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HIGHLIGHTS

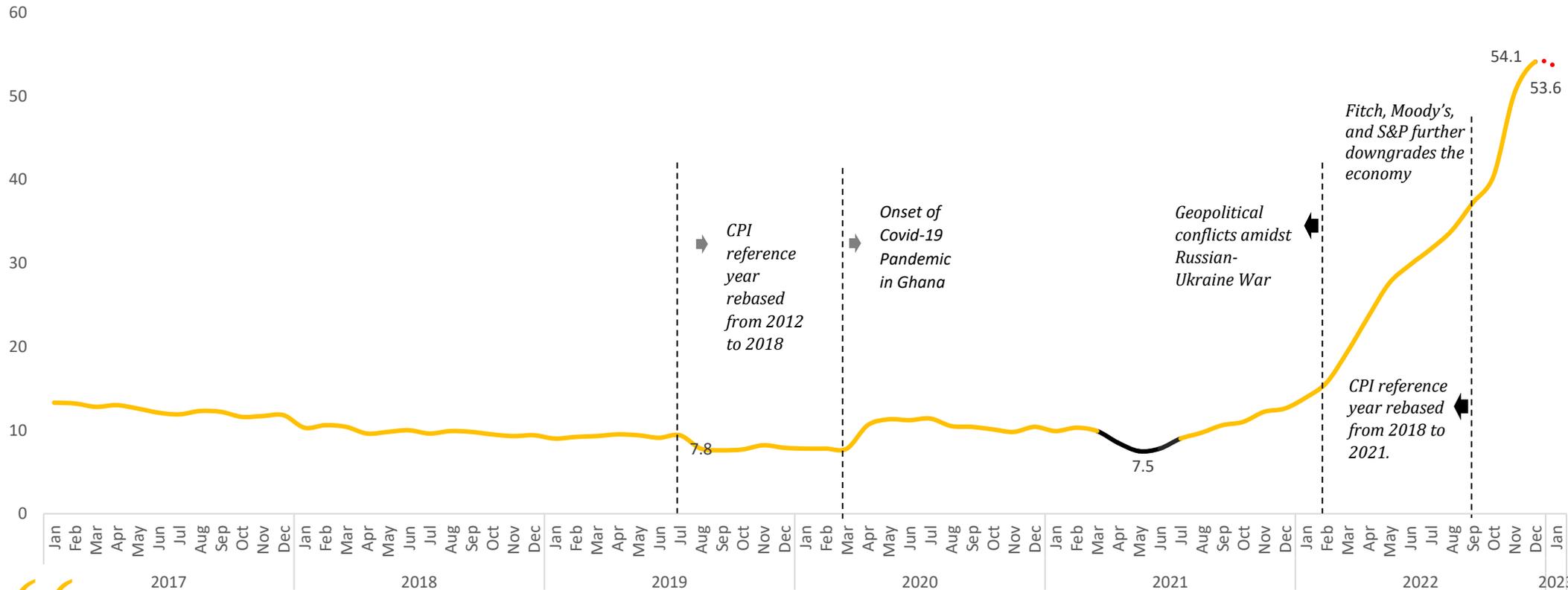
- ▶ Consumer Price Index (“Inflation”) for the month of January 2023 averaged 53.6%, indicating a marginal decline of 0.5% from what was recorded in December 2022 (54.1%).
- ▶ Eastern and Greater Accra Regions posted the highest inflation rates crossing 60%, while Upper West (40.5%) and Volta (34.7%) recorded the lowest rates.
- ▶ Food inflation surged by 1.3% from 59.7% in December 2022 to 61% in January 2023, while non-food inflation declined by 2% from 49.9% to 47.9% within the same period under consideration.
- ▶ Inflation for imported items increased to 62.5% from 61.9%, while local inflation declined to 50% from 51.1%
- ▶ We expect Year-on-Year inflation to leap in February and average 55% – 57%.

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.
- ▶ 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.



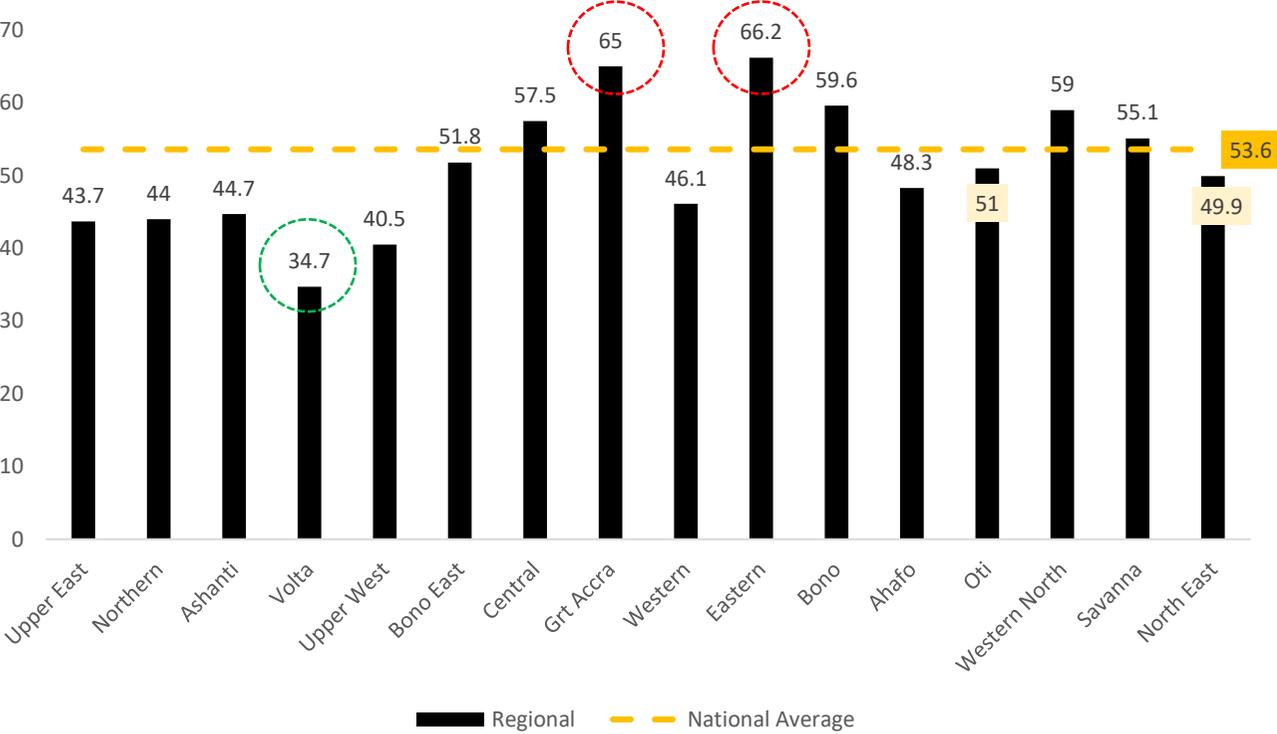
Year-on-Year Inflation Drops Marginally for the first time in nineteen (19) months from 54.1% to 53.6%



- ➔ Year-on-Year Inflation for January 2023 decreased marginally by 0.5 percentage points from 54.1% in December 2022 to 53.6%.
- ➔ Within the food category, January's inflation rate was mostly led by price increases in Fruits and vegetable juices, Milk, other dairy products and egg, and Water respectively. In the Non-food Category, Furnishings, Household Equipment housing and utilities, Housing, water, electricity, gas, and other fuels were the major drivers.



