What a blockade in the Strait of Hormuz could mean for Ghana's economy in 2026

PwC's megatrend 4: A fracturing world

A key risk to the 2026 Budget is emerging. Can policy pivot to sustain the reset agenda?

Three months ago…

Three months ago, on 13 November 2025, during the 2026 Budget presentation, the Minister for Finance, Hon. Dr. Casiel Ato Baah Forson said, "We have restored fiscal discipline, brought inflation under control, stabilised the cedi, and rekindled investor confidence", insisting that the 2025 performance has provided "a firm foundation for economic growth and transformation." He further stated that "Our mission is clear: to build an economy that not only recovers, but thrives, one that works for all, not a select few," and that Government's vision is to "…build… a nation… where every Ghanaian can live with dignity, earn a decent livelihood…"

In our commentary on the Government's Budget, we observed that key risks to the 2026 Budget include commodity volatility. We noted: "The revenue forecast for 2026 is exposed to commodity price and volume volatility—a risk [as a country] we have little control over, as we are price takers on the commodity markets. This exposure puts some budgeted capex at risk… This risk is further amplified by the geopolitical risk associated with the crude markets, as well as [Ghana's] own production challenges, which have resulted in production declines."

Now, this geopolitical risk is unfolding and is posing a serious threat to the stated mission and vision of the 2026 Budget.

The ongoing conflict involving Iran, Israel and the USA and the blockade of the Strait of Hormuz[1]—a critical chokepoint in the world's oil transport routes—has triggered ripples in the shipping and logistics industry and a significant shock in energy markets. On 9 March 2026, Brent crude price spiked to within scraping distance of USD120/bbl before settling back near the USD90/bbl mark after IEA[2] members' emergency reserves releases. With hostilities persisting, crude and gas prices have remained buoyed up and Brent crude had climbed back to USD110/bbl.

Why should this matter for your business?

The Minister set out three strategic priorities. One of these, the most fundamental, in our view—consolidating macroeconomic stability, with targets of single-digit inflation; at least, three months import cover; and a primary surplus to serve as a firm fiscal anchor—is now threatened by the Middle East conflict.

Why do we say so?

Four years ago—do you get a sense of déjà vu?

Just over four years ago, Russia's invasion of Ukraine triggered similar instability in global crude oil markets and disrupted supply chains and was cited as a key reason for Ghana's record-high inflation, currency depreciation, high debt/GDP ratio, default on sovereign debt obligations, and a lockout from the international financial markets, leading to a historic debt restructuring exercise to access a USD3bn IMF bailout. Notwithstanding the remarkable economic recovery recorded in 2025, we doubt the structure of Ghana's economy has changed in a manner that insulates the country from such external shocks. Consequently, all the gains in macroeconomic performance are at risk of getting unravelled in the wake of this new conflict.

How can the choke in the Strait leave Ghana's economy winded?

In our view, two main factors will influence how the country would experience the impact of this external shock: (1) the duration of the conflict, and (2) Government's policy responses. The former is not within the control of Government, but the latter is. And, in the case of the latter, the comprehensiveness and speed of the responses are key in influencing the shape and reach of the shock as well as the potential size of its associated impact.

In the short-term[3], we expect the impact of a prolonged closure of the Strait of Hormuz on Ghana's economy to be 'stagflationary'—i.e. elevated or higher inflation alongside a slowdown in real GDP growth. The 2026 Budget had projected period-end inflation to stay within the central bank's targeted range of 6-10%, and annual real GDP growth rate to average 4.8%.

The transmission paths

Ghana is a net importer of petroleum products—this structural reality is the main channel via which Ghana's economy will feel the impact of Iran's stranglehold on the Strait of Hormuz. More expensive petroleum imports mean higher ex-pump prices of petroleum products, triggering transport fare increases, which translate into higher costs for most parts of the economy—businesses and households alike.

