

BRASSICA ECONOMIC PULSE

Time Period from 22 Aug 2025 to 9 Sep 2025

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Jackson Hole Signals and Ghana's Outlook

At Jackson Hole on Aug. 22, Fed Chair Powell signaled a possible rate cut as early as September, citing labor market risks. Markets reacted swiftly; Treasury yields fell, equities rallied, and the dollar weakened.

Inflation eases to 11.5% in August from 12.1% in July

Inflation eased to 11.5% in August from 12.1% in July, supported by a stronger cedi and lower prices across food and non-food categories. Food inflation dropped to 14.8% and non-food to 8.7%, while easing global commodity costs further reduced import prices.

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Cedi Weakens on Import Pressures

The cedi fell 13% in Q3 after earlier gains, pressured by strong import-driven dollar demand and reduced central bank FX support.

Disclaimer

The content herein expresses our opinion on the above subject and does not constitute an offer or invitation to purchase or sell any securities, options, futures, derivatives or other related securities.

Jackson Hole Signals and Ghana's Outlook

What Happened

When U.S. Federal Reserve Chair Jerome Powell spoke at Jackson Hole on August 22, 2025, his tone marked a clear shift. After months of stressing vigilance against inflation, Powell opened the door to a possible interest rate cut as early as September, citing rising risks to the labour market. Investors quickly took notice: U.S. Treasury yields dropped, equities rallied, and the dollar weakened.

This change in U.S. monetary policy has important spillover effects for emerging markets (EM) and for Ghana, which sits at a crucial juncture after its debt restructuring and IMF program milestones.

Why it Matters

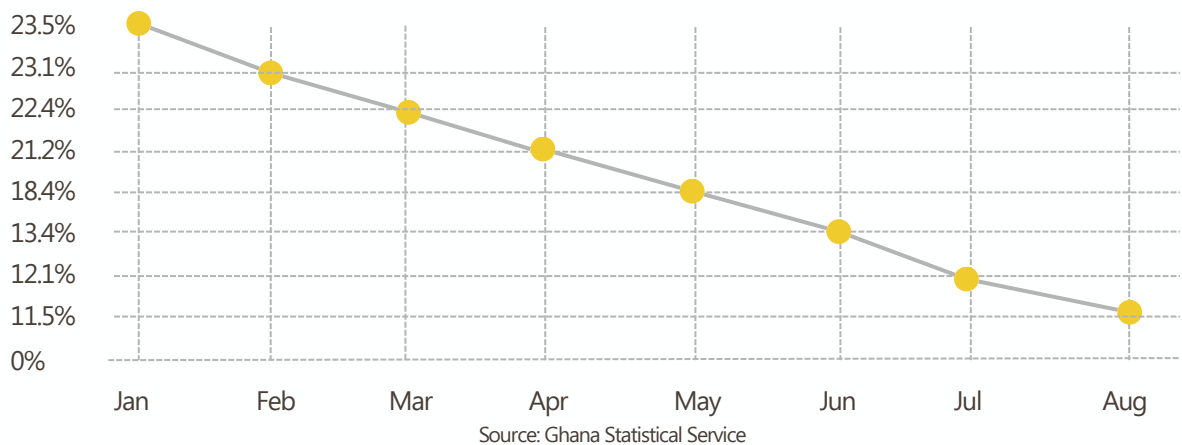
- A softer U.S. dollar eases pressure on the cedi, which helps stabilize the cost of imports like fuel and food.
- The decline in U.S. interest rates enhances the attractiveness of Ghana's bonds to global investors. If the government explores the issuance of new Eurobonds, they could secure the funds at more favourable terms.
- With U.S. yields lower, the Bank of Ghana faces less pressure to keep domestic rates high, giving it more flexibility to support growth as inflation cools.
- Lower global yields usually push gold prices up. Since gold is one of Ghana's top exports, this can boost government revenues and foreign reserves.

Brassica Capital's Take:

Powell's dovish pivot is modestly positive for Ghana. It should help reduce FX pressure, improve debt market conditions, and support export earnings, creating a more favourable environment for investors. The only caveat is that if the Fed is cutting rates because the U.S. economy is slowing sharply, global investor appetite may weaken for emerging markets. For now, however, Ghana is positioned to benefit from a softer U.S. policy backdrop.

Inflation eases to 11.5% in August

2025 Inflation Trend - Ghana



What Happened

Headline inflation eased to 11.5% in August down from 12.1% in July. The decline was driven by a stronger cedi and broad easing in both food and non-food prices.

- Food inflation fell to 14.8% in August from 15.1% in July.
- Non-food inflation also dropped to 8.7% in August from 9.5% in July.
- The appreciation of the cedi and easing global commodity costs helped lower prices of imported items, contributing to the overall disinflation trend.

Why it Matters

Lower inflation boosts consumer purchasing power, stabilizes business costs, and creates room for policy makers to consider interest rate adjustments - potentially lowering borrowing costs for households and businesses.

Brassica Capital's Take:

This decline is a positive sign for both consumers and investors. Falling inflation provides the Bank of Ghana with greater policy flexibility. Having already eased rates earlier this year, the sustained disinflation trend strengthens the case for further rate cuts to support growth and credit expansion. However, the central bank will remain cautious, balancing the need to stimulate the economy with potential risks from currency volatility and external price shocks.

Cedi Weakens on Import Pressures



What Happened

After a strong rally earlier this year, the cedi weakened by about 13% in Q3. The decline was driven mainly by rising dollar demand to finance imports and reduced FX intervention from the Bank of Ghana.

Why it Matters

The currency's slide is pushing up import costs, which could spill over into higher consumer prices and challenge recent gains in lowering inflation. It also highlights the pressures on Ghana's foreign reserves and the economy's exposure to seasonal import cycles.

Brassica Capital's Take:

The cedi's reversal shows the importance of managing short-term FX liquidity while pursuing long-term reforms. Strengthening reserves, boosting export revenues, and reducing import dependence will be key to sustaining currency stability and investor confidence.

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