Given factors such as reduction in fuel prices, the recent plumb in world crude oil prices, we expect an inflation rate to nosedive further the month of March 2023.

## 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.
- ▶ Currently, Year-on-Year Inflation for the month of February 2023 averaged 52.8%, reflecting a further drop in the rate of increases in the prices of goods and services recorded in January 2023 (53.6%).



## Year-on-Year Inflation Drops for the Second Consecutive month into 2023



➔ Year-on-Year Inflation for February 2023 decreased by 0.8 percentage points from 53.6% in January to 52.8%.

➔ Within the food category on Year-on-Year basis, February's inflation rate was mostly led by price increases in fruit & vegetable juice, tea, mate & other plant products for infusion, and milk and dairy product and eggs respectively.

➔ In the Non-food category, transport, furnishings, household equipment, housing and utilities, alcoholic beverages, tobacco & narcotics were the main drivers of February's Year-on-Year inflation.



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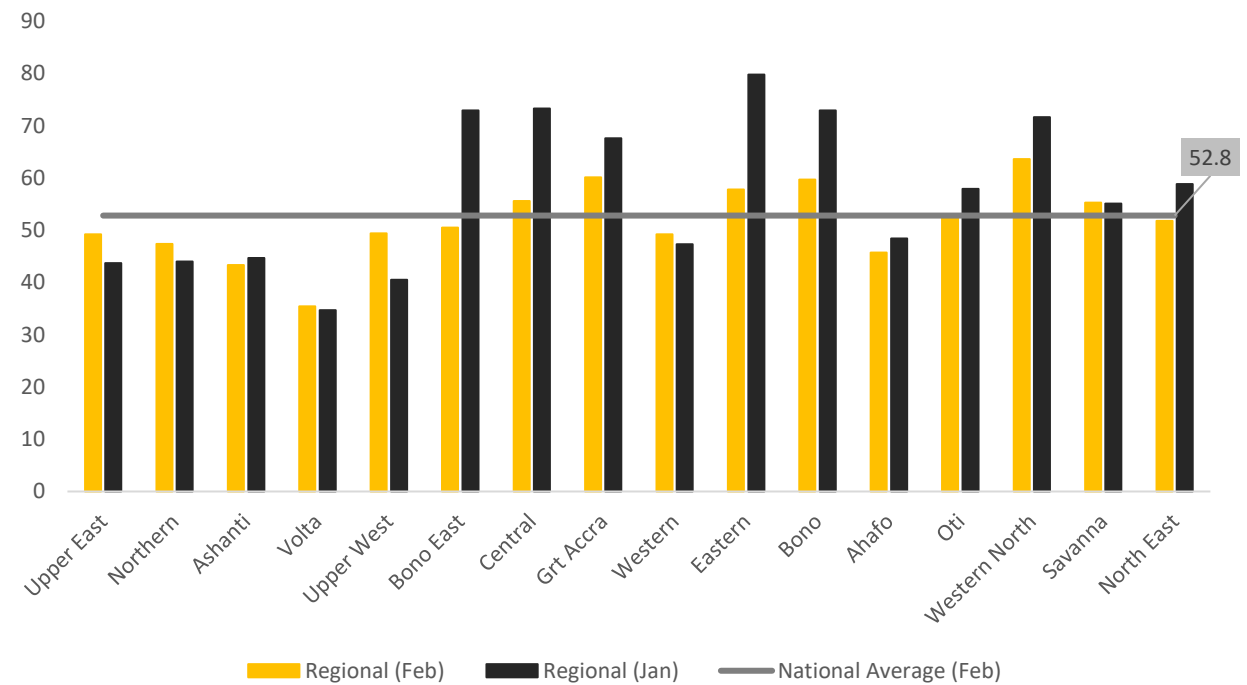
→ Regional Year-on-Year inflationary pressures ease generally, slumped by 22.4% in Bono East region, 22% in Eastern region, 17.7% in Central, 13.2% in Bono, 8% in Western North and 7.5% in Greater Accra regions respectively.

→ On the flip side, Month-on-Month inflation surged by 8.9% in the Upper West, 5.5% in Upper East, 3.4% in the Northern region, and 1.9% in the Western region 0.7% in the Volta region respectively.

→ Volta region remained the only region whose Year-on-Year inflation stayed below 40% despite the marginal increase recorded in February.

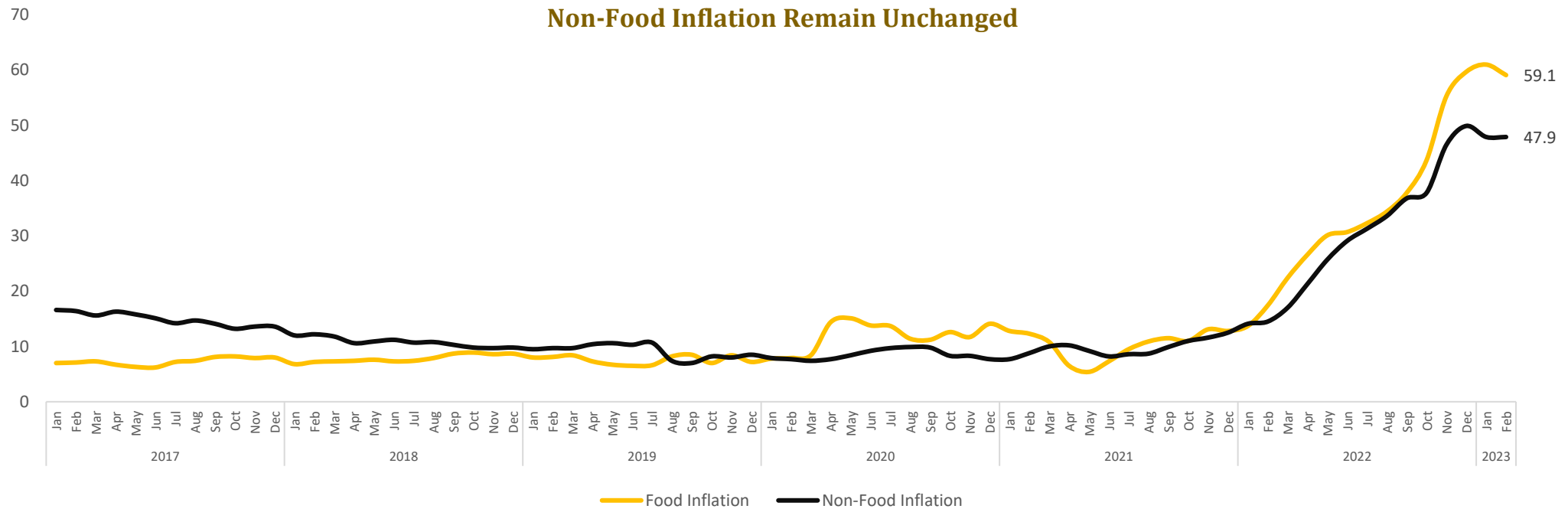
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### Year-on-Year Inflation Dropped Significantly in the Bono East, Eastern, Central, Bono, Western North and Greater Accra Regions





