

## Inflation further eases

The rate of inflation reduced to 15.97 per cent for the month of December last year from the November figure of 16.92 per cent.

The figure was the lowest in the whole year, as the average rate for the entire 2009 settled at 19.29 per cent, the highest in five years, according to Ghana Statistical Service (GSS) which released the results.

The 1.59 percentage drop in inflation for December was impacted positively by the food component of the Consumer Price Index (CPI) used in measuring inflation. The food and non-alcoholic beverages component contributed 11.84 percent, while non-food items, such as recreation and culture, health, furnishing and household equipment and clothing, contributed 18.82 percent to the index.

“The most notable changes in the year were increases in recreation and culture (86.96 percent), health (33.19 percent), furnishing and household equipment (29.03 percent) and some food produce goods such as mineral water, soft drinks and juices (27.24 percent), sugar, jam, honey, syrups, chocolate and confectionery (27.30 percent) and milk, cheese and eggs (27 percent),” the Government Statistician, Dr. Grace Bediako, told the media in Accra.

Analysts see the ease in inflationary pressures as a good sign for a general stability in the price level goods and services in the economy for this year.

Dr. Bediako herself later expressed the hope that the downward trend would continue for the first three months of the year when prices were usually lower and also due to policies to ensure exchange rate stability.

She said the economy could also count on the bumper harvest period of June-August for the lowering inflation if other factors such as external shock did not count.

The lowering trend in inflation, coupled with the stability in the foreign exchange market, was ground enough for banks in the country to begin to reduce their lending rates, an analyst who pleaded anonymity told the Daily Graphic.

The analyst said universal banks should reduce their interest rates below 30 per cent. The Bank of Ghana, at its last Monetary Policy Committee (MPC) meeting last year, reduced the prime rate, the rate at which it lends to the commercial banks, from 18.50 percent to 18 percent but banks failed to align the interest rates with it.

Private sector business associations have also accused the banks of staying their rates higher than the prime rate and interests they offer on deposits and lowering inflationary pressures should give them comfort to drastically revise their rates downwards.

**Source:** Daily Graphic, Monday January 18, 2010, Page 49.