However, a more expensive petroleum import bill is not the only transmission channel; others exist, including Gulf-reliant trade the shipping routes of which depend on the Straits, such as:

- Plastic resins/ petrochemical feedstocks, including ethylene polymers and polypropylene imports from Saudi Arabia and Kuwait
- Aluminium cans and chemical oxidants imports from Kuwait
- Gold, cocoa paste, and timber exports to the United Arab Emirates (UAE) and Saudi Arabia
- Non-traditional exports (NTEs), such as frozen fish, tropical fruits, nuts, and glass scraps, to Bahrain and Kuwait.

A choke on the Straits over a protracted period could mean that trade volumes for the identified goods will reduce to a trickle, disrupting the operations of businesses caught in the related supply chains with knock-on effects that would reverberate through several parts of the economy, and putting the 2026 and medium-term macroeconomic and fiscal targets of Government at risk.

Here is the picture we see unfolding

→ **The petroleum, and transport and logistics sectors**: The Strait-linked shortage and world market price spikes will make petroleum imports more expensive, even if refined petroleum volumes hold steady. These cost increases will outweigh any fiscal benefits from higher crude export receipts. Higher ex-pump prices are already evident, with the NPA announcing new price floors[4] showing significant jumps of 10–26%. And further increases are expected if the Gulf situation does not de-escalate. Rising transport fares[5], freight charges, and logistics costs will increase operational costs for businesses and reduce disposable incomes for households. If the conflict persists, year-on-year transport-linked inflation will rise, echoing through almost every segment of the economy and likely reversing the 13-month disinflation run recorded since January 2025.

→ **The agriculture and agro-processing sectors, and food markets**: Higher ex-pump prices, especially diesel—which saw a nearly 26% increase—will negatively impact agriculture and agro-processing, as diesel powers equipment, machinery, and the haulage of farm produce. Transport fare hikes quickly result in higher market prices for food. The blockade's impact on the global fertiliser supply chain could affect import volumes and raise prices, with downstream effects on food-processing industries and consumer markets as players adjust prices to address compressed margins. These disruptions could lead to suboptimal yields in staples such as maize and rice, worsening food security, and could adversely impact cocoa exports and export revenues.

→ **The power and utilities industry, and the manufacturing sector**: With 65–70% of electricity generation coming from thermal power, and some plants depending on LCO, HFO, and diesel, sustained petroleum price increases will impact IPPs through higher fuel costs and lead them to seek higher tariffs. A worse scenario—reduced petroleum import volumes—could trigger "dumsor", which is often debilitating for economic growth as industry struggles with costly power rationing. Manufacturing will face increased power costs from higher electricity bills and supplemental captive power generation. Higher import costs of petrochemicals, aluminium cans, plastics, shipping, and logistics will increase production costs and squeeze margins, causing business leaders to scale back or stop investment and expansion programmes. The manufacturing sector may further totter under increased operational costs, contributing little to real GDP growth, following its already lacklustre 2.3% growth reported in the 2026 Budget.

→ **The financial services sector, especially banking and insurance**: Banks are expected to review their exposures to energy-intensive or energy-linked sectors and curtail credit or offer it at elevated interest rates, despite BoG's signals to reduce cost of credit[6]. More expensive credit will weaken loan demand across the real sector. Insurance companies and reinsurers will review exposures, policies, and premiums to protect their balance sheets as uncertainty in the Middle East touches businesses with partners in Ghana. If banks and insurers do not adequately quantify risks, they may experience significant losses that impair capital, especially with the banking industry's NPL ratio still substantially high[7], limiting its ability to finance economic growth.

The economic outlook risks a stalled recovery, some instability…

In the absence of any effective policy pivots, we expect the oil supply shock, at the macro-level, to reignite inflation, elevate interest rates, renew currency pressures, challenge Government's commitment to fiscal discipline, and depress economic growth.

Inflation risk: Moderate-to-high probability; small room for containment

CPI data from the GSS's 4 March bulletin shows annual inflation continues to decline, with overall Y-o-Y inflation at 3.3% in February, down from 3.8% in January and far below the 23.1% recorded in February 2025. Food and non-alcoholic beverages inflation fell (2.4% vs 3.9%), but non-food inflation rose slightly from 3.8% to 4.0%. In our view, none of this data incorporates impacts related to the Middle East conflict. Consequently, if Government does not pivot policy to block inflation-causing transmission channels—or if such pivots fail—the next bulletin is likely to report a slowdown or reversal of the 13-month disinflation run.

