

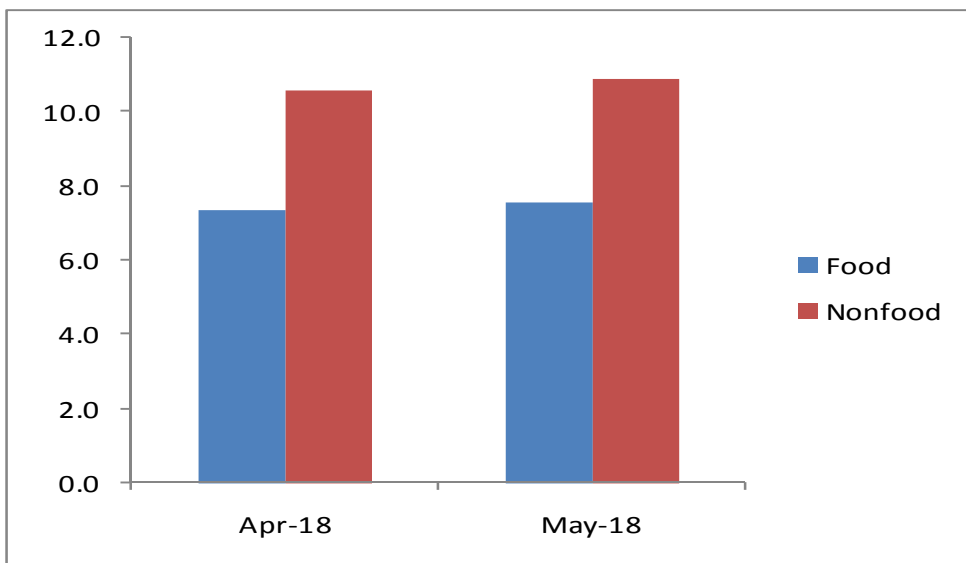
Drivers of May 2018 Inflation rate (9.8%)

The year-on-year inflation rate for May 2018 was 9.8% compared with that of April 2018 which was 9.6% a rise of 0.2 percentage point. The May 2018 rate of inflation is the second lowest since January 2013. The April 2018 rate was the lowest since that period.

REASONS FOR THE RISE IN THE RATE OF INFLATION

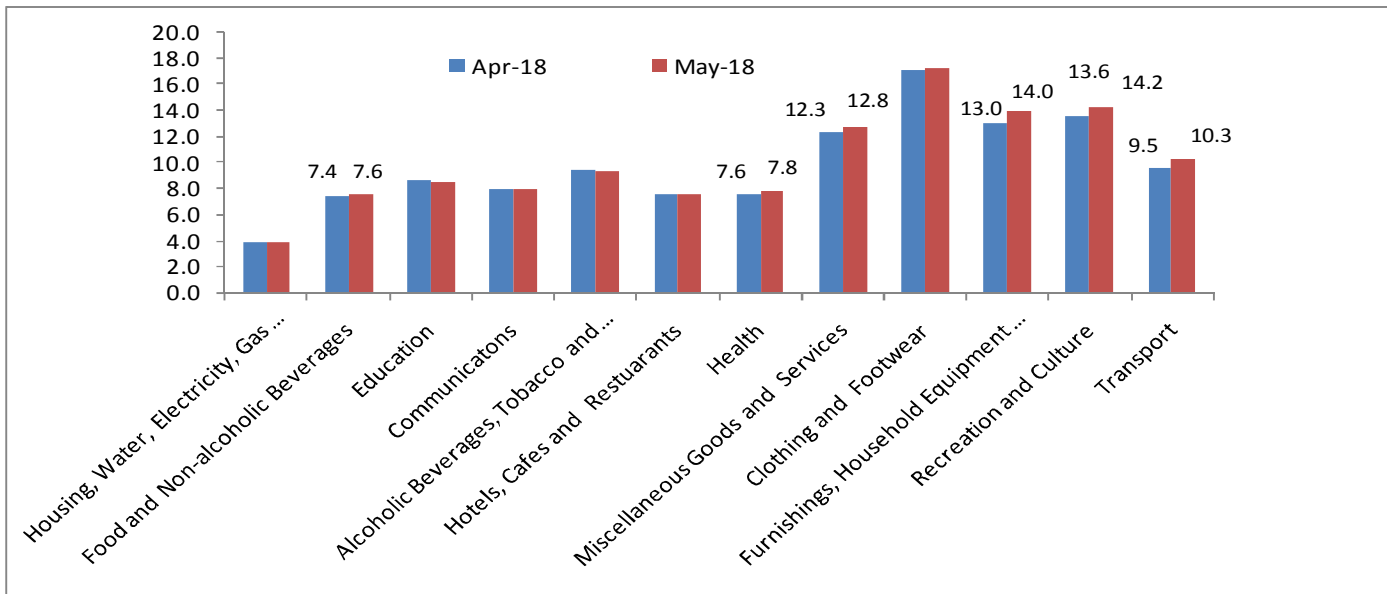
The Non-food group inflation rate rose by 0.3 percentage point from 10.6% in April 2018 to 10.9% in May 2018 and the Food group inflation rate also rose from 7.4% in April 2018 to 7.6% in May 2018. These were responsible for the rise in the overall rate of inflation (Figure 1).

