

## **Year –end inflation target missed narrowly.**

Year-on-year inflation in Ghana declined in December 2009 and is set to ease further in the months ahead, the Government Statistician, Grace Bediako, reported last Friday, January 15, 2010 at a meeting with the press.

December inflation fell to 15.97 percent from 16.92 percent recorded in prior month, lying narrowly above government year –end target of 14.5 percent .The December inflation is the lowest recorded in 2009.

Even though the end-period inflation rate for 2009 was 2.16 percentage point lower than that of 2008, the average inflation rate for the past year, which was 19.29 percent, is the highest recorded since 2004.

Year 2009 started with extremely high inflation rates that peaked at 20.74 percent in June, the highest level in over four years, and resulted largely from election year spending excesses.

Strict fiscal and monetary discipline and stability achieved at the exchange rate front contributed in taming inflation in July and thereafter.

According to Dr Bediako, the downward trend is sustainable through the coming months, explaining from historic records trends ending a particular year in most cases, extended into the proceeding year.

“What we’ve observed from pervious years is that when we enter a new year with a particular trend, it continues the same for some time. Barring any unexpected situations contrary to what we have been experiencing, we expected the current trend to continue”, she told the Financial Intelligence.

Government expects inflation to slow down further this year to 9.2 percent at year end, with an expected annual average of 10.5 percent.

Food inflation continued to have a dampening effect on inflation as a result of good local harvest, recording 11.84 percent, whilst non-food inflation was 18.82 percent for the month under review. The two major sub-components of the Consumer price Index (CPI) have weights of 44.91 and 55.09 percent respectively.

The monthly rate of inflation that indicates the change in price levels between November 2009 and December 2009 was however up to 1.59 percent, after recording 0.75 percent in November. This was in line with the seasonal characteristics of price levels that usually move up with the Christmas festivities.

Recreation and culture that includes such items as entertainment, education expenses, newspapers and the likes, was the largest contributor to inflation for the month under review and had remained so for 2009.

Health, Furnishing and some foods products such as mineral water, soft drink and juices are among others that pushed up price levels.

In regional analysis the Government Statistician stated that the Upper region (Upper East and West) recorded the highest inflation of 26.90 percent whilst the Northern region recorded the lowest of 11.99 percent.

Several economic analysts this paper spoke to following the latest report on the health of consumer prices say, they expect the monetary authority to respond appropriately to the disinflation trend by cutting its prime rate substantially at the next Monetary policy Committee (MPC) meetings expected shortly. The central bank dropped its prime rate 50 basis points to 18 percent in November last year, representing the first rate-cut in about three years.

**Source:** Financial Intelligence, Monday January 18, 2010, Pages 1 & 3.