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Taxes and Festive Season Cause Uncertainty in Inflation Outlook

- **Y-o-Y CPI declined from 7.8% in Aug-19 to 7.6% in Sept -19**
- **Alcoholic Beverages, Tobacco and Narcotics (12.2%) and Housing, Water, Electricity, Gas and Other Fuels (10.0%) were the key drivers of September's inflation.**
- **PPI waned by 0.5% from 10.7% in Aug-19 to 9.7% in Sept-19**

Highlights

The year-on-year inflation rate as measured by CPI was 7.6% in Sept-19, a drop of 0.2% from 7.8% in August 2019. Inflation is currently below the midpoint of BoG's 6%-10% target band. Inflation dropped 0.1% month-on-month. The drop in inflation was due to the change in prices of Alcoholic Beverages, Tobacco and Narcotics (12.2%) and Housing, Electricity, Water, Gas and Other Fuels (10%).

Non-food inflation continued to drop while food inflation trended higher. Y-o-Y inflation for the food and non-alcoholic beverages was 8.5% in Sept-19, 0.3% higher than the rate recorded in Aug-19 while inflation in the non-food group declined from 7.4% in Aug-19 to 7.0% in Sept-19.

Greater Accra, Central, Upper West and Volta Region recorded inflation rates above the national average of 7.6%. Greater Accra Region recorded the highest inflation rate of 11.8% while Eastern Region recorded the least inflation rate of 3.8%.

Y-o-Y PPI edged 0.5% lower to 9.7% in Sept-19 from 10.2% in Aug-19. The producer price inflation in the Mining and Quarrying sub-sector increased to 37.1% in Sept-19 from 36.5% in Aug-19. The producer inflation for Manufacturing which constitutes more than two-thirds of total industry decreased by 0.9% to record 4.9%. The utilities sub-sector recorded 0.1% increase over the Aug-19 rate of 6.8%.

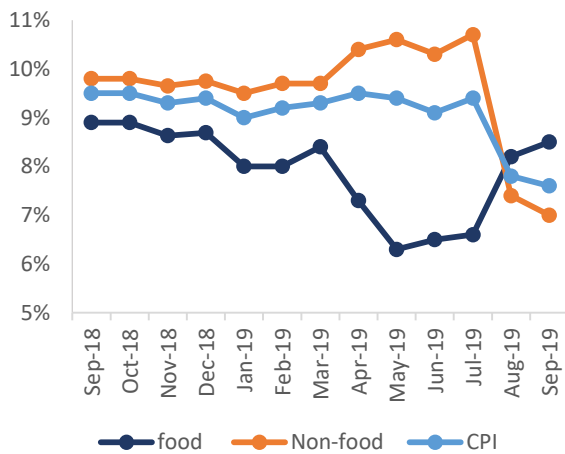
Outlook

Our outlook for inflation is negative given the increase in Communication Service Tax (CST) and utilities in October 2019. The Public Utilities Regulatory Commission (PURC) announced a 5.94% increase in the tariff for electricity and a 2.22% increase in water tariffs for consumers starting this month.

We expect investors to increase positions in short term debt securities due to inflation concerns.

