

Inflation Eases

Inflation, Defined as the average change in general price levels, ended the year at 15.97 percent in December 2009 - a drop from the November rate of 16.92 percent and the lowest last year.

This meant that the Bank of Ghana had the projection right, as it had predicted an inflation rate of between 12.6 - 16.6 percent for December 2009. But the Center for Policy Analysis (CEPA) and the Government missed the target as they had projected an inflation of between 14.5 and 15 percent and 14.5 percent respectively.

However the average inflation rate for 2009 was 19.29 percent compared to 16.46 percent recorded in December 2008. In Addition, price levels were up last month but lower than in December 2008.

Dr. Grace Bediako, Government Statistician, who released the December 2009 data, explained that though inflation had declined there were still some inflationary pressures existing.

According to her, consumption pattern in November and December 2009 changed, as adjustments in the economy had impacted on both government and household spending, which was very low, adding that the Bank of Ghana's inflation targeting framework had influenced the December inflation.

An economic analyst, immediately after the release, told BUSINESS GUIDE that the Central Bank last years increased interest rates thrice thus pushing Treasury bill up, and squeezing the economy.

On whether a stable inflation rate should be maintained and not necessarily a single -digit inflation, as analysts had indicated, he reacted in the affirmative, saying a low and stable inflation such as 11 percent inflation is better.

The seasonal trend where inflation inches up in November and December was not realized this time around.

Again, while recreation and culture, health and furnishing, Household and Equipment recorded the highest inflation just like in October and November 2009, Housing, Water, Electricity subgroups, Education and Communication recorded the least inflation.

According to figures released by the Ghana Statistical Service (GSS), food inflation dropped further from 12.38 percent in November to 11.84 percent in December 2009 whilst the non-food inflation also eased from 20.05 percent in November to 18.82 percent in December 2009.

Six regions, namely Northern, Eastern, Greater Accra, Brong Ahafo and Ashanti recorded inflation rates below the national average. Oil and fats, fruit and fish had lower

inflation, while minerals water, soft drinks, milk, cheese and eggs recorded very high inflations.

On the other hand, Housing, Water and Electricity and Communication contributed to the fall in the non-food category.

For the regions, Northern region upset Greater Accra to record the least inflation of 11.91 percent (12.10 percent for food and 11.99 percent for non-food) while Eastern region followed, recording 12.27 percent.

Greater Accra, Brong Ahafo and Ashanti followed with inflation of 13.16 percent, 14.04 percent, and 15.59 percent respectively. Western also recorded 15.66 percent, which was below the national average.

The three regions which recorded inflation above the national average were the Central (22.59 percent), Volta (24.41 percent) and the two upper regions (26.90 percent).

Source: Business Guide, Monday January 18, 2010 pages 1 and 4.