

## **Inflation slows down**

The rate at which the general price level of goods and services changes has reduced for the month of December 2009, settling at 15.97 per cent from the November rate of 16.92 percent

The consumer price index (CPI), which measures the rate of inflation, reduced by 1.59 points for the month of December, giving rise to the lowest inflation for last year

This means that on the average, inflation for 2009 was 19.29 per cent, which according to the Ghana Statistical Service (GSS), was the highest in five years.

Inflation was high in the early part of last year, peaking at 20.74 per cent, before taking a nosedive and easing until the year-end 15.97 per cent.

Explaining the behaviour of the price changes, the Government Statistician, Dr. Grace Bediako, told a section of the media at a press conference that the non-food component of the CPI contributed most to the inflationary pressures.

The food component of the measuring basket, made comparatively smaller contribution to the inflation outturn. Food inflation was 11.84 per cent as against non-food inflation of 18.82 per cent. In November last year also, the 20.05 per cent contribution by the non-food group was higher than the 12.38 per cent from the food group, a trend that has persisted throughout the year.

On the average, non-food basket inflation for last year was 21.83 per cent as against the food inflation of 15.78 per cent average contribution.

The element of the non-food basket which made the most contributions were the recreation and culture group (86.96 per cent), health (33.19 per cent), furnishings, household and equipment (29.03 per cent), alcoholic beverages, tobacco (22.21 per cent), while clothing and footwear contributed 18.51 per cent.

Apart from transport, this contributed 10.45 per cent to the upward trend, communications and education groups as well as the housing, water, electricity, gas group, contributed less than 10 per cent to the upward pressure of inflation last month.

Analysts told the GRAPHIC BUSINESS that the falling rate of the general price level of goods and services was an opportune time for banks to lower their interest rates. The bank of Ghana recently reduced their prime rate but the banks did not respond, citing risks such as high inflation.

The analyst believe that the banks could no longer hide behind the cloak of inflation and charge higher interest rates, adding that the stability in the exchange rate market was also ground enough for them to lower rates way below 30 per cent.

Interest rates for the better part of last year had stayed above 30 per cent, with a handful of businesses being able to negotiate below the rates.

Interestingly, however, in spite of people thronging the capable city Accra for festive shopping last month, inflation was rather passed on to the hinterlands where the purchases were carted.

Consequently, the Upper West and Upper East regions posed the highest inflation figures of 26.90 per cent, followed by the Volta Region with 24.41 per cent, while the Western Region recorded inflation of 15.66 per cent.

**Source:** Graphic Business, Tuesday January 19, 2010, Page16.