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January: Consumer Inflation Accelerates To 19.9%

GHANA - Average consumer price for Ghana accelerated to 19.9% in the first month of 2009 on both non-food and food price increases. Inflation for December, 2008 was 18.1%, which was 180 basis points lower than the January, 2009 outturn of 19.9%.

The country's food index rose by 9.5 points to 256.2 points, while the non-food index was up by 5.3 points to 296.9 points. Observably, the rise in the food index was rather phenomenal than that of the non-food index; despite the contribution of the non-food group to overall inflation was the highest during the period at 11.1% compared to that of the food group at 8.8%. Significant increases of 45.9 points and 45.5 points were recorded for the Recreation, Entertainment and Cultural, as well as, the Medical and Health Care Expenses subgroup indices; while the Transport, as well as, the Housing and Utility subgroup indices fell by 27.7 points and 6.9 points to 413.4 points and 379.2 points respectively.

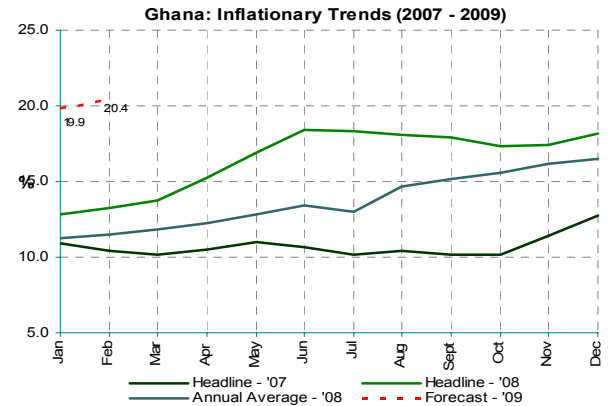
Average inflation at the regional level increased from 18.6% in December, 2008 to 20.0% in January, 2009. Inflation for the Northern and Ashanti regions recorded the highest rates at 24.9% and 23.7% respectively. While inflation for the Volta and Brong Ahafo regions were the lowest at 13.8% and 17.4% respectively. Inflation for the Ashanti Region closed January at 17.5%. Essentially, inflation for all the regions remained above single digit, with the regional average marginally above the national outturn of 19.9%.

Analysis & Outlook: The rise in January inflation was mainly induced by the less volatile items in the country's inflation basket such as the Recreation, Entertainment and Cultural subgroup, the Medical Care and Health Care Expenses subgroup, as well as, the alcohol and Tobacco subgroup in addition to the seasonal food index effect.

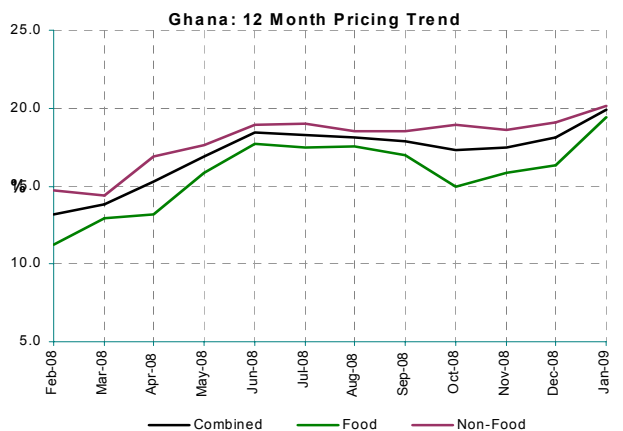
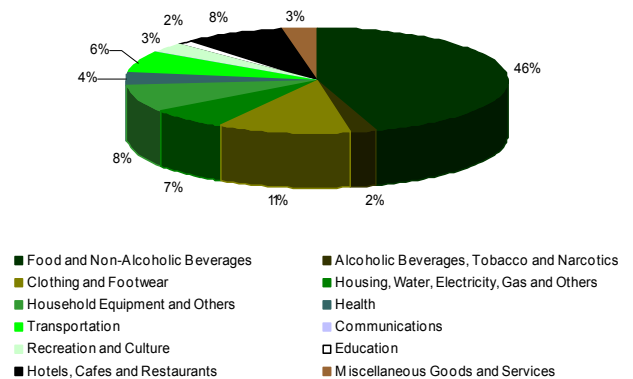
The rather volatile subgroups of the inflation basket posted a decline during the month of January. Specifically, the Transport Index declined by 27.7 points between December, 2008 and January, 2009, while the housing and Utilities Index fell by 6.9 points during the same period. We think that the significant upturn in January's inflation was mainly induced by the spillover effect of inflationary pressures from 2008 and the continuing depreciation of the cedi against the dollar; which was 4.3% in January, 2009 compared to 1.0% in the same period in 2008.

Ghana's inflation dynamics indicate that domestic prices are sticky upwards for non-food items in the basket, while the food basket is sensitive to the domestic harvest season and exchange rate depreciation. As a result, we expect to see further increases in the food index during the first half of the year, while the non-food index is likely to move north in response to further depreciation of the cedi during the period.

February Inflation: Further increases in domestic food prices and the continuing depreciation of the cedi are likely to push prices up in February. In the absence of any counter fiscal or monetary policy stance or a possible reduction in petroleum prices during the month, we expect inflation for February to increase marginally to 20.8%.



National CPI Component Breakdown



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