## Food Inflation for the Month of February Dropped to 59.1% from 61% in January; Non-Food Inflation Remain Unchanged

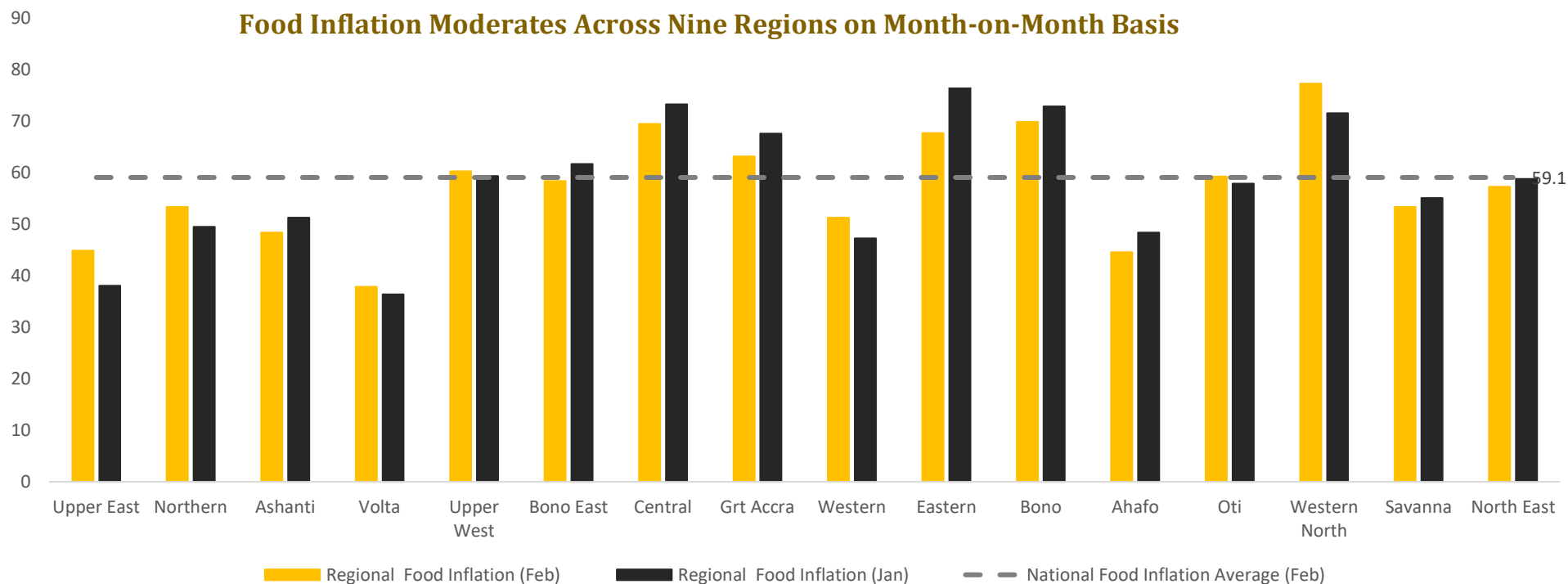


Year-on-Year food prices dropped by 190 bps from 61% in January 2023 to 59.1% in February 2023. Major drivers of food inflation for the month of February include tea, mates & other plants of infusion cocoa drinks, fruits and vegetable juices, and coffee and coffee substitutes respectively.

Year-on-Year Non-food inflation on the other hand remained unchanged at 47.9%. Key contributors in the month of February include personal care and social protection, furniture, household equipment, health, and alcoholic beverages, tobacco & narcotics in that order.



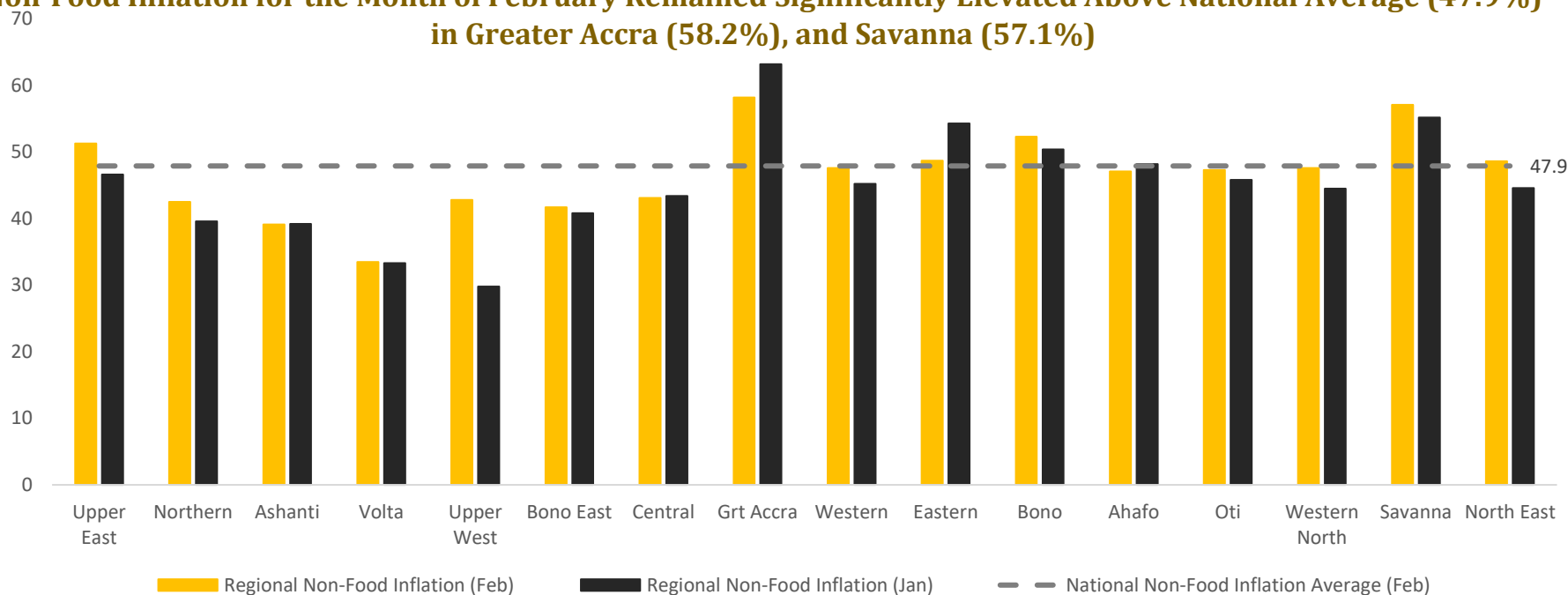
## Food Inflation Moderates Across Nine Regions on Month-on-Month Basis



- ▶ Food inflation declined in Ashanti by 2.9% (i.e. 51.3% to 48.4%), Bono East by 3.3% (i.e. 61.7% to 58.4%), Central by 3.8% (i.e. 73.3% to 69.5%), Greater Accra by 4.4% (i.e. 67.6% to 63.2%), and Eastern region by 12.1% (i.e. 79.8% to 67.7%). Other regions whose inflation rate fell in February relative to January include Bono, Ahafo, Savanna, and North-East regions, respectively.
- ▶ Compared to the national food inflation average (59.1%), the inflation rate for Western North remained significantly above the national average by 18.2%, as it surged by 5.7% from 71.6% in January to 77.3% in February. This was mostly led by the higher increases in the cost of fruits and nuts (136.3%), live animals, meat, and other parts of slaughtered land animals (112.2%), and sugar, confectionery, and dessert (94.5%).
- ▶ On the flip side, food inflation in the Upper East, Northern, Volta, Upper West, Western, and Oti regions respectively increased over rates recorded in January.