Year-on-Year Inflation in the Eastern Region Soar Higher, Reaches a New High of 66.2% in January 2023.



Eastern and Greater Accra regions lead the national average, exceeding 60%.

On a month- on month basis, Inflation for Greater Accra fell marginally by 1.7% from 66.7% in December to 65%; while that of Eastern Region surged by 2.1% from 64.1% to 66.2% in January 2023.

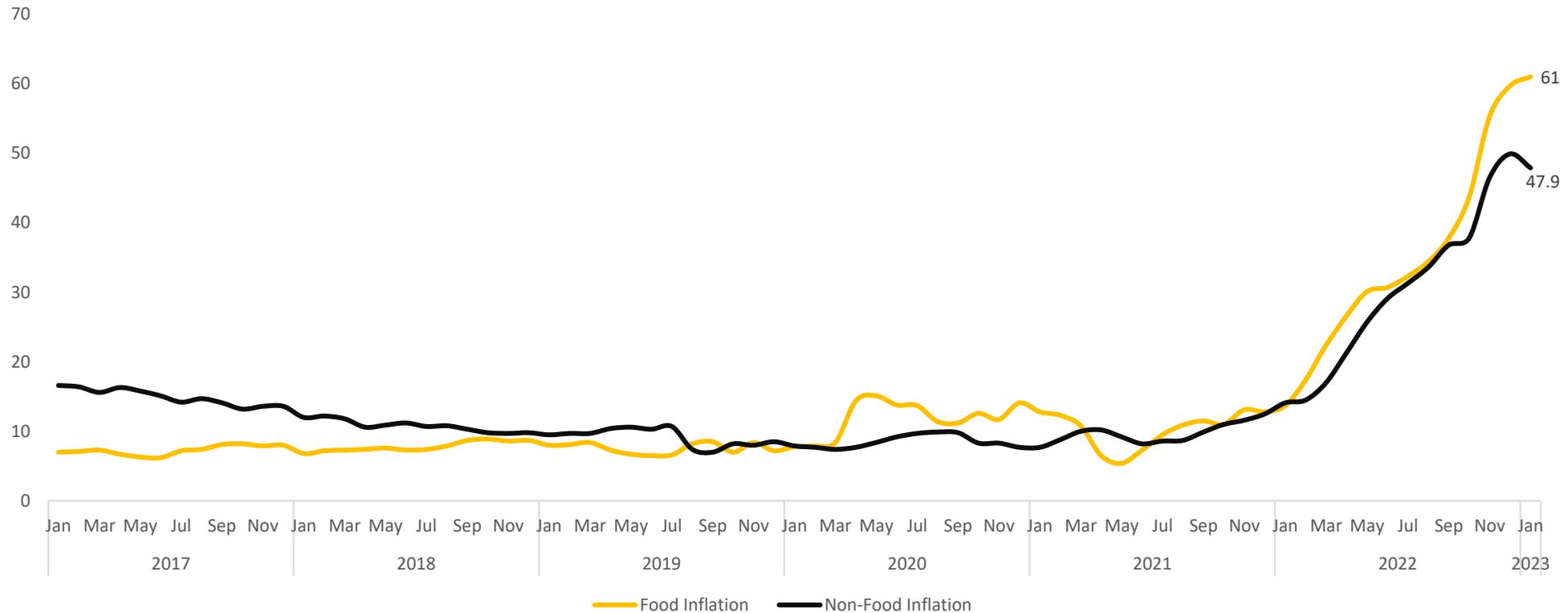
Inflation for Volta region remained below 40% and declined by 0.9% to end January 2023 with a Year-on-Year inflation of 34.7%



Source: Ghana Statistical Service, UMB IHL Analytics and Research



Trade-off between Food and Non-Food inflation further widened by 13.1% as Food Inflation Surged by 1.3%, while Non-Food declined by 2%

