

## **INFLATION TARGET ON COURSE**

Government-revised inflation target of 14.5 percent for the year could be achieved, as the figure for November 2009 was 16.92 percent, the lowest so far in the year compared with 18.04 percent recorded in October.

However, the monthly change of 0.75 percent was higher than that of 0.95 percent recorded in October.

The seasonal trend where inflation-average change in general price levels-inches up in November and December appears not to be realized this time around as indications are that it might go down further in December though the Government Statistician, Dr. Grace Bediako, says the downward trend might not be sustainable in the long-term.

According to her, consumption patterns during November as adjusted 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 November inflation.

Government fiscal policy is tight while interest rates remain high, hence spending is low and liquidity has also reduced, Dr Bediako added.

The Center for Policy Analysis (CEPA) and the Bank of Ghana might be having their projections right as they had predicted an inflation rate of between 12.6-16.6 and 14.5-15 percent respectively for 2009. And most market watchers, analysts and businesses would be hoping the Central Bank cut its benchmark indicator, the Prime Rate, to enable businesses and individuals to borrow at less interest rate.

Again, while Recreation and Culture, Health and Furniture, Household and Equipment recorded the highest inflations just like in October 2009, Housing, Water, Electricity subgroup, and communication recorded the least inflation.

According to figures released by the Ghana Statistical Service (GSS), food inflation dropped further from 13.53 percent in October to 12.38 percent in November whilst the non-food inflation also dropped from 21.15 percent in October to 20.05 percent in November.

Yet again, inflation in the rural area was lower than in the urban centers and the gap between the urban and rural areas keeps narrowing.

Four regions, namely Greater Accra, Northern, Eastern and Brong Ahafo recorded inflation rates below the national average.

Oil and Fats sub group was the major contributor to the decline in the change in inflation regarding food and alcoholic beverages while vegetable including potatoes, and bread, cereals, and fish subgroup recorded very high inflations.

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

For the regions, Greater Accra again recorded the least inflation of 12.43 percent (18.12 for food and 9.45 percent for non-food) while Eastern region followed, recording 12.98 percent.

Northern and Brong Ahafo followed suit with inflations of 14.17 percent and 15.35 respectively.

The five regions which recorded inflation above national average were Ashanti (17.22 percent), Western (17.59 percent), Volta (24.71percent), Central (25.40 percent), and the two Upper regions (29.43).

Source: Business Guide, Monday December 14, 2009, Page 4.