Interest rate risk: Low-to-moderate probability; small room for containment

At its 129th meeting on 18 March, the MPC cut the MPR by 150 basis points to 14%, while acknowledging that rising geopolitical tensions in the Middle East have deepened uncertainty in the external sector and that global financing conditions could tighten depending on the conflict's duration and intensity[8]. Despite these risks, the MPC considered domestic economic resilience robust, and expectations of growth soundly anchored, based on data covering inflation, GDP growth, private sector credit, consumption, sentiments, government securities rates, fiscal balances, and debt-to-GDP ratio. The MPC concluded that favourable macroeconomic conditions and high real interest rates provide scope to ease the policy rate further. Still, it noted that it will closely monitor Middle East developments and stands ready to take appropriate policy actions. With the next MPC meeting scheduled for 18–20 May, if military conflict has not paved way for diplomacy, MPC is likely to review its rate-cut stance, which may trigger reversals in recent declines in the Ghana Reference Rate (GRR) and average lending rate.

Currency stability risk: Moderate-to-high probability; big room for containment

Higher import bills from increased petroleum prices, imported merchandise, and soaring shipping and logistics costs mean FX demand is likely to rise in the coming weeks and months. BoG reports that the cedi has remained relatively stable, supported by a strong external sector with a USD3.7bn trade surplus (Jan–Feb 2026) and GIR of USD14.5bn (5.8 months of import cover). However, checks on currency converter platforms such as Xe, Oanda, and Wise suggest the cedi has come under sustained pressure over the past three weeks, shedding value against major trading currencies, especially the US dollar. In our view, the cedi might come under sustained pressure if the conflict and Strait-choke continue, and the central bank may need to increase its support for the domestic currency in the FX market.

Fiscal consolidation risks: Low-to-moderate probability; moderate room for containment

Government's 2026 Budget targets a primary surplus of 1.5% of GDP, based on assumptions including Brent crude at USD76.22/bbl, LNG at USD7.53/mmBtu, and benchmark outputs of 37.95 million barrels of crude and 143.08 trillion Btu of LNG, yielding GHS13.6bn in oil and gas receipts. Volatility from the Middle East conflict has kept global oil prices buoyant, creating a windfall revenue opportunity. The use of this windfall is governed by the Petroleum Revenue Management (Amendment) Act, 2025 (Act 1138), which mandates that ABFA funds be used exclusively for infrastructure, including BPIP projects. ABFA allocation for 2026 is USD556.6m, while total capex is projected at GHS57.5bn, with GHS45.5bn to be financed domestically. With GRA reportedly behind its revenue mobilisation target, conflict-linked oil revenue windfalls would be welcome. In our view, the probability of the oil shock directly threatening fiscal consolidation is low unless there is a breakdown in compliance with Act 1138. Risks are more likely to arise from microlevel pressures triggered by deviations from macroeconomic targets. If inflation breaches the 8% ± 2% range, if the cedi weakens sharply, and if market interest rates rise again, Government may face budgetary pressures: revenue mobilisation may be challenged while expenditure on goods, services, and compensation may increase, risking fiscal performance and balances.

What policy pivots can Government consider?

Government's objectives for any policy pivot should be to keep inflation low and within the target range, maintain currency health, keep the financial markets calm, and continue with fiscal discipline to sustain the confidence of IMF programme stakeholders. The situation in the Middle East is evolving constantly and rapidly, with political manoeuvrings between the US, UK, Europe, Gulf countries, and major Asian economies heightening uncertainty. For instance, on 21 March, President Donald Trump announced that "the US is considering winding down war in Iran" but is not ready for a ceasefire. On 23 March, the US President is further reported as having announced on Truth Social that the US and Iran had had 'productive talks" about ending the war, calls which also have reportedly been debunked by Iran-affiliated media as fake news. Meanwhile, earlier, the BBC reported that the UK had approved the use of its military bases for US strikes on Iranian sites targeting Hormuz.