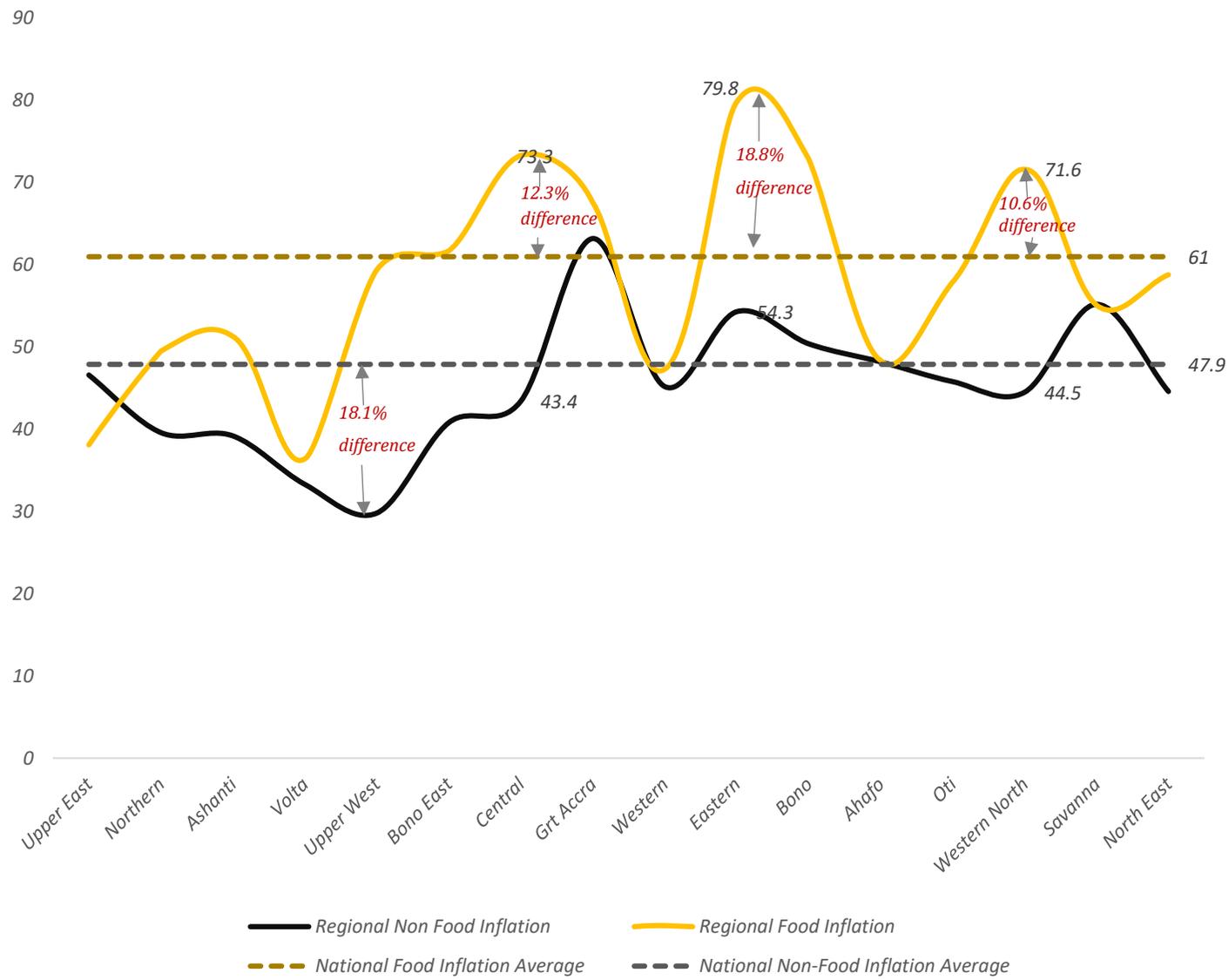


- ▶ Year-on-Year food prices increased by 1.3% from 59.7% to 61.0% in January 2023, with major drivers being Fruits and vegetable juices, Milk, other dairy products and egg, and Water respectively.
- ▶ Year-on-Year Non-food inflation decreased by 2% from 49.9% to 47.9% on account of declines in the rate of increases in the prices of housing, transport, recreation, and education respectively in January 2023 compared to December 2022.
- ▶ Meanwhile, furnishings, household equipment, housing and utilities, and transport were the chief contributors to Non-food inflation in January 2023.



Food Inflation was Highest in Eastern Region (79.8%), as it Surged by 18.8% Above the National Average (61%)

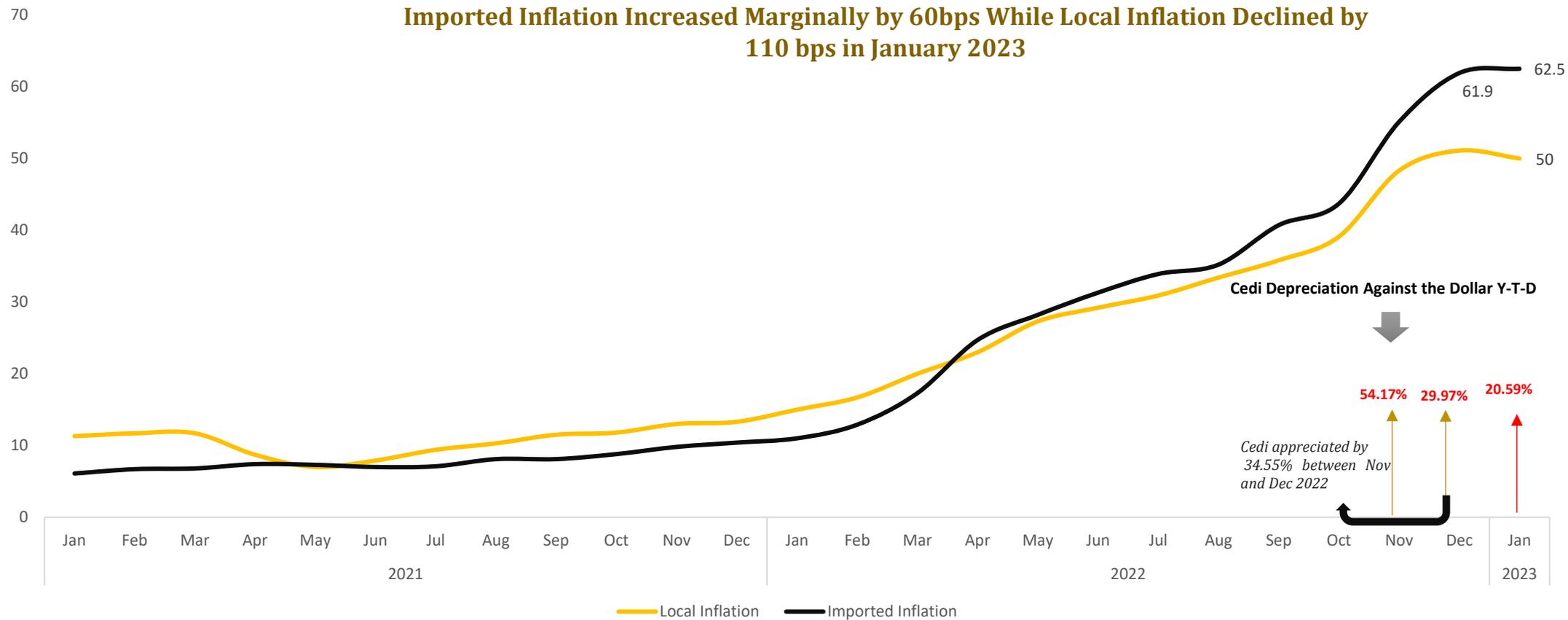
Both Food and Non-food inflation remained elevated above the national averages in Eastern, Bono and Greater Accra regions respectively. Eastern Region recorded the highest food inflation (79.8%), outstripping the national average food inflation (61%) by 18.8%. Also, the region's non-food inflation (54.3%), surpassed the national non-food average inflation (47.9%) by 6.4%.



