

Drivers of December 2018 Inflation rate (9.4%)

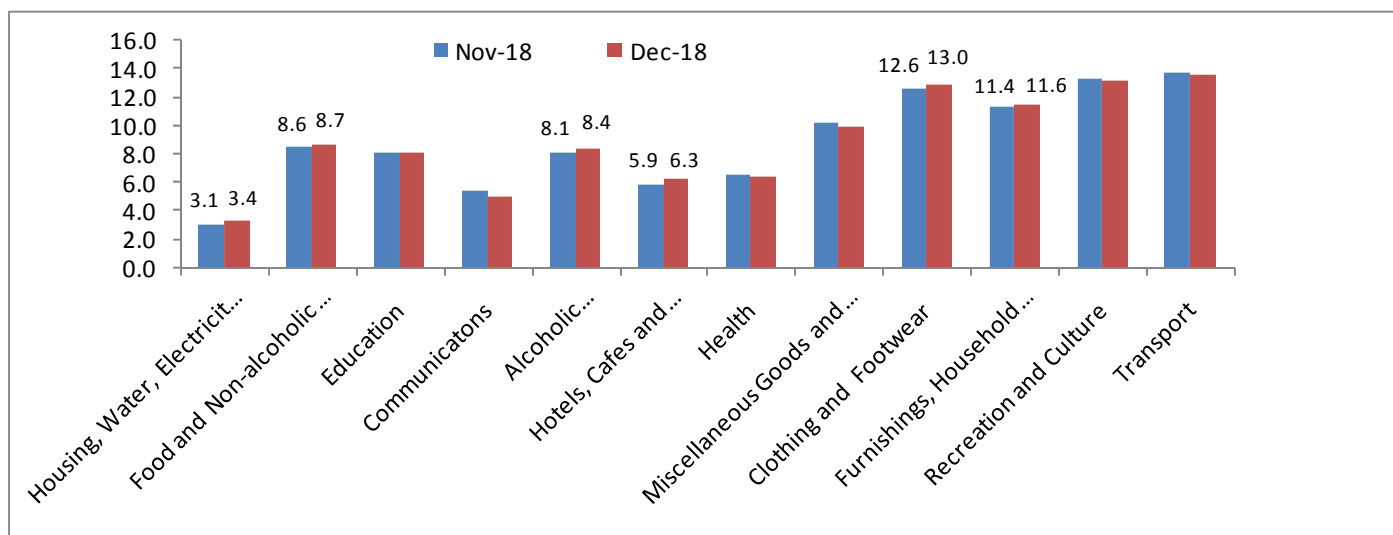
The year-on-year inflation rate for December 2018 was 9.4% compared with that of November 2018 which was 9.3% a rise of 0.1 percentage point.

REASONS FOR THE RISE IN THE RATE OF INFLATION

The **Non food group inflation** rate rose by 0.1 percentage point from 9.7% in November 2018 to 9.8% in December 2018 and the **Food group inflation** rate also rose from 8.6% in November 2018 to 8.7%. These were responsible for the rise in the overall rate of inflation in December 2018.

The price drivers for December 2018 was mainly due to a rise in the rates of inflation for the Clothing and Footwear group (0.4%), Hotels, Cafes and Restaurants group (0.4%), Housing, Water, Electricity, Gas and Others Fuels group (0.3%), Alcoholic Beverages, Tobacco and Narcotics group (0.3%), Furnishings, Household Equipment and Routine Maintenance group (0.2%) and Food and Non-alcoholic Beverages group (0.1%), see Figure 1.

Figure 1: Changes in main COICOP groups' inflation rates



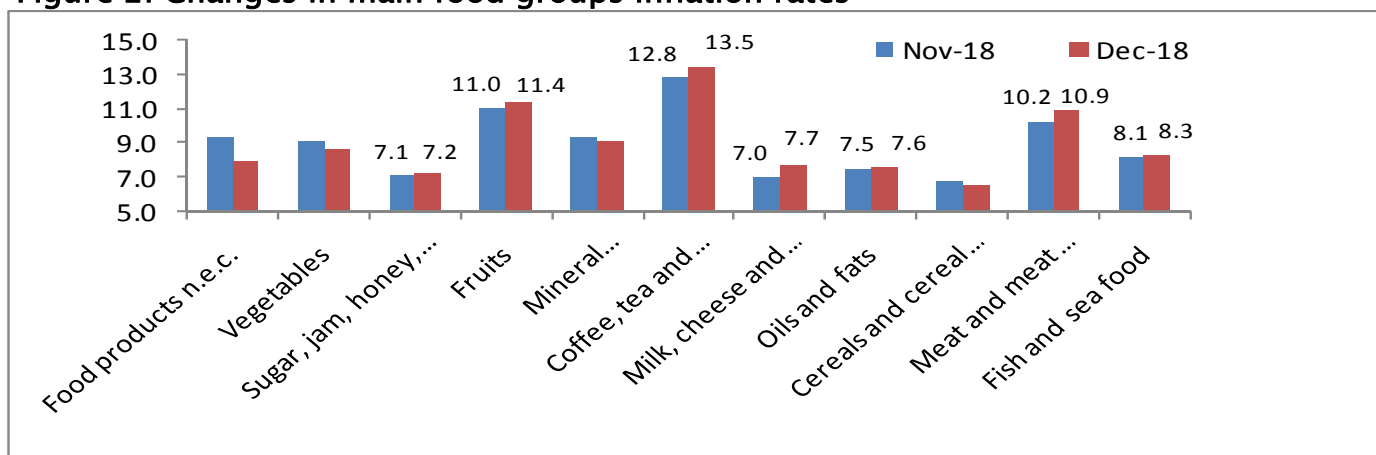
The month-on-month inflation rate for December 2017 was 1.0% compared to the 1.1% recorded in December 2018. The higher month-on-month change rate in December 2018 caused the year-on-year inflation rate to rise from 9.7% to 9.8%, thus