Figure 1: Changes in Food and Non-Food inflation rates



The main price drivers for the rise in the rate of inflation in May 2018 were a rise in the rates of inflation for the Furnishings, Household Equipment and Routine Maintenance group (1.0%), Transport group (0.8%), Recreation and Culture group (0.6%), Miscellaneous Goods and Services group (0.9%), Food and Non-alcoholic Beverages group (0.2%) and Health group (0.2%) see Figure 2.

Figure 2: Changes in main COICOP groups' inflation rates



The month-on-month inflation rate for May 2017 was 0.7% compared to the 1.0% recorded in May 2018. The lower month-on-month change rate in May 2017 compared to that of May 2018 caused the year-on-year inflation rate to rise from 9.6% to 9.8%, thus the increase in inflation was due to base drift effect. That is to say that the monthly inflation in May 2018 had gone up compared to that of May 2017.

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

- a. Food products n.e.c. rose by 0.8 percentage point from 8.5% in April 2018 to 9.3% in May 2018.
- b. Oils and fats rose by 0.7 percentage point from 7.3% in April 2018 to 8.0% in May 2018.
- c. Mineral water, soft drinks, fruits and vegetable juices rose by 0.5 percentage point from 8.8% in April 2018 to 9.3% in May 2018.
- d. Milk, cheese and eggs rose by 0.3 percentage point from 5.8% in April 2018

to 6.1% in May 2018.

e. Coffee, tea and cocoa rose by 0.3 percentage point from 10.5% in April 2018 to 10.8% in May 2018.

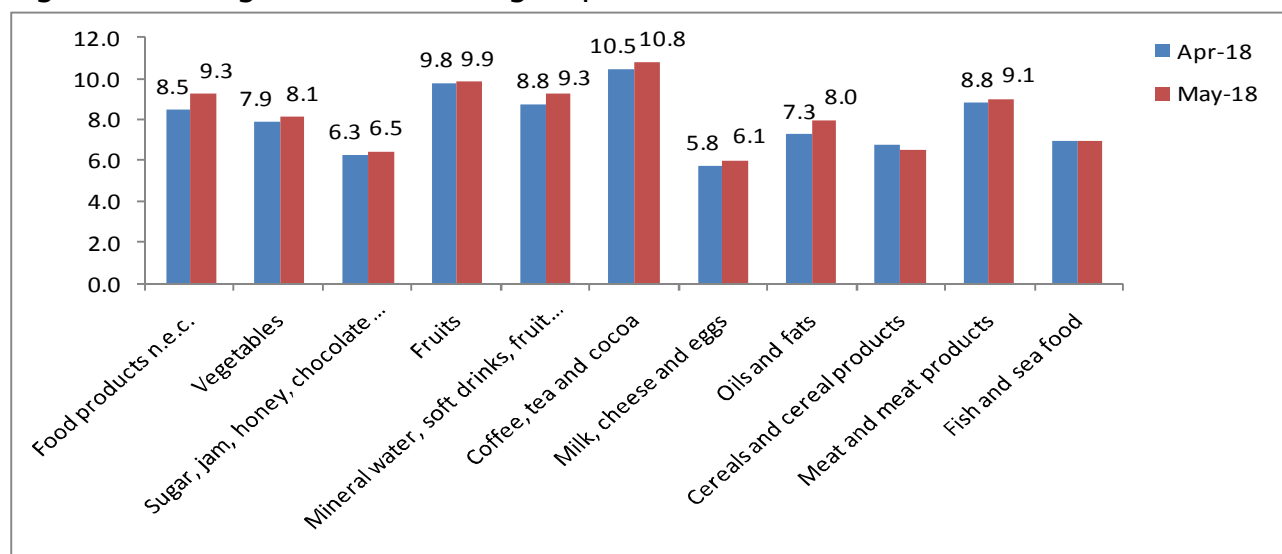
f. Meat and meat products rose by 0.3 percentage point from 8.8% in April 2017 to 9.1% in May 2018.