Source: Ghana Statistical Service, UMB IHL Analytics and Research



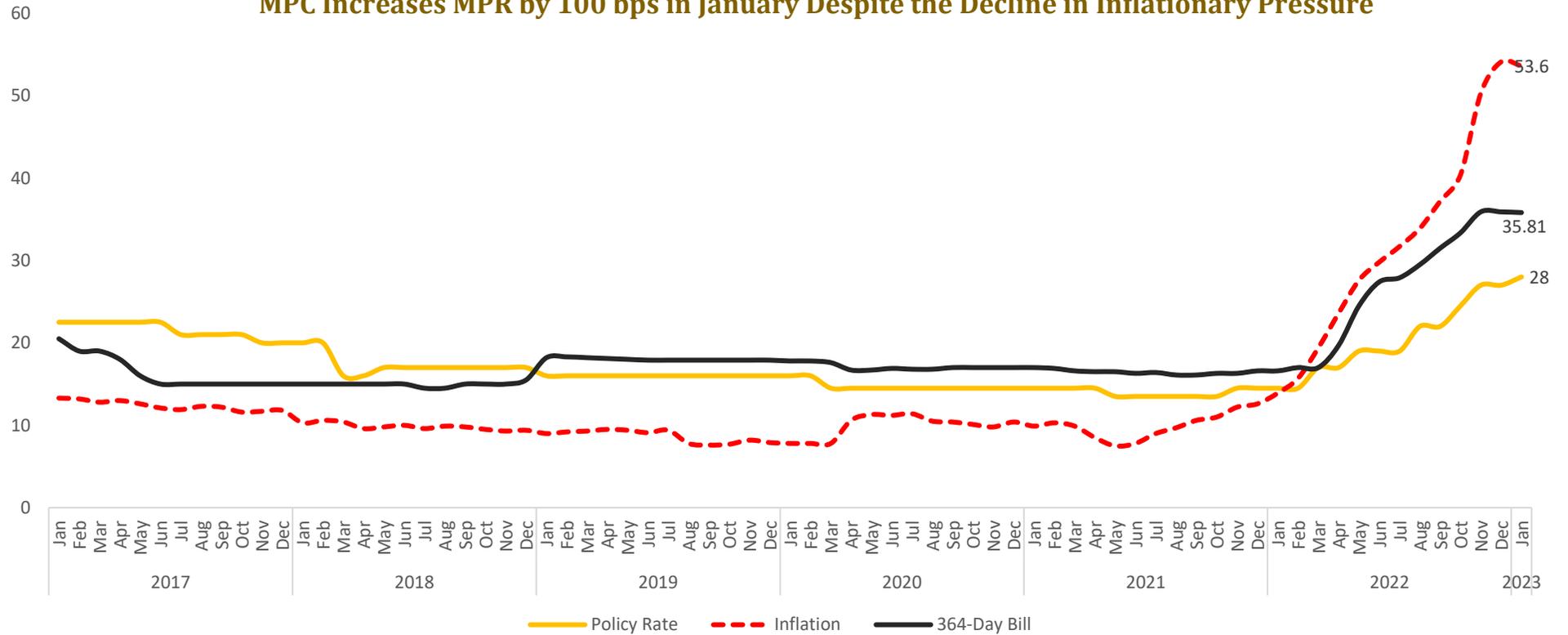
Imported Inflation Increased Marginally by 60bps While Local Inflation Declined by 110 bps in January 2023



- ▶ *The rate of increase in imported inflation between December 2022 and January 2023 (0.6%) narrowed compared to the month-on-month change between November and December 2022 (6.8%). This can be partially attributed to the significant month-on-month appreciation of the Cedi against the Dollar in December 2022 (i.e. 34.55%). On a year-on-year basis, imported inflation inched from 61.9% to 62.5%.*
- ▶ *Year-on-year local inflation, on the other hand, dropped from 51.1% in December 2022 to 50% in January 2023, partly on the back of the Cedi's gains in December 2022 which culminated in the marginal lowering in ex-pump fuel prices and associated adjustments in transportation costs.*



MPC Increases MPR by 100 bps in January Despite the Decline in Inflationary Pressure

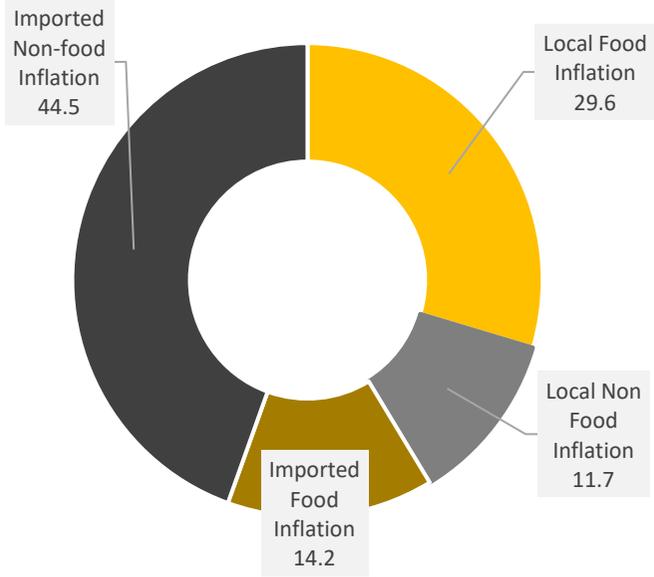


- ▶ *The Monetary Policy Committee further raised the MPR by 100 bps to 28% in January in a bid to moderate excessive liquidity to buttress ongoing macroeconomic adjustments.*
- ▶ *Meanwhile, interest rates and policy rate have remained below inflation rate for the eleventh consecutive month.*