the increase in inflation was due to **base drift effect**. That is to say that the monthly inflation in December 2018 had gone up compared to that of December 2017.

The **food group** on the other hand had the following sub-groups recording higher percentage points rise in inflation rates for December 2018 compared to November 2018.

- a. Milk, cheese and eggs rose by **0.7** percentage point from 7.0% in November 2018 to 7.7% in December 2018
- b. Coffee, tea and cocoa rose by **0.7** percentage point from 12.8% in November 2018 to 13.5% in December 2018.
- c. Meat and meat products rose by **0.7** percentage point from 10.2% in November 2018 to 10.9% in December 2018.
- d. Fruits rose by **0.4** percentage point from 11.0% in November 2018 to 11.4% in December 2018
- e. Fish and seafood rose by **0.2** percentage point from 8.1% in November 2018 to 8.3% in December 2018.
- f. Sugar, jam, honey, chocolate and confectionery rose by **0.1** percentage point from 7.1% in November 2018 to 7.2% in December 2018.
- g. Oils and fats rose by **0.1** percentage point from 7.5% in November 2018 to 7.6% in December 2018 see Figure 2.

Figure 2: Changes in main food groups inflation rates



In any month, the combinations of factors such as government policy, season, exchange rate, interest rate, etc. may influence the rate of inflation. The prices of some items will rise while the prices of some other items will fall. The overall rate of inflation will rise if the rise in the prices of items are more than the fall in the prices of items and vice versa. **Table 1** shows some of the items with high year-on-year inflation rates from December 2017 to December 2018.

Table 1: CPI items that recorded high y/y change rate from December 2017 to December 2018

ITEM	DESCRIPTION	Weight	Price change over 12 months
218	Digital photo camera	0.1	33.9
220	PC laptop	0.1	29.5
191	Motor Bike eg. Yamaha AG 100	0.3	28.6
151	Mattress (foam)	0.3	27.2
156	Air conditioner	0.0	26.6
244	Hotel Accommodation	0.0	26.2
95	Imported cloth (Dutch/British)	0.4	25.6
217	DVD-Player	0.2	25.0
98	Kente (Men)	0.1	24.8
207	Domestic air fare - 300 km, Accra-Kumasi	0.3	24.8
215	TV-set (21")	0.3	24.5
99	Simple Suit	0.1	24.5
264	Legal service,(will fees)	0.5	24.4
189	Toyota Corolla	0.7	24.3
266	Newspaper advertisement, (funeral, 1/8 page)	0.5	24.1
108	Kente (Women)	0.1	23.4
150	Double Bed (simple or ordinary)	0.2	23.3
203	Driving lesson fees	0.0	23.3
155	Refrigerator	0.3	23.2
219	PC desktop	0.1	21.6
128	Dress shoe (women)	0.3	21.5
107	smock	0.1	20.9
130	Sports shoes (canvas/cambo)	0.2	20.8
157	Microwave oven	0.0	20.8
196	Batteries (Car)	0.1	20.6
126	Dress shoe (men)	0.2	20.5
165	Cooking utensil, aluminium (imported)	0.1	20.3
112	Boubou	0.1	20.2
192	Bicycle	0.1	19.7
158	Gas cooker	0.1	19.4
190	Hyundai Accent	0.7	19.1
113	Two pieces dress	0.1	18.8

Regional Performance

1. Upper West region recorded the highest regional combined inflation rate (11.4%). Transport (22.8%), Miscellaneous Goods and Services (13.4%), Clothing and Footwear (12.5%) and Recreation and Culture (11.5%) were responsible for the high inflation in the Upper West region.
2. Upper West region recorded the highest regional non-food inflation rate (13.4%) due to a rise in inflation for the Transport subgroup.
3. Ashanti region recorded the highest food inflation rate (9.5%) due to Coffee, tea and cocoa (14.2%), Oils and fats (12.1%), Vegetables (11.8%), Non-alcoholic beverages (11.1%) and Meat and meat products (10.8%).