

# The Current State of Ghana's Core Inflation Rate

An expert analysis of Ghana's core inflation trends in 2023, including key statistics, inflation drivers, and recommendations for controlling price growth.



## Highlights

- Detailed analysis of Ghana's core inflation rate in 2023, excluding volatile items like food and energy.
- Key statistics on core inflation trends and their impact on monetary policy and household purchasing power.
- Projections for core inflation and recommendations for stabilizing prices in Ghana's economy.

## Content

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## Research Methodology

This article draws on data from Ghana's Statistical Service (GSS), the Bank of Ghana, and international economic institutions such as the International Monetary Fund (IMF) and the World Bank. The research examines the core inflation rate, which excludes food and energy prices to provide a more stable measure of inflationary trends. The analysis considers macroeconomic factors such as monetary policy, exchange rate fluctuations, and global price trends to understand the drivers of core inflation. Historical comparisons with previous years help contextualize the current state of inflation in Ghana.

## Top 10 Key Statistics and Facts

- 1. Core Inflation Rate (2023):** Ghana's core inflation rate reached 21% in 2023, reflecting persistent inflationary pressures in non-food and non-energy sectors.
- 2. Headline Inflation Rate:** The overall inflation rate, which includes volatile food and energy prices, was 30% in 2023, with core inflation contributing significantly to this figure.
- 3. Monetary Policy Rate:** The Bank of Ghana raised the policy rate to 30% in 2023 to combat rising inflation, including core inflation.
- 4. Housing and Utilities:** Core inflation in housing and utilities rose by 18% in 2023, driven by higher construction costs and energy prices.
- 5. Healthcare Inflation:** Prices in the healthcare sector increased by 15% in 2023, contributing to the rise in core inflation.
- 6. Clothing and Footwear:** Inflation in clothing and footwear increased by 12% in 2023 due to the depreciation of the cedi, which raised the cost of imported goods.
- 7. Education Costs:** Core inflation for education services grew by 9% in 2023 as rising operational costs for schools and institutions added to the burden on consumers.
- 8. Imported Inflation Impact:** About 40% of the increase in core inflation is attributed to imported inflation, driven by the weak cedi and global supply chain issues.
- 9. Urban Core Inflation:** Core inflation in urban areas reached 22%, higher than the rural core inflation rate of 19%, due to greater reliance on imported goods and services in urban centers.
- 10. Wage Growth vs Inflation:** Average wage growth lagged behind inflation at 10% in 2023, reducing real household purchasing power and exacerbating the impact of rising core prices.

## Body of Article / Critical Analysis

Ghana's core inflation rate has become a major concern for policymakers, as it highlights the underlying inflationary pressures beyond the more volatile components such as food and energy. In 2023, core inflation reached 21%, marking a significant increase from 16% in 2022. This rise reflects ongoing challenges in controlling price increases in key sectors like housing, healthcare, transportation, and education, which have a direct impact on the cost of living for Ghanaians.

Housing and utilities, which make up a large share of the core inflation basket, saw an 18% increase in prices in 2023. This rise is driven by higher construction material costs, as well as increased utility expenses, which have been impacted by currency depreciation and energy price fluctuations. These price hikes are particularly burdensome for households, as shelter is a basic necessity and price increases in this area cannot easily be avoided.

Healthcare costs also saw a significant increase, with prices rising by 15% in 2023. The growing cost of medical services and imported medical supplies, coupled with the depreciation of the cedi, has put additional pressure on households, particularly those with chronic medical needs. Rising healthcare inflation poses a risk to public health, as it may reduce access to essential services for lower-income families.

Inflation in clothing and footwear increased by 12% in 2023, reflecting the broader impact of currency depreciation on imported goods. Ghana relies heavily on imports for consumer goods, and as the cedi has weakened, the cost of these goods has risen sharply, contributing to core inflation. Similarly, education costs have risen by 9%, driven by higher operational expenses for schools and institutions, which have passed these costs on to consumers in the form of higher fees.

Core inflation is a more stable measure of underlying inflationary pressures, and its continued rise suggests that inflation in Ghana is deeply entrenched in the economy. The Bank of Ghana has responded by raising interest rates to 30% in an effort to combat inflation. However, the high core inflation rate indicates that monetary policy alone may not be sufficient to bring inflation under control, particularly in the context of structural challenges like currency depreciation and import dependency.

## Current Top 10 Factors Impacting Ghana's Core Inflation Rate

- 1. Currency Depreciation:** The cedi's depreciation has raised the cost of imported goods, driving up core inflation in sectors like healthcare, education, and consumer goods.
- 2. Fuel Price Increases:** Higher global oil prices have contributed to transportation cost increases, which are a key driver of core inflation.
- 3. Housing and Utilities:** Rising construction and utility costs have increased housing-related expenses, a major component of core inflation.
- 4. Imported Inflation:** Ghana's reliance on imported goods, particularly in sectors like healthcare and education, makes the economy vulnerable to global price increases.
- 5. Monetary Policy Response:** The Bank of Ghana's interest rate hikes have attempted to curb inflation, but core inflation remains high due to structural factors.
- 6. Wage Growth:** Wages have not kept pace with inflation, reducing consumer purchasing power and creating demand-side inflationary pressures.
- 7. Supply Chain Disruptions:** Ongoing global supply chain issues have raised the cost of goods, particularly imported items, contributing to inflation.
- 8. Government Spending:** Expansionary fiscal policies and public sector wage increases have added to inflationary pressures.
- 9. Healthcare Costs:** Rising healthcare costs, driven by the depreciation of the cedi and global price increases, are a key driver of core inflation.
- 10. Education Costs:** Increases in education service costs, particularly in urban areas, have contributed to rising core inflation.

## Projections and Recommendations

Looking forward, core inflation in Ghana is expected to remain elevated in 2024, though it may moderate slightly if global oil prices stabilize and the cedi recovers some value. The Bank of Ghana's continued tightening of monetary policy will be critical in containing inflationary pressures. However, structural reforms aimed at reducing Ghana's reliance on imports and improving the efficiency of key sectors like housing, healthcare, and education will be necessary for long-term price stability.

To address the challenges posed by core inflation, the following recommendations are vital:

**Currency Stabilization:** Efforts to stabilize the cedi, such as boosting foreign exchange reserves and reducing the trade deficit, could help reduce imported inflation and stabilize core prices.

**Promoting Local Production:** Increasing local production of goods, particularly in sectors like healthcare and consumer goods, could reduce reliance on imports and lower inflation.

**Energy Subsidies and Efficiency Improvements:** Targeted subsidies in energy and transportation could help reduce inflationary pressures in core components like housing and transportation.

**Wage Growth Alignment:** Policymakers should consider wage adjustments that are more closely aligned with inflation to help maintain household purchasing power.

## Conclusion

The current state of Ghana's core inflation rate highlights significant and persistent inflationary pressures that extend beyond the volatile components of food and energy. With core inflation reaching 21% in 2023, the rising costs in key sectors such as housing, healthcare, and transportation are putting a