Source: Ghana Statistical Service, Bank of Ghana, UMB IHL Analytics

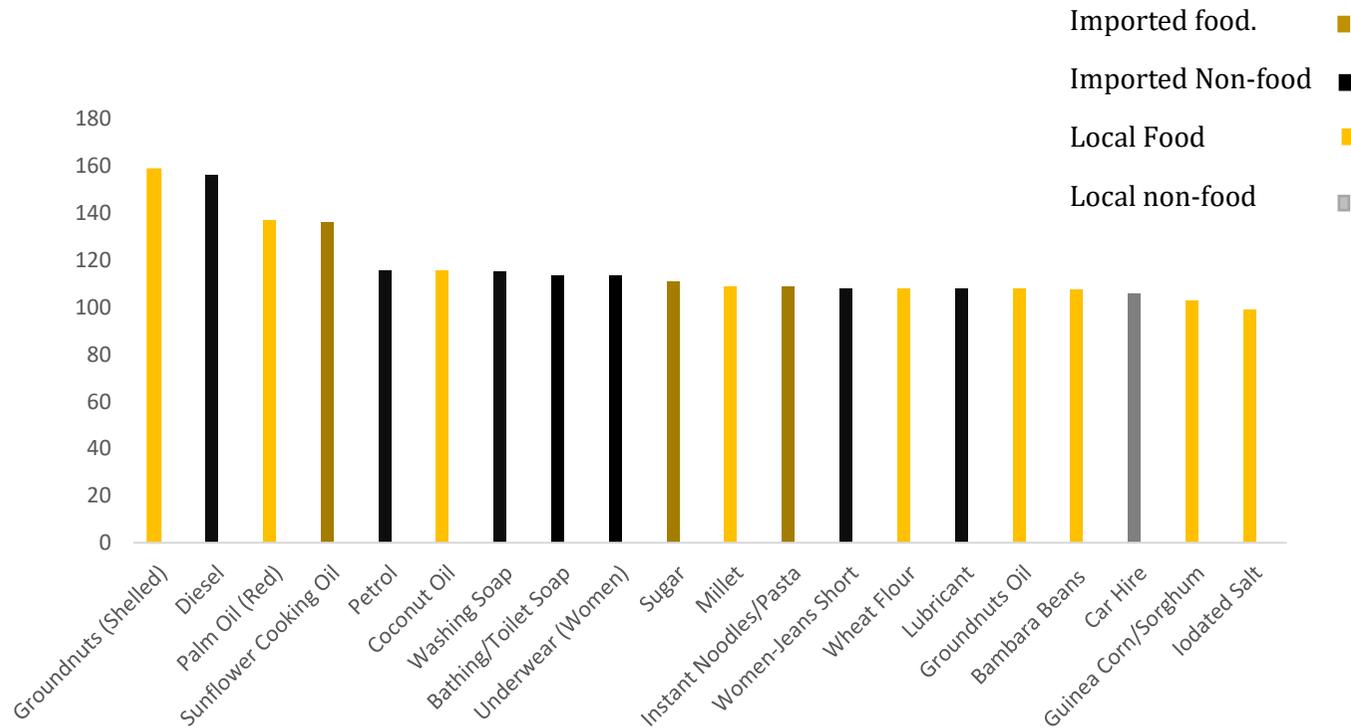


Prices of Imported Items Recorded the Lion's Share of Contributions to Inflation in January



Imported non-food items (44.5%) was the largest contributor to January's Year-on-Year inflation rate.

Major Drivers for Year-on-Year Inflation in Ghana

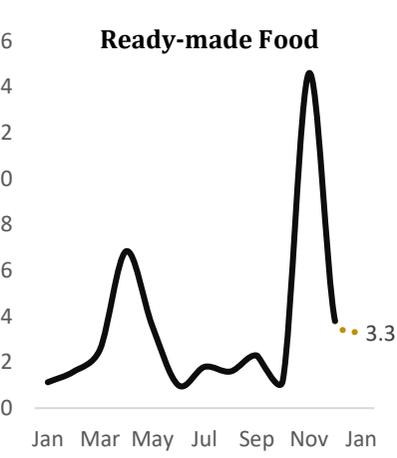
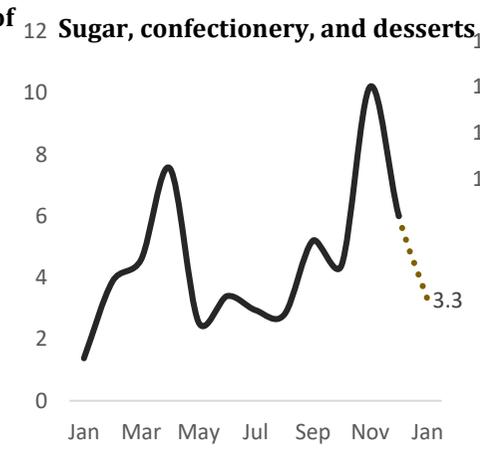
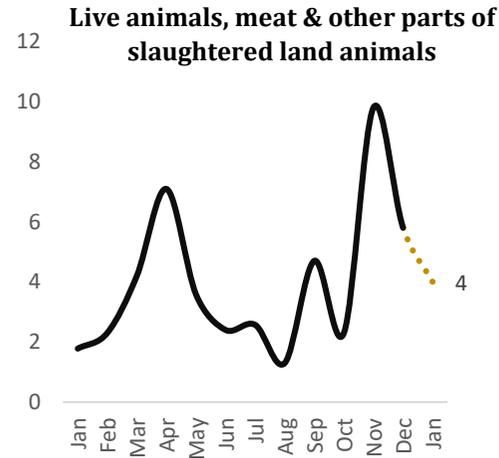
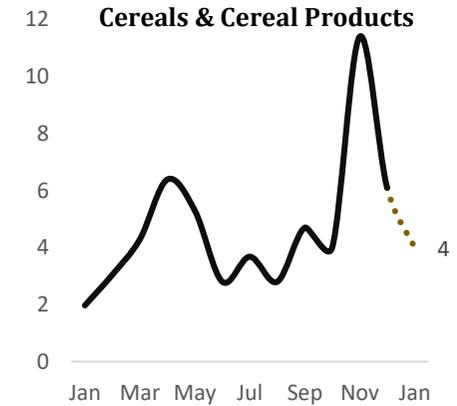
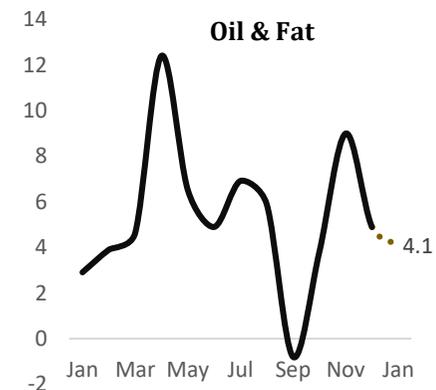
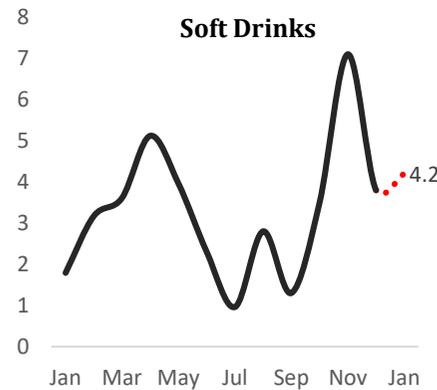


Year-on-Year inflation for nineteen (19 products) exceeded 100% with majority of these being food items.



Month-on-Month Food Inflation Disaggregation

- ▶ Major drivers of month-on-month food inflation witnessed a decline in their rate of increases except soft drinks which recorded the highest month-on-month inflation, edging from 3.8% in December 2022 to 4.2% in January 2023.
- ▶ This was closely followed by oil & fat, and cereal and cereal products respectively.
- ▶ Price changes in live animals, meat & other parts of slaughtered land animals were the fourth highest rate of increase at 4% during January (down from 5.8% in December).