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

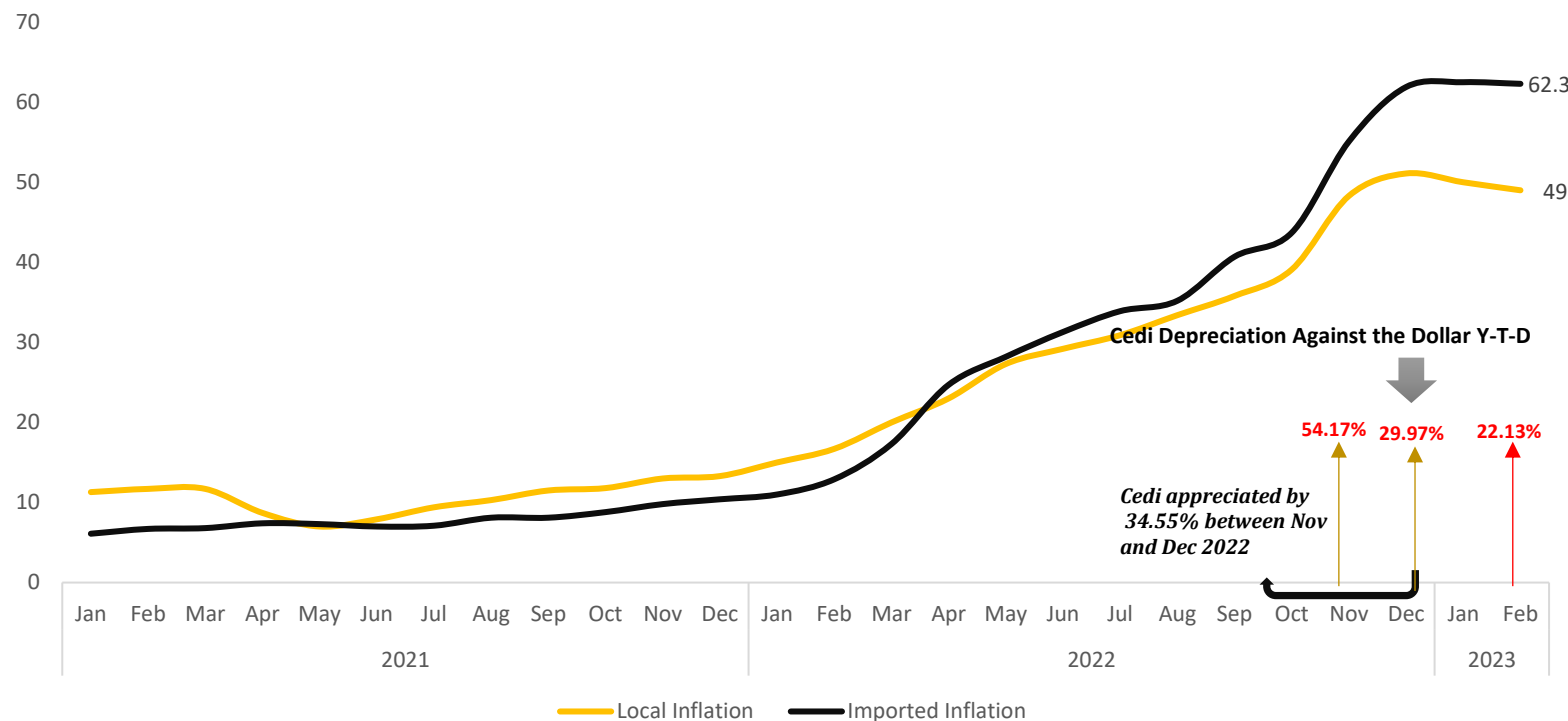


- ▶ *Non-food inflation in Greater Accra declined by 5% from 63.2% to 58.2% but was significantly higher than the national average by 10.3% in February. Similarly, in the Eastern region, the non-food inflation rate fell by 5% to 48.7%, marginally above the national average by 0.8%.*
- ▶ *Other regions whose non-food inflation crossed the national average include Savanna (57.1%), Upper East (51.3%), Bono region (50.4%), and Northeast region (48.6%) respectively.*
- ▶ *The Upper West region witnessed a sharp increase in Year-on-Year non-food inflation rates by 13%, increasing from 29.8% in January to 42.8% in February 2023.*
- ▶ *Volta region (33.5%) emerged as the region with the lowest non-food inflation rate for the month of February.*