g. Vegetables rose by 0.2 percentage point from 7.9% in April 2017 to 8.1% in May 2018.

h. Sugar, jam, honey, chocolate and confectionery rose by 0.2 percentage point from 6.3% in April 2017 to 6.5% in May 2018.

i. Fruits rose by 0.1 percentage point from 9.8% in April 2017 to 9.9% in May 2018 see Figure 3.

Figure 3: 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 price of some items will rise while the price of some items will fall. The overall rate of inflation will rise if the rises in the prices of items are more than the falls in the prices of items and vice versa. **Table 1** shows some of the items with high year-on-year inflation rates from May 2017 to May 2018.

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

ITEM	DESCRIPTION	Weight	Price change over 12 months
189	Toyota Corolla	0.7	34.3
218	Digital photo camera	0.1	33.5
95	Imported cloth (Dutch/British)	0.4	33.2
151	Mattress (foam)	0.3	32.5
220	PC laptop	0.1	32.4
266	Newspaper advertisement, (funeral, 1/8 page)	0.5	31.0
99	Simple Suit	0.1	30.7
190	Hyundai Accent	0.7	29.5
191	Motor Bike eg. Yamaha AG 100	0.3	29.0
98	Kente (Men)	0.1	28.6
150	Double Bed (simple or ordinary)	0.2	28.0
156	Air conditioner	0.0	27.9
94	Cotton Local Super (cloth)	1.9	27.9
108	Kente (Women)	0.1	27.5
215	TV-set (21")	0.3	26.7
244	Hotel Accommodation	0.0	26.6
219	PC desktop	0.1	26.6
155	Refrigerator	0.3	25.2
217	DVD-Player	0.2	24.9
192	Bicycle	0.1	24.1
203	Driving lesson fees	0.0	23.9
158	Gas cooker	0.1	23.2
207	Domestic air fare - 300 km, Accra-Kumasi	0.3	22.7
157	Microwave oven	0.0	22.6
196	Batteries (Car)	0.1	22.5
130	Sports shoes (canvas/cambo)	0.2	22.2
138	Rent (monthly)	1.3	20.6
107	smock	0.1	20.5
181	Corrective eye-glasses (common lens)	0.0	20.5
194	Tyres (car)	0.1	20.1
126	Dress shoe (men)	0.2	19.9
128	Dress shoe (women)	0.3	18.6

Regional Performance

1. Upper West region recorded the highest regional combined inflation rate (12.0%). Education (27.8%), Transport (21.2%), Clothing and Footwear (17.9%). Miscellaneous Goods and Services (15.6%), Furnishings, Household Equipment and Routine Maintenance (13.7%) and Recreation and Culture ((12.2%) were responsible for the high inflation in the Upper West region.
2. Upper West region recorded the highest regional non-food inflation rate (14.8%) due to Education, Transport, Clothing and Footwear and Miscellaneous Goods and Services.
3. Ashanti region recorded the highest food inflation rate (8.3%) due to Coffee, tea and cocoa (11.1%), Oils and fats (10.6%), Non-alcoholic beverages (10.5%), Vegetables (10.4%), Mineral water, soft drinks, fruit and vegetable juices (10.2%), Food products n.e.c (9.2%) and Meat and meat products (8.8%).