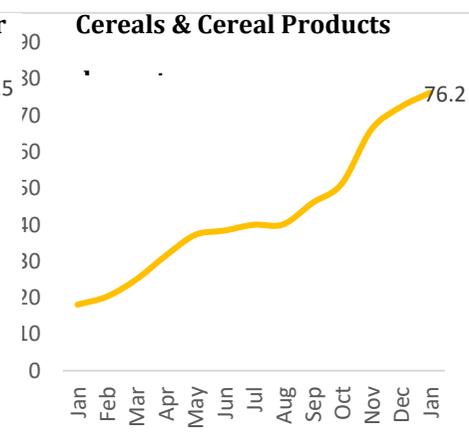
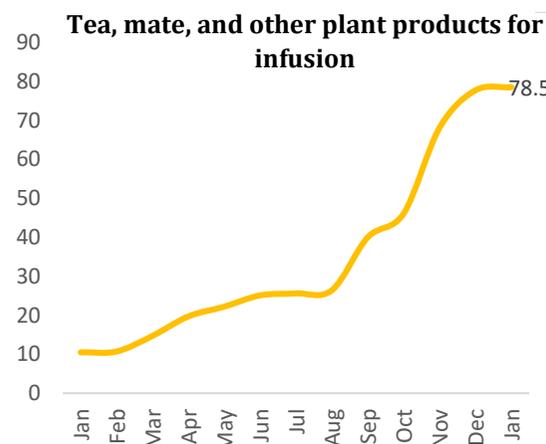
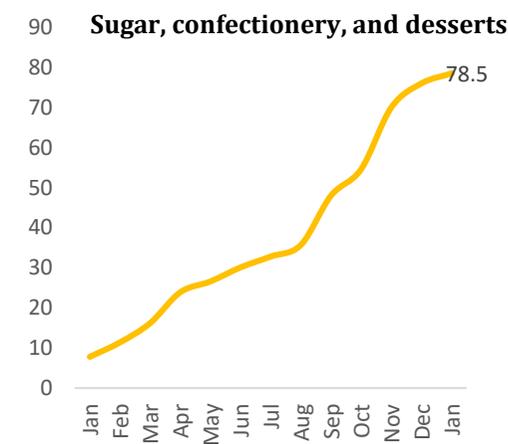
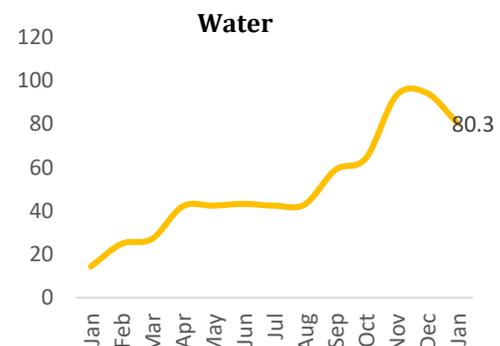
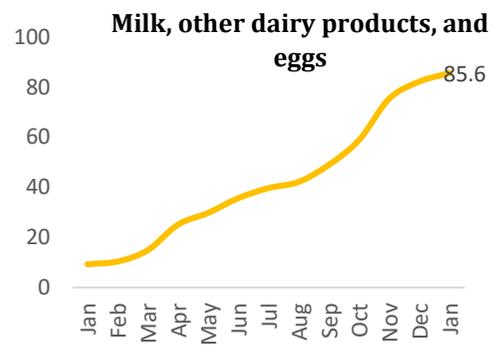
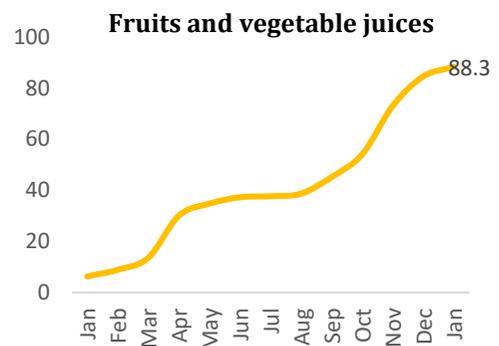


Year-on-Year Food Inflation Disaggregation

▶ *Fruits and vegetable juices recorded the highest year-on-year food inflation for January 2023, reaching a high of 88.3%.*

▶ *This was followed by milk, other dairy products, and eggs (85.6%) and, Water (80.3%) respectively.*

▶ *Sugar, confectionery, and desserts recorded the fourth highest rate of increase (78.5%).*



Source: Ghana Statistical Service, UMB IHL Analytics and Research



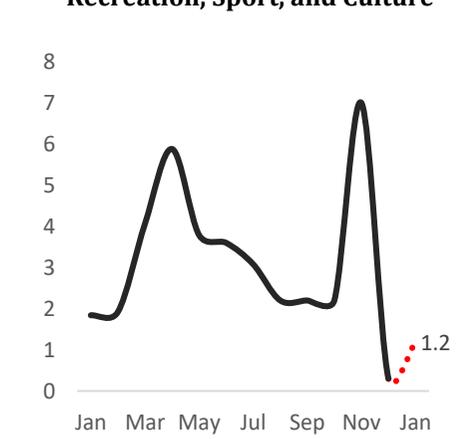
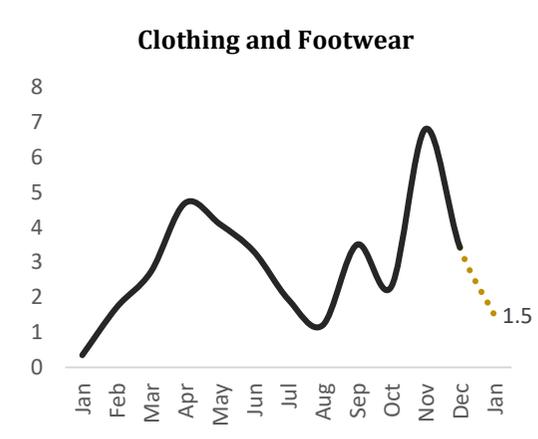
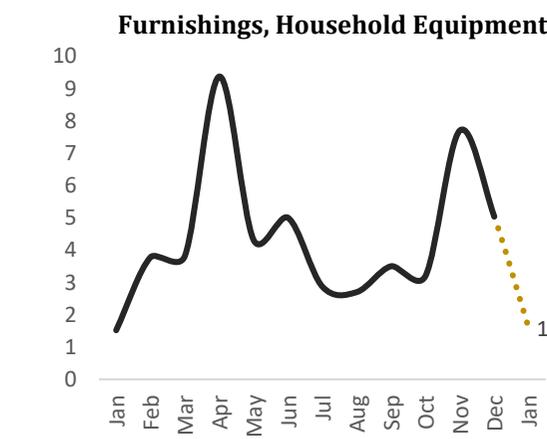
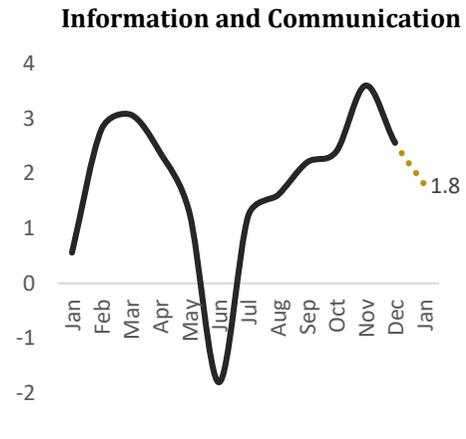
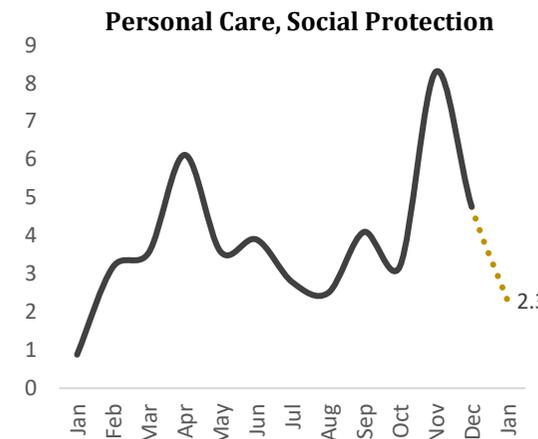
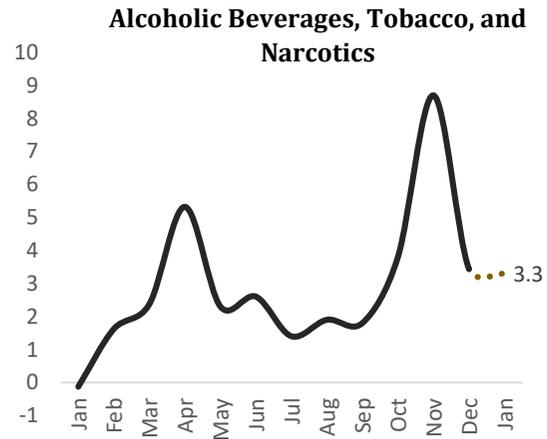
Month-on-Month Non-Food Inflation Disaggregation