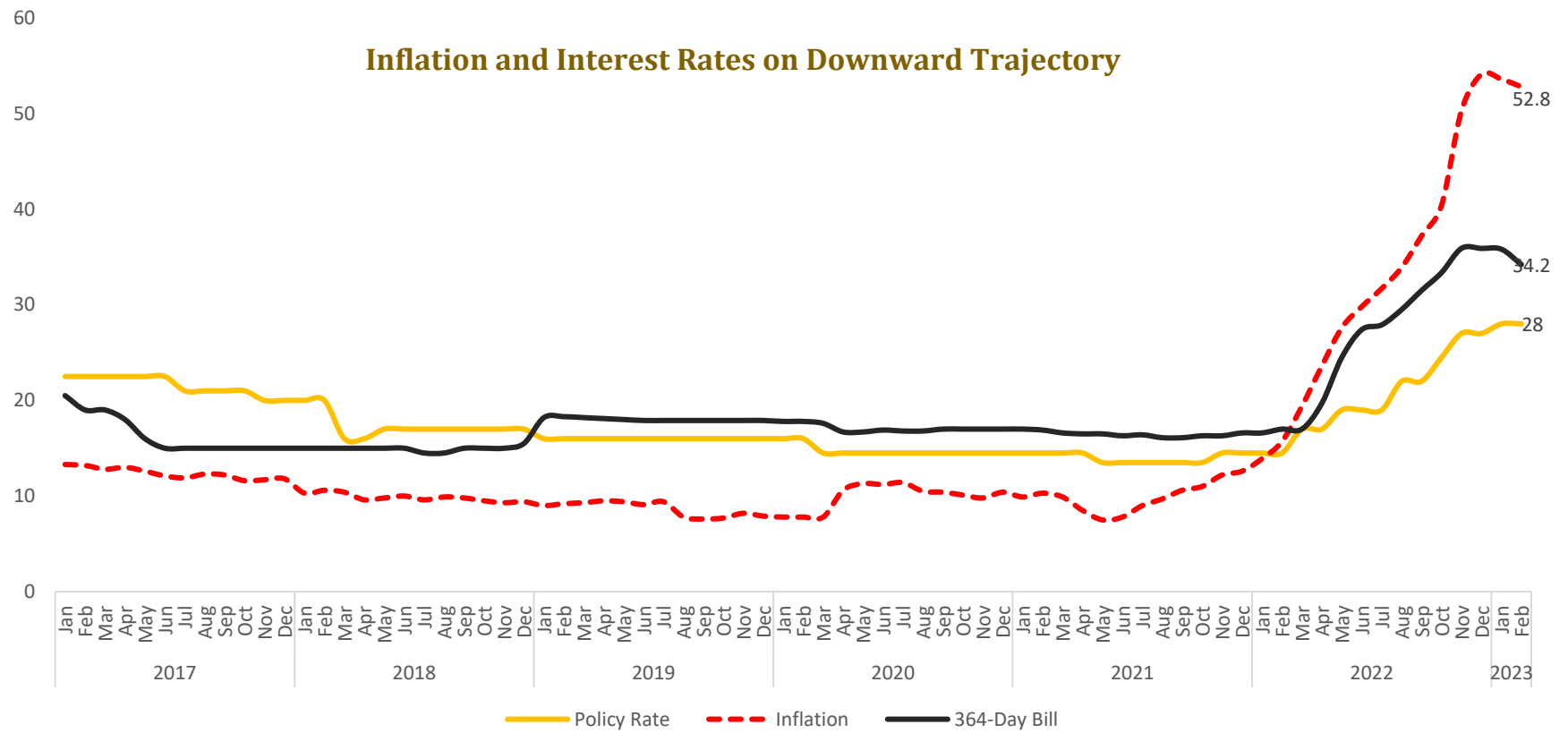




## Both Local and Imported Inflation Dropped Marginally in the Month of February 2023



- ➔ Following the widening of the rate of increase in the prices of imported items in January 2023 by 60bps, imported inflation for the month of February dropped for the first time since June 2021. It declined by 20bps from 62.5% in January to 62.3% in February 2023. This is partially attributed to the moderation of global inflationary pressures.
- ➔ Year-on-year local inflation also fell marginally from 50% in January 2023 to 49% in February 2023, partly on the back of the decrease in ex-pump fuel prices and associated adjustments in transportation costs.



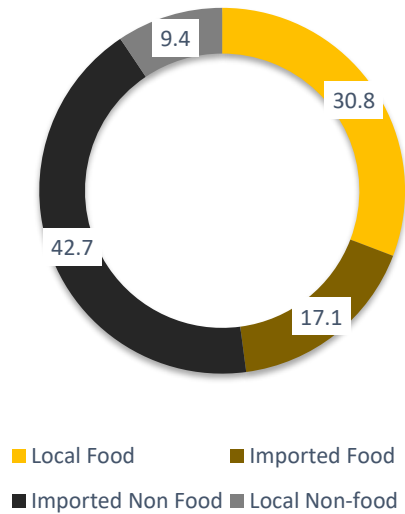
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*Year-on-Year inflation rate fell for the second consecutive month reflecting the gradual easing in the rate of price increases but remains exceedingly higher above the policy rate and interest rates.*

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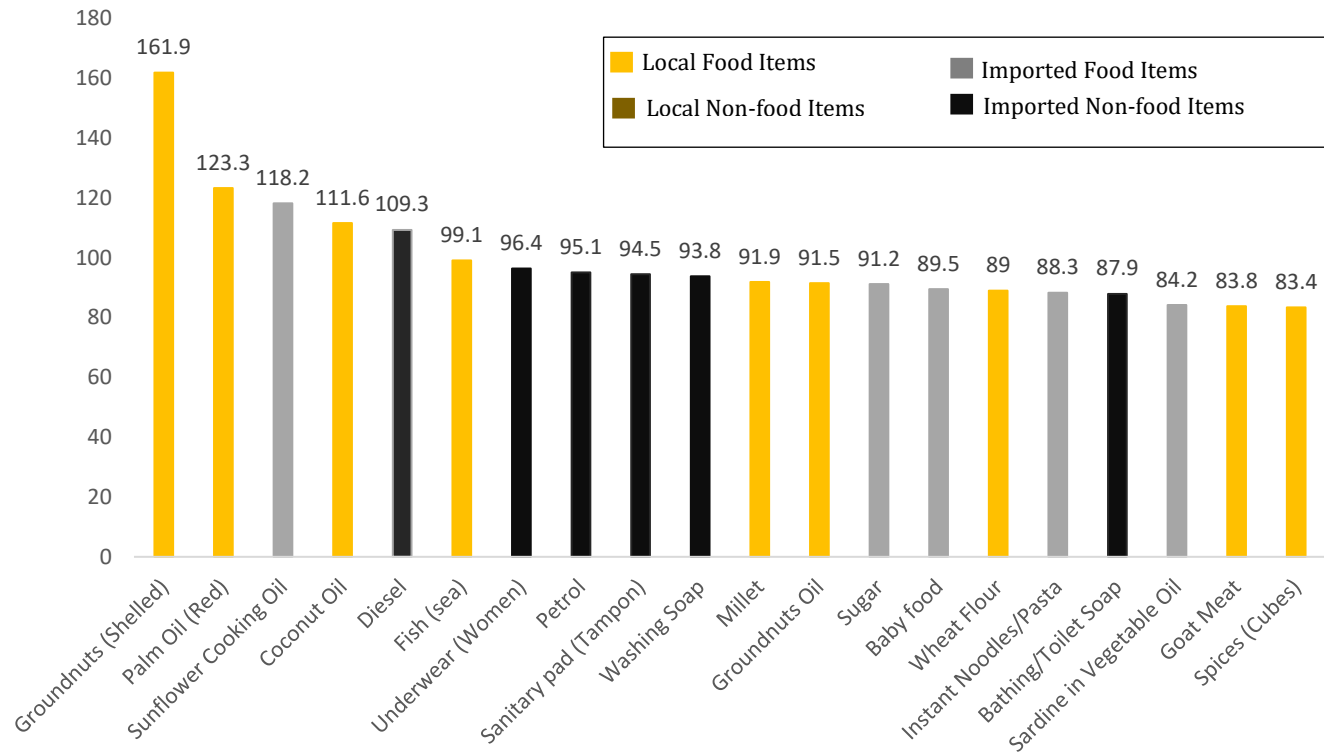


### Prices of Imported Items Category Recorded the Lion's Share of Items whose Inflation Rates were Higher than the National Average



Imported non-food items (42.7%) dominates items that had inflation higher than the national average.