Clearly, the situation is unpredictable. Policy decisions must therefore be speedy to be relevant.

We see three scenarios[9] Government must contend with

Scenario A: Sustained high oil prices (USD100–120 Brent). This is the current trajectory and most relevant planning horizon. It presents a revenue windfall opportunity of roughly 50% more oil and gas receipts than projected in the 2026 Budget, assuming benchmark outputs are met. The use of this windfall is governed by the PRMA (Amendment), Act 1138, and is unlikely to inject instability into the budget. Domestically, this scenario includes strong resurgence of inflation—possibly back into double digits—substantial currency weakening, and a retightening of credit markets. Fiscal consolidation may come under pressure, but Government is expected to hold the line despite political and civil society pressure. The 2026 capex programme, especially under the BPIP, will stay on course with most benefits expected beyond 2026. Economic growth risks a slight slowdown as businesses delay investments, produce less under increased operational costs, and households can only afford less as inflation whittles down real incomes.

Scenario B: Rapid de-escalation (Brent USD80–85). This scenario assumes a sustained ceasefire within four weeks of the conflict's start, with diplomacy taking over. As noted earlier, on 21 March, President Donald Trump announced that "the US is considering winding down war in Iran", while Saudi Arabia signalled preparedness to defend itself militarily after attacks on its energy infrastructure. Based on the postures of the main countries involved, this scenario is unlikely soon. If it materialises, Brent could retreat toward USD80–85/bbl and then USD68–72/bbl by end of April, closer to Government's benchmark price. The impact profile would resemble Scenario A but be much milder. Inflation might resurge briefly but remain in single digits; the cedi might weaken slightly but remain manageable with central bank support; and credit markets remain benign with strong BoG signalling. Economic growth is expected to hold steady as productive sectors adjust quickly, encouraged by 'peace' in the Gulf. Still, agitation from interest and pressure groups for reliefs to businesses and households is expected.

Scenario C: Goldman Sachs tail risk (USD140–150 Brent). This scenario becomes likely if there is a prolonged Hormuz closure coupled with production cuts by Gulf countries, Iraq, and Iran to protect energy infrastructure or due to damage from attacks. Gulf oil flowing into global supply would trickle to near zero, and oil prices could exceed the 2008 and 2022 peaks. This scenario could unravel most of the economic recovery achieved since 2025. While crude price spikes could earn Ghana about 90% more in oil and gas receipts than projected, it would also spark inflationary revisions in NPA's regulated price floors. Inflation would be reignited and likely climb and stay beyond 15%. Overall, this scenario could send the country back to the austerity experienced in 2022–2024.

Likely fiscal policy pivots available immediately/ in the short term

The impact of the conflict on Ghana's economy will depend on how long it persists and the speed and comprehensiveness of Government's policy pivots. Government's response so far has been sluggish, but several options remain available, with strong coherence between fiscal and monetary pivots needed for credibility.

1. **Review taxes, levies, and regulatory margins imposed on fuel.** This should be a temporary measure only, clearly communicated to stakeholders. Timing should be linked to a trigger—e.g., Brent crude exceeding USD120/ bbl for five days—with restoration of the status quo when prices fall below a stated floor. The Energy Sector Shortfall and Debt Repayment Levy (ESSDRL) has come under scrutiny, as various critics have called for its removal. Government must balance the fiscal impact of any review with the relief it brings to consumers.

Likely monetary policy pivots available immediately/ in the short term

1. **Use the MPR to anchor second-round inflationary tendencies or rein in expectations.** On 18 March, the MPC reduced the MPR by 150 basis points, citing favourable domestic macroeconomic conditions and high real interest rates. In our view, given the absence of a truce and upside risks on crude and gas prices—alongside the NPA's significant upward adjustments in price floors—a more precautionary stance should have been considered. A "hold" decision would have acknowledged that inflation gains are threatened by Middle East hostilities. The MPC notes it is monitoring developments and stands ready to act.