Major drivers of month-on-month non-food inflation recorded a decline in their rates of increase in the month of January 2023.

Alcoholic beverages, tobacco, and narcotics recorded the highest month-on-month non-food inflation (3.3%).

This was closely followed by personal care and social protection being third (2.3%) and Information and Communication being fourth (1.8%) respectively.

Price change in furnishings and household equipment was the fifth highest rate of increase at 1.5% (down from 3.42% in December).



Source: Ghana Statistical Service, UMB IHL Analytics and Research



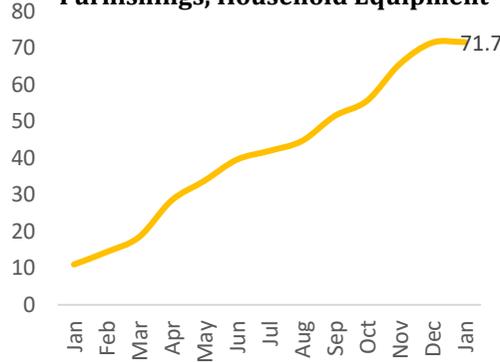
Year-on-Year Non-Food Inflation Disaggregation

Furnishings and household equipment emerged as the highest year-on-year non-food inflation for January 2023, reaching a high of 71.7%.

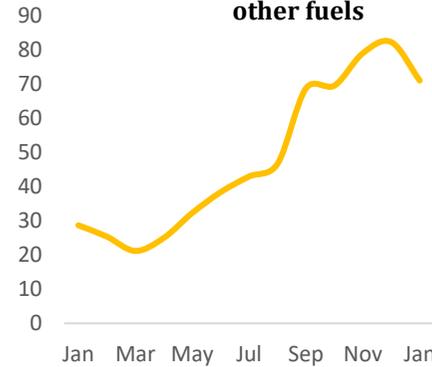
Housing, water, electricity, gas, and other fuels emerged the second highest rate (71.1%), followed by water (68.8%) respectively.

Alcoholic Beverages, Tobacco, and Narcotics recorded the fourth-highest rate of increase (43.3%).

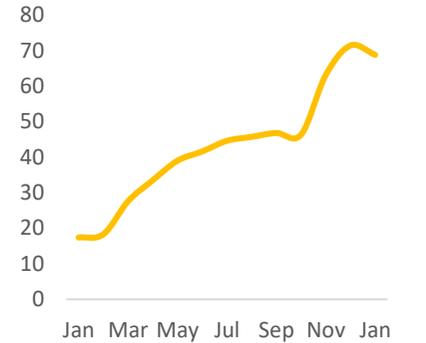
Furnishings, Household Equipment



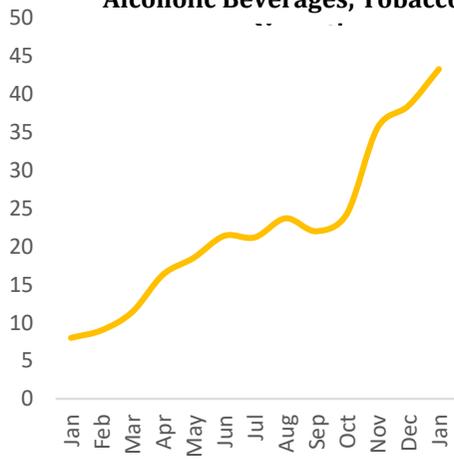
Housing, water, electricity, gas, and other fuels



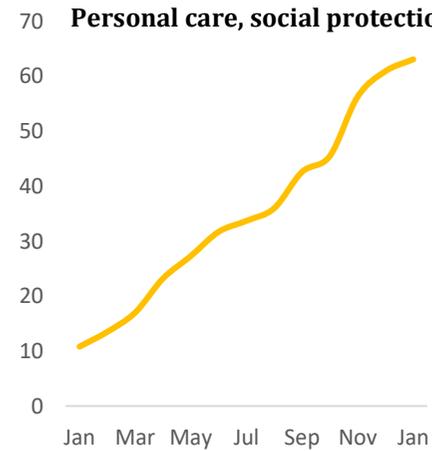
Transport



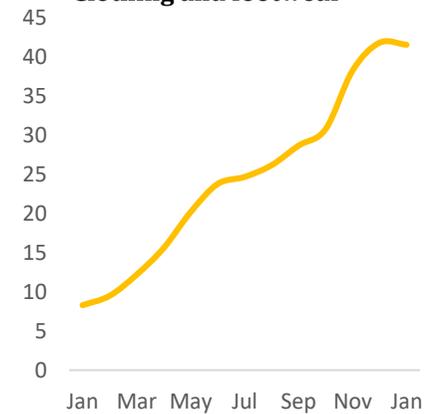
Alcoholic Beverages, Tobacco, and Narcotics