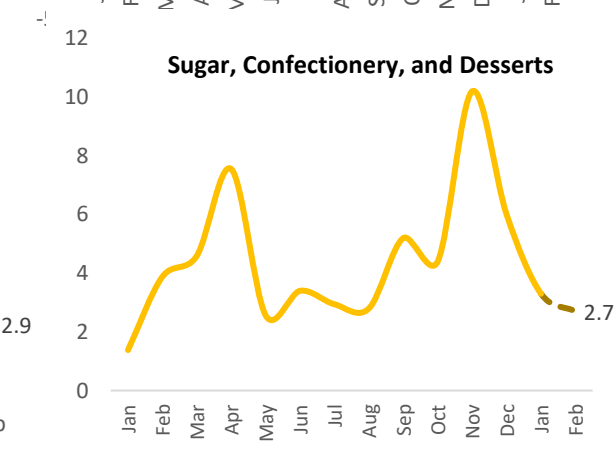
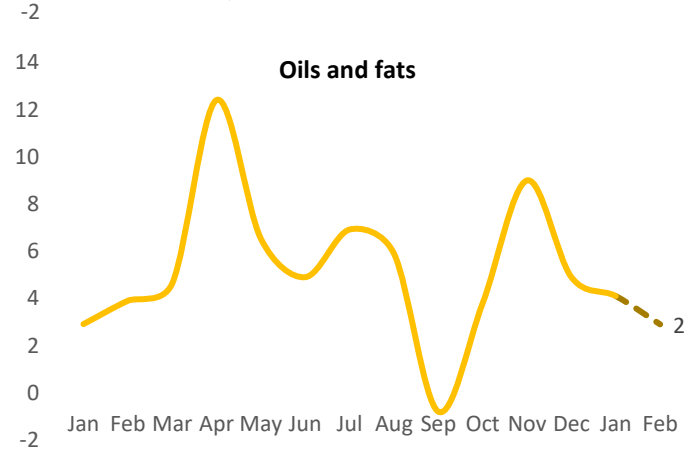
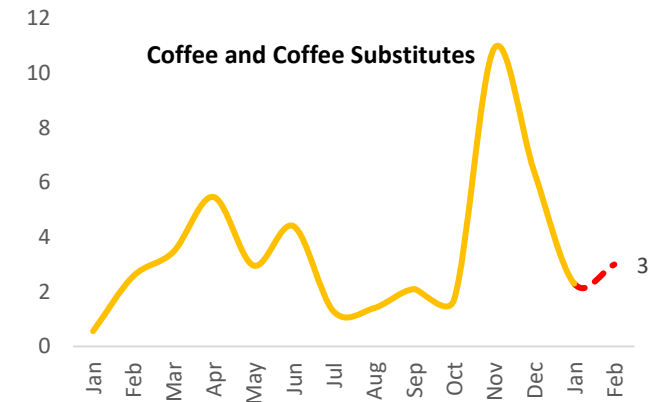
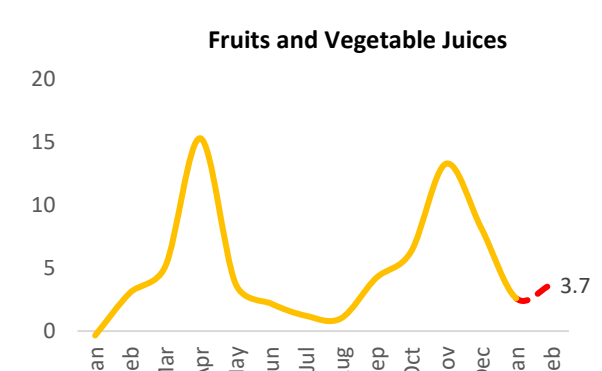
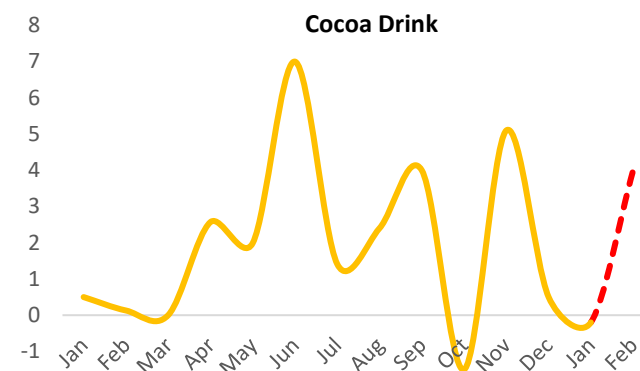
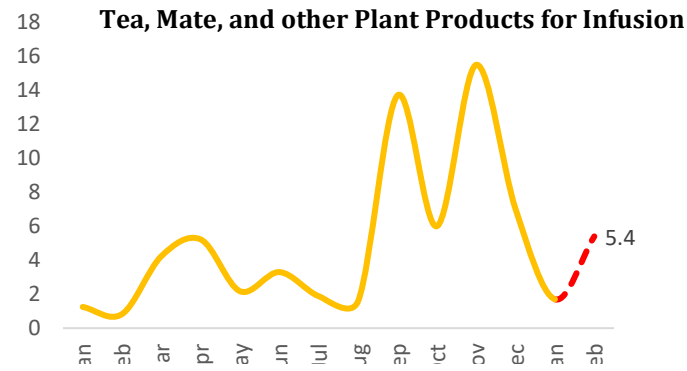
### Major Drivers for Year-on-Year Inflation in Ghana



- Items with Year-on-Year inflation rate exceeding 100% drops from nineteen (19 products) in January to five (5 products) in February.
- The significant drop in the number of items with Inflation rates further buttresses the moderation of Ghana's inflationary pressure.