2. **Revisit liquidity and credit management, and asset quality protection strategies.** Rather than a broad sector-wide approach, BoG could adopt a targeted strategy focusing on easing operational cost and working capital pressures for industries directly exposed to first-round impacts of the global oil shock. BoG could guide banks on parameters for evaluating businesses seeking support and monitor compliance through periodic reporting, while tracking developments in the Middle East to inform liquidity management.

3. **Maintain defence of the Ghana cedi, focusing more on volatility to avoid uncertainty.** This should be done within the framework strategy for reserves buildup and external sector stability. The external sector remains strong, with a USD3.7bn trade surplus and Gross International Reserves (GIR) of USD14.5bn (5.8 months of import cover). However, world market crude price hikes and shortages of commodities affected by the Strait of Hormuz choke will raise import bills and FX demand. BoG must be more agile in intervening in the FX market to maintain currency strength and credibility.

What must businesses do?

The key impacts of the global oil shock will likely be felt through inflation, currency depreciation, interest rate increases, and possible crowding-out by Government if fiscal discipline slips. Businesses should consider several tactical responses in the immediate to near term.

Operational/ tactical responses to inflationary risk

1. **Redesign pricing architecture**. Beyond simple cost passthrough, companies should shorten pricing cycles (e.g., quarterly to monthly) and incorporate indexation or automatic adjustment mechanisms linked to fuel, CPI/inflation, or FX triggers. Businesses with significant inventory should audit it and rationalise to eliminate low-margin products.

2. **Review and reengineer cost structure**. Businesses with negotiation clout could convert fixed overheads into variable arrangements—e.g., shifting some roles to parttime or contract. They could reconfigure supply chains, sourcing more from ECOWAS or AfCFTA, and consider energy substitution where viable.[10]

3. **Optimise working capital**. Maintaining a tight cash conversion cycle is survival critical. Businesses must accelerate receivables, shorten customer credit periods, negotiate extended supplier terms, and increase inventory turnover velocity.

Operational/ tactical responses to currency depreciation risk

1. **Engage in natural and financial hedging**. Match currencies of cost and revenue—exporters should retain FX to fund imports. Since pricing in foreign currency is illegal, businesses could index product prices to the exchange value of the currency in which imports are priced or procured.

2. **Restructure balance sheet**. Reduce foreign currency-denominated liabilities by converting them to Ghana cedis or refinancing short-term FX liabilities into longer tenure facilities. Businesses engaged in cross-border trade should work with banks to build FX liquidity buffers for comfortable import coverage.

Operational/ tactical responses to interest rate risk

1. **Review debt strategy**. Businesses should convert floating-rate facilities into fixed, move quickly ahead of any tightening by the central bank, extend maturities to reduce rollover risks, and avoid clustering repayments. Businesses planning expansions should reconsider funding sources and avoid debt financing where possible.

2. **Review and reprioritise investment.** Reevaluate projects by reviewing WACC assumptions and raising hurdle rates. Focus on short-payback projects and defer long-gestation ones unless strategic and fundable without heightening risk.

And what should businesses avoid doing?

Businesses should avoid:

- Taking speculative positions on FX movements
- Aggressively expanding production or capacity using debt
- Agreeing long-term fixed-price contracts without adequate escalation clauses
- Holding excessive imported inventory without a foreign currency hedge

What must businesses watch out for?

As we have noted throughout this article, the situation in the Middle East could change shape at any time and at a very rapid pace too. We encourage business leaders to keep close watch to be able to pick up early signals of escalation or de-escalation, the timing of which could have significant effects on their businesses, both for a short or long duration. We have categorised these signals into two buckets: international and domestic.

International signals

1. **Diplomatic and political signals**. Business leaders should track how key powers position themselves—especially the US, Israel, Iran, China, Russia and the EU. The role of nonstate actors in Lebanon, Yemen and Iraq also matters. Go beyond rhetoric: watch for embassy drawdowns, travel advisories, press briefings that hint at troop movements, public calls for restraint, and the disclosure of backchannel talks. Shifts in tone can be early warning signs; be ready to move quickly.