Personal care, social protection



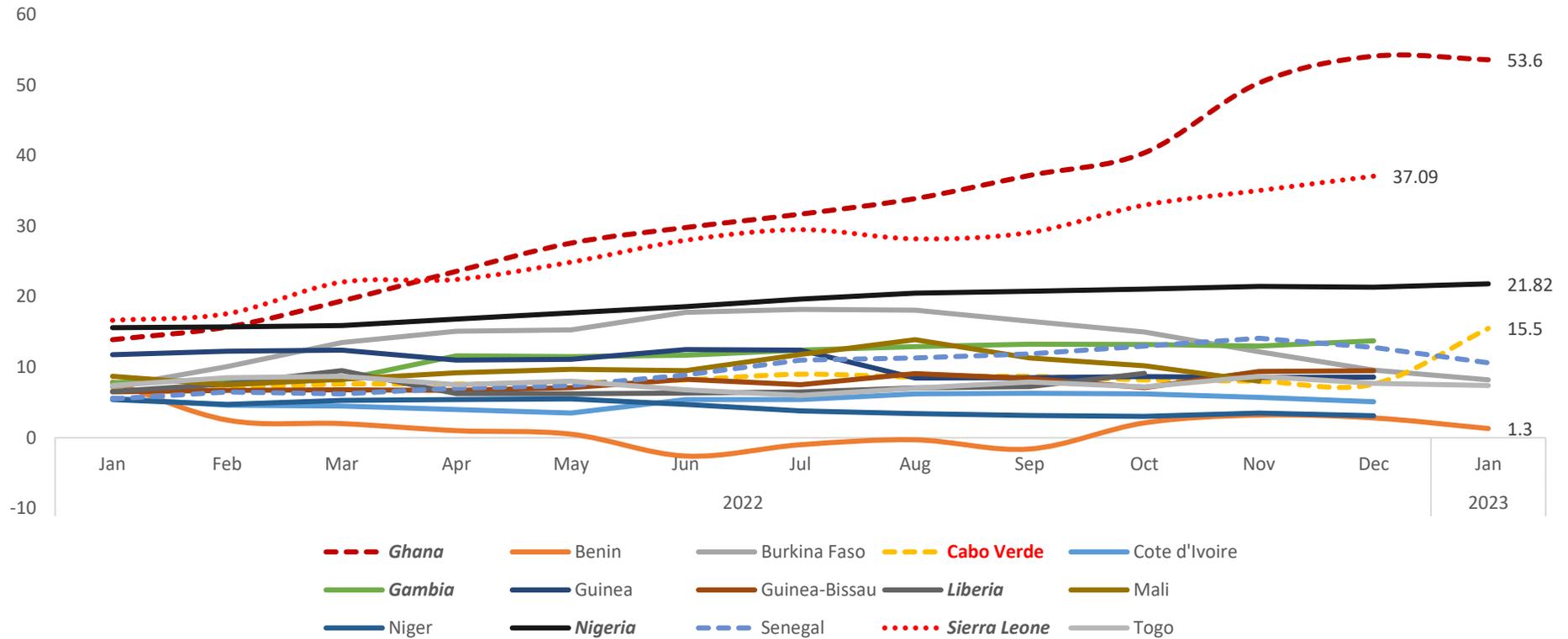
Clothing and footwear



Source: Ghana Statistical Service, UMB IHL Analytics and Research



Ghana's Inflation Rate Remains Sharply Hawkish in the West African Sub-Region

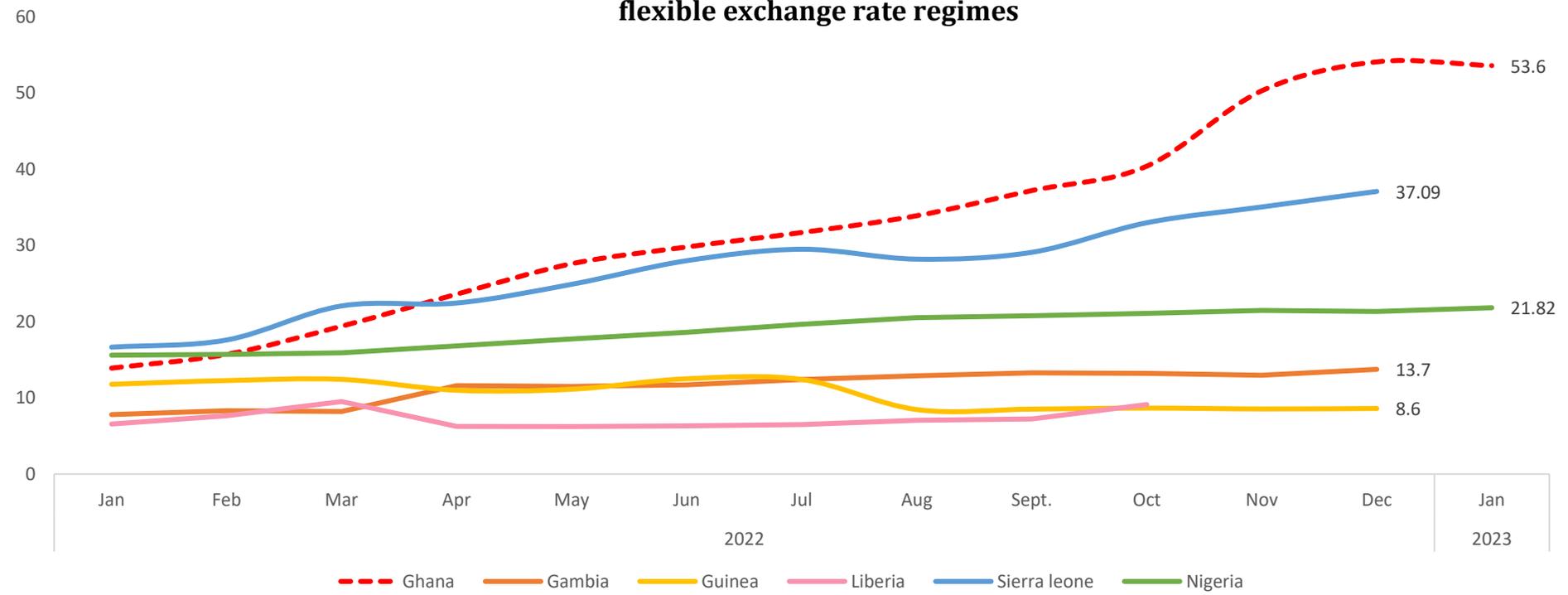


West African economies with floating and flexible exchange rate regimes continue to post elevated inflation rates, with Ghana recording the highest rate.

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



Inflation Remained elevated within West African Countries with floating and flexible exchange rate regimes



Prolonged currency depreciation 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



PREDICTION FOR FEBRUARY

We expect year-on-year inflation for the month of February to rise by 1.5-3.5 percentage points, averaging between **55% - 57%**, as the economy's underlying inflationary pressures remain elevated. These factors increase include:

1. Protracted depreciation of the Cedi (*reflecting downgrades of the economy by rating agencies, subdued foreign investor confidence, and increased demand pressures, among others*), which is likely to push imported inflation higher
2. Upward adjustment of utility tariffs effective February 1
3. Upward revision of the Value Added Tax (VAT) by 2.5%

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