## Month-on-Month Food Inflation Disaggregation

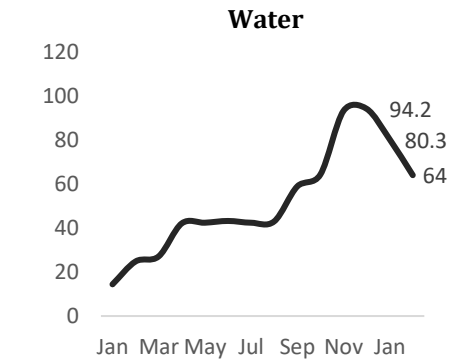
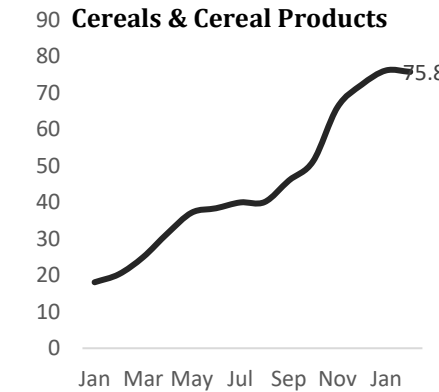
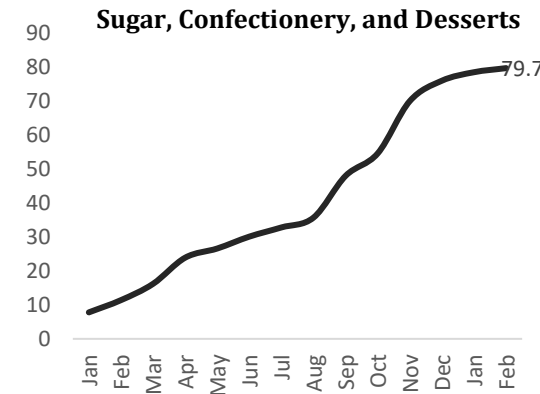
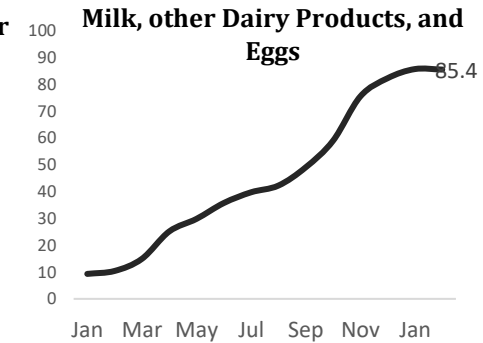
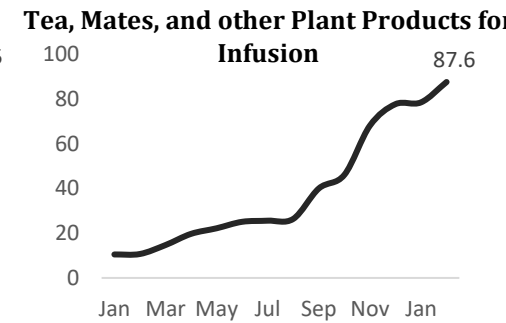
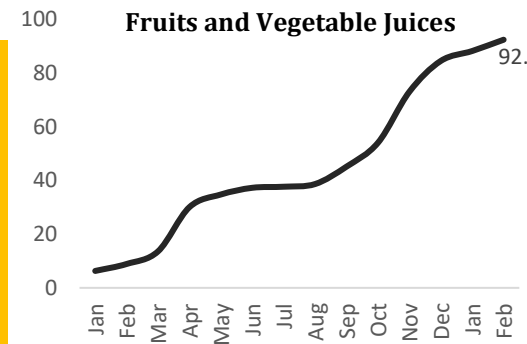


- ➔ The rate of change in major drivers of Month-on-Month food inflation for February widened and was mostly led by Tea, Mates, & other plant products for fusion which increased from 1.7% in January to 5.4% in February.
- ➔ Followed closely is cocoa drinks with rates increasing from -0.2% in January to 4% in February. Fruits & vegetable juice was the third highest with rates increasing from 2.6% in January to 3.7% in February. Coffee and coffee substitutes also increased from 2.3% in January to 3% in February.
- ➔ On the contrary, oil and fats narrowed from 4.1% in January to 2.9% in February. Sugar, confectionery & desserts which also declined from 3.3% in January to 2.7% in February respectively.



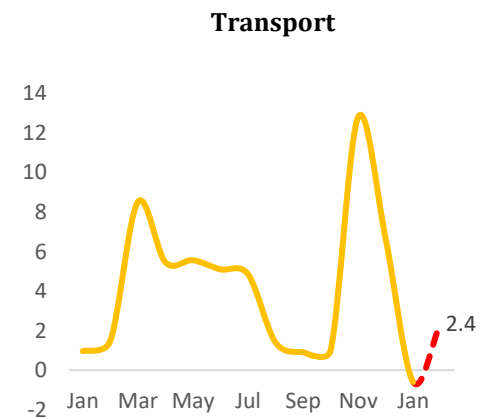
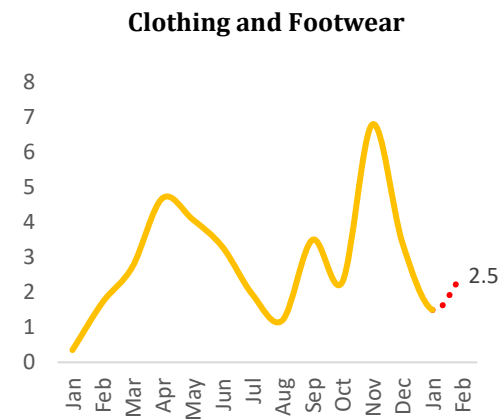
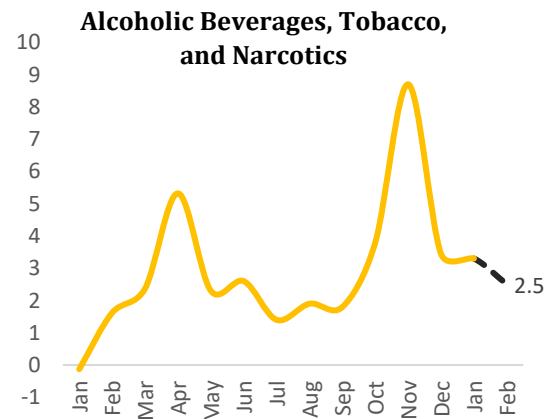
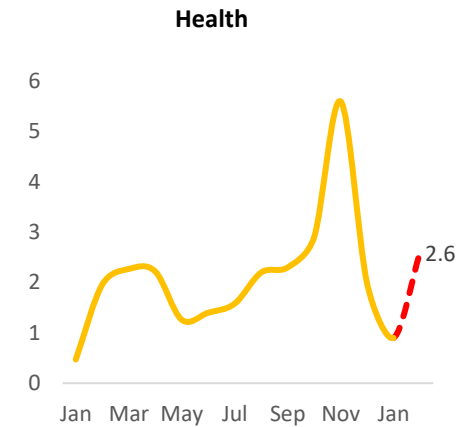
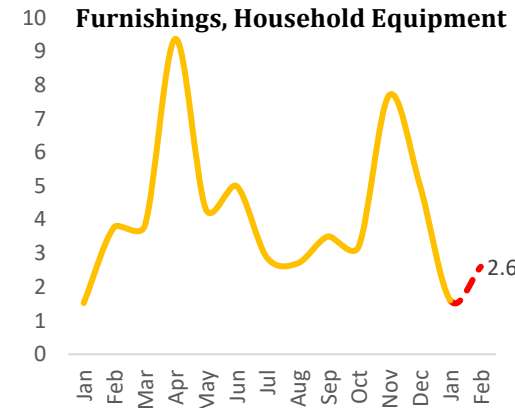
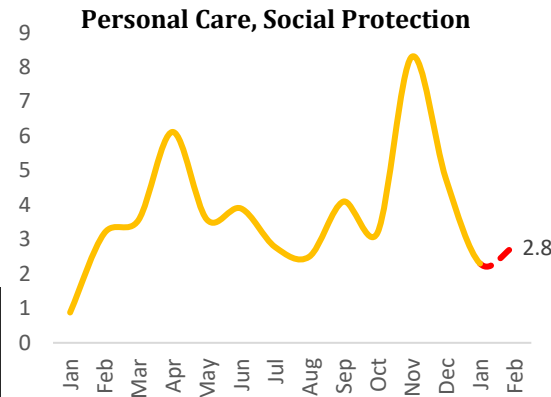
## Year-on-Year Food Inflation Disaggregation

Fruits and vegetable juices recorded the highest year-on-year food inflation for February 2023, reaching a high of 92.5%. This was followed by tea, mates, and other plant products for infusion (87.6%), and milk, other dairy products, and eggs (85.4%) respectively. Sugar, confectionery, and desserts recorded the fourth highest rate of increase (79.7%). Cereal & cereal products came fifth with a rate of 75.8%. Water emerged sixth with Year-on-Year inflation further moderating from a record high of 80.4% in January to 64% in February 2023.