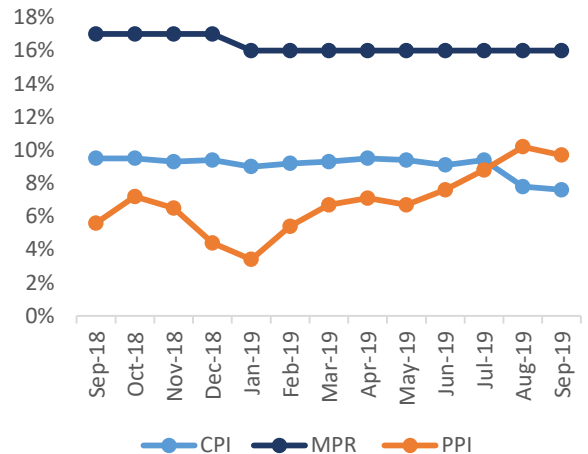
Inflation Report, Sept 2019

Consumer Prices



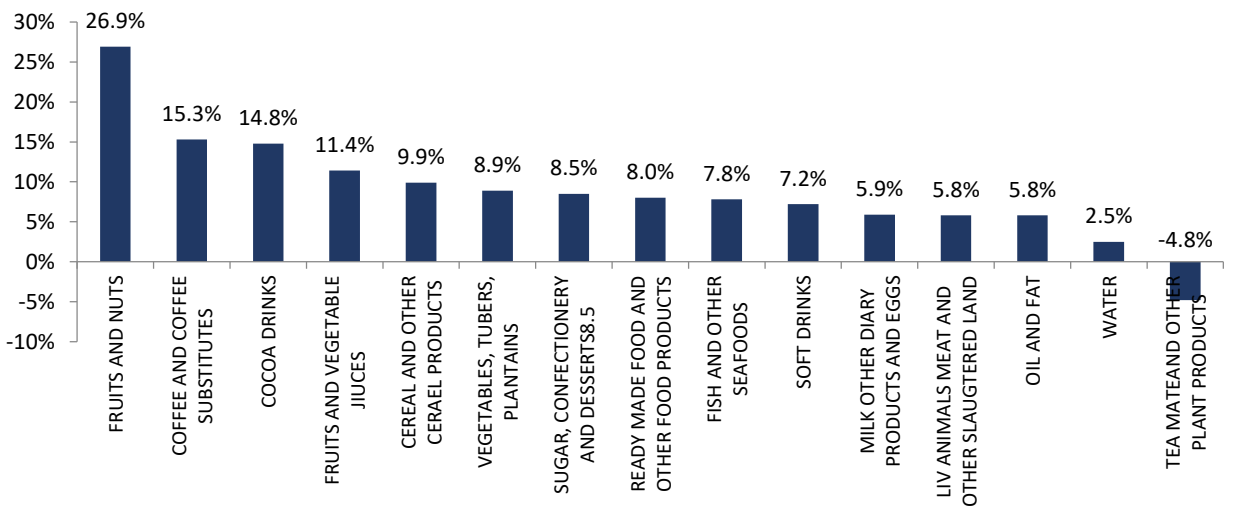
Source: Ghana Statistical Service

CPI vs. PPI vs. MPR

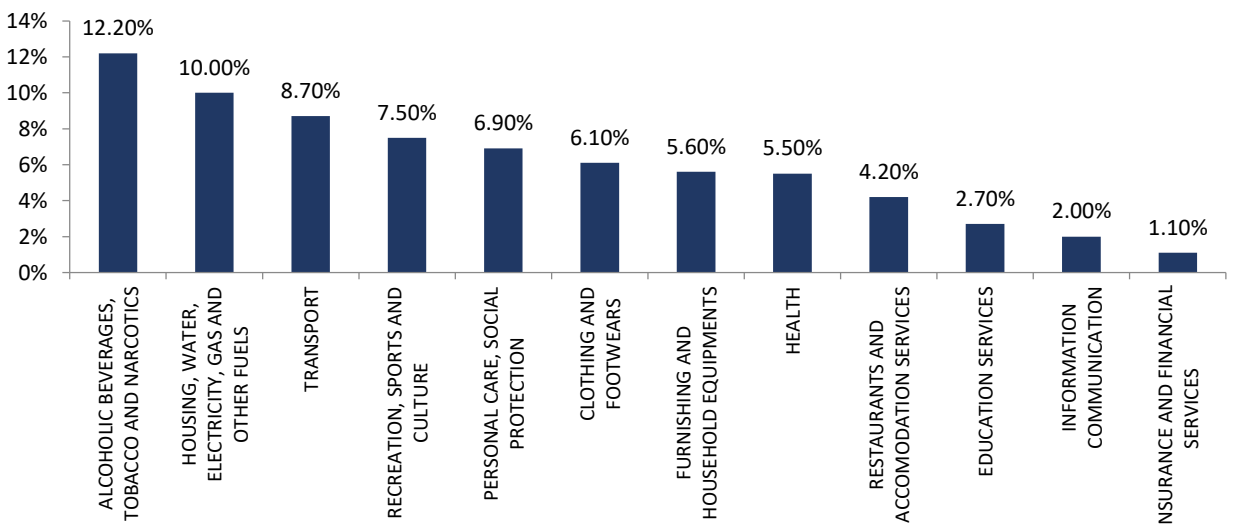


Source: Ghana Statistical Service, Bank of Ghana

Food Inflation



Non - Food Inflation



Inflation Report, Sept 2019

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