2. **Military and security signals.** Follow naval advisories and security alerts, including notices from major marine insurers. Rerouting of commercial shipping to avoid the Strait of Hormuz or the Red Sea is a practical early indicator of escalating or easing risk.

3. **Energy market signals**. Statements from the IEA and OPEC about emergency meetings, reserve releases or production quota changes may signal that they expect a prolonged conflict. Monitor oil-linked futures, volatility spikes and WTI–Brent spreads; markets often price in new information faster than official channels.

4. **Other market-based leading indicators**. Abrupt moves in gold prices, oil volatility indices, the US dollar, emergingmarket bond spreads and freight cost indices can all serve as leading indicators of either escalation or progress toward resolution. These should be systematically tracked, not observed ad hoc.

5. **Sanctions and financial system signals**. New sanctions and restrictions on global payment systems such as SWIFT can rapidly widen currency and liquidity risks. Businesses should monitor such measures closely and factor them into cashflow, funding and counterparty risk assessments.

Domestic signals

1. **BoG's stance and money market/banking signals**. Movements in the MPR, GRR, and pricing in government securities all reveal assessment of risk by various stakeholders in the financial industry and monetary system. In the FX market, volumes sold by the central bank to commercial banks, interbank FX spreads, and trading liquidity are critical data points for business planning.

2. **NPA price floors and Ministry of Finance actions**. Adjustments to regulated petroleum price floors—both direction and magnitude—offer clues to how the Government reads the trajectory and likely duration of the conflict. Watch for Ministry of Finance announcements on suspending or removing fuel taxes and levies, expanding targeted social transfers (such as LEAP), or freezing non-priority spending. Taken together, these moves signal how seriously Government views the risks and where it expects the economic impact to be felt.

In conclusion…

Ghana's hardwon macroeconomic stability now sits on a geopolitical fault line. The Strait of Hormuz shock threatens to reignite inflation, weaken the cedi, raise interest rates, and squeeze growth—exposing how little the structure of the economy has changed since the Russia–Ukraine crisis. Whether the threat is contained or the recovery unravels will depend on how long the conflict lasts and how quickly and coherently Government pivots on fiscal and monetary policy. For businesses, inaction is not an option: they must rework pricing, costs, funding, and FX exposure, while tracking both international and domestic signals for early signs of escalation or relief. In this environment, vigilance, agility, and discipline—not optimism—will determine who survives and who stumbles.

Endnotes

[1] The Strait is a primary, crucial route for oil and liquified natural gas (LNG) exports from Saudi Arabia, Iraq, Iran, Qatar, and United Arab Emirates (UAE). It is essential for global energy supplies, with about 20% of the world's daily oil and gas consumption passing through it.

[2] International Energy Agency

[3] In this article, we define the duration of the short term as the next 6-9 months.

[4] The revised per litre floor prices for petrol and diesel are GHS11.57 (GHS10.46), and GHS14.35 (GHS11.42), respectively. For liquified petroleum gas (LPG), it is GHS10.67 per kilogramme (GHS9.38).

[5] Using the Classification of Individual Consumption According to Purpose (COICOP) standard for computing and reporting the Consumer Price Index (CPI), the Ghana Statistical Service (GSS) reported the February 2026 YoY transport inflation as -7.5%. Inflation associated with Housing, water, electricity, gas and other fuels for the same period was also reported as 12.6%.

[6] At the end of the 129th meeting of the BoG's Monetary Policy Committee (MPC) held from 16-18 March, the Committee voted to reduce the monetary policy rate (MPR) from 15.5% to 14.0%.

[7] In the MPC's press release, the non-performing loan (NPL) ratio is reported as having fallen to18.7%, remaining well above the 10% prudential limit targeted by the regulator.

[8] Source: https://www.bog.gov.gh/wp-content/uploads/2026/03/MPC-Press-Release-March-2026.pdf

[9] The scenario oil price changes draw on published research by Goldman House and Chatham House. These represent a range of plausible outcomes, not point forecasts.

[10] For instance, it has been reported on various news channels, e.g., France 24 that Dangote Refinery has exported 456,000 tonnes of petroleum products to Ghana and Togo.

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