## Month-on-Month Non-Food Inflation Disaggregation



In the non-food category, personal care and social protection recorded the highest Month-on-Month inflation with rates broadening from 2.3% in January 2023 to 2.8% in February.

This was followed closely by health and furnishings & household equipment; both at 2.6%.

The Alcoholic beverages, tobacco, and narcotics category was fourth with 2.5%.



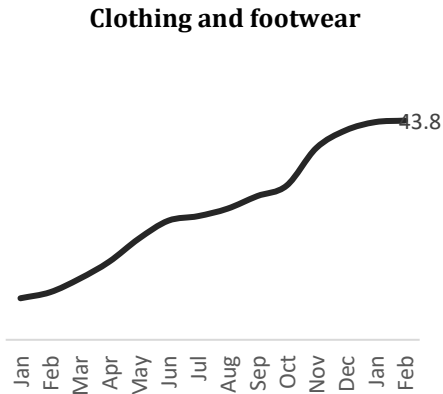
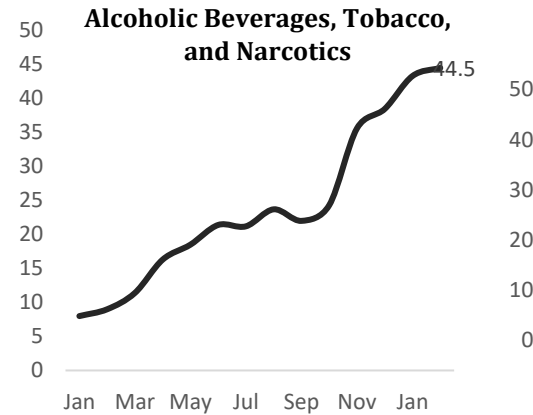
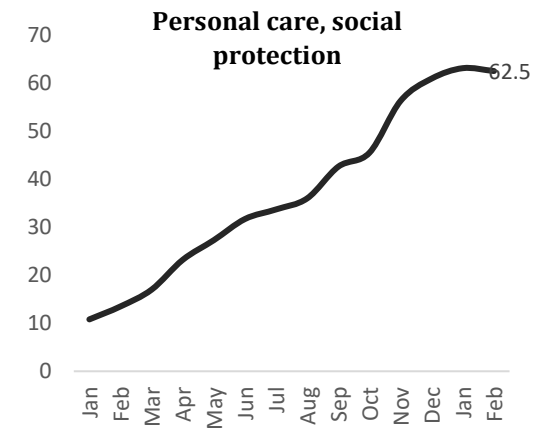
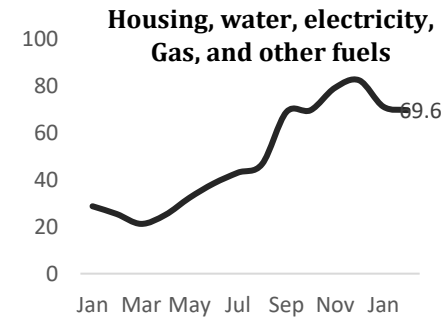
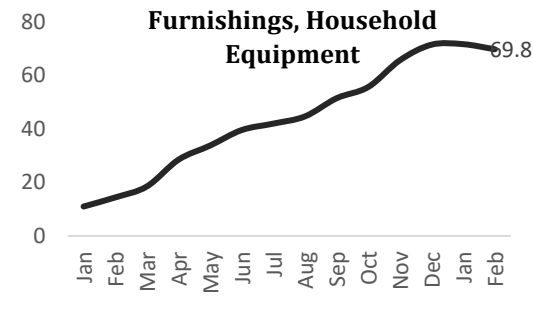
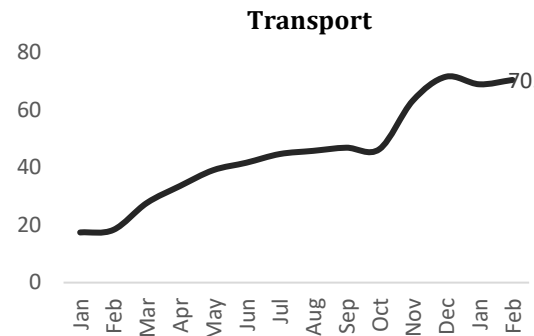
## Year-on-Year Non-Food Inflation Disaggregation

Transport recorded the highest year-on-year non-food inflation for February 2023, reaching a high of 70.3%.

Furnishings and household equipment came second at 69.8% and was closely followed by housing, water, electricity, gas, and other fuels (69.6%) respectively.

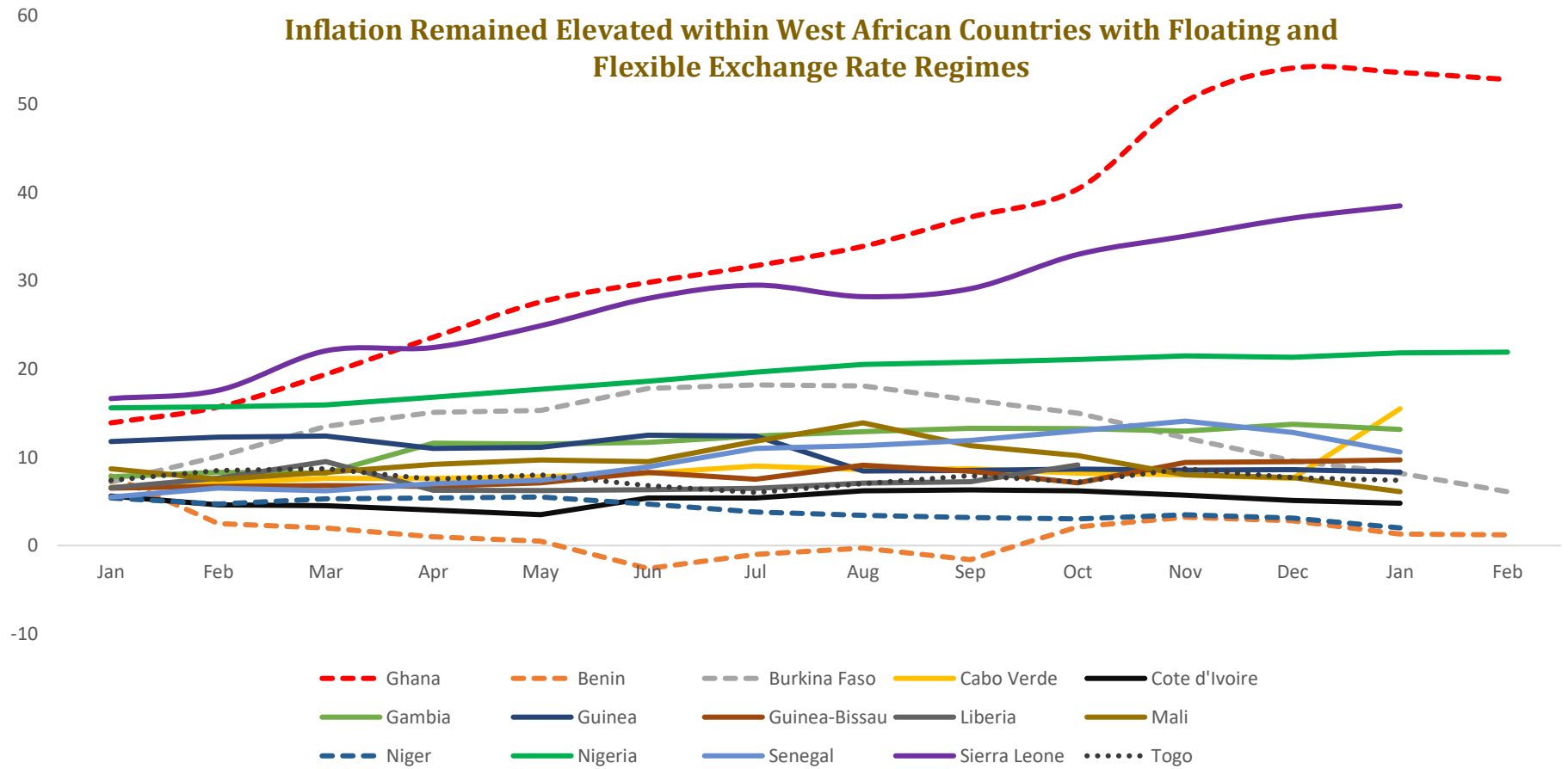
Personal care and social protection recorded the fourth highest rate of increase (62.5%) in February.

Alcoholic beverages, Tobacco and Narcotics and Clothing were fifth and sixth with year-on-year inflation rates of 44.5% and 43.8% respectively.





### Inflation Remained Elevated within West African Countries with Floating and Flexible Exchange Rate Regimes



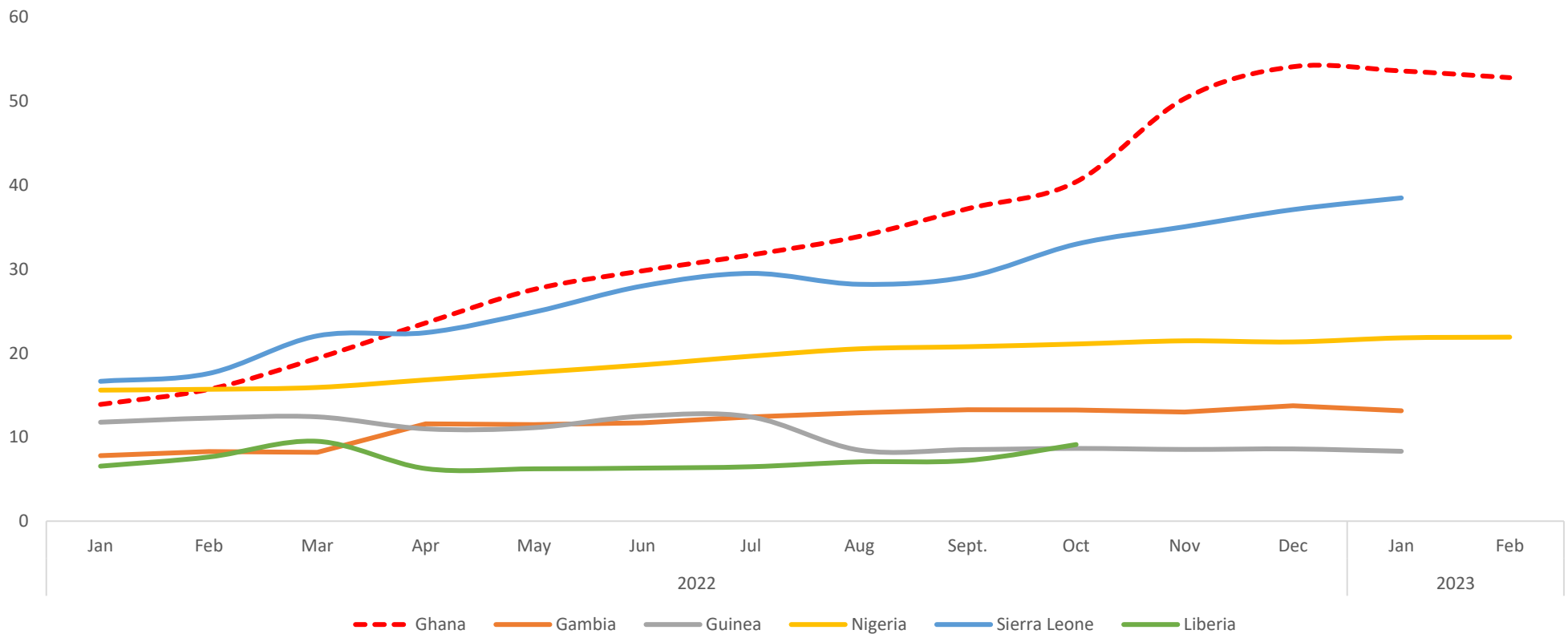
“ High dependency on imports vis-à-vis strong US Dollar performance amidst global supply chain disruption and a threatening risk of food insecurity contributed to hoisting high inflationary pressures in major West African economies with flexible and floating exchange rate regimes. ”

Source: Ghana Statistical Service, Trading Economics, Official Website of Various Central Banks UMB IHL Analytics and Research





## Ghana's Inflation Rate for the Month of February Remained an Outlier Among Peer West African Economies with Floating and Flexible Exchange Rate Regimes



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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 recording the highest rate.*

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## Outlook for March 2023

Looking forward, we estimate Year-on-Year inflation for the month of March to further moderate by 0.5-1.0 percentage points, averaging between **51.8% - 52.3%**, as the economy's underlying inflationary pressure moderates. This would be largely attributable to:

- The continuous slump in world crude prices and the decline in fuel prices at ex-pump stations.

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UMB IHL over the past decades empowered businesses, individuals, and governments with excellent finance and investment services. The company is well positioned to play a strategic role in helping both corporate and individual citizens as well as governments achieve their strategic objectives through its suite of finance and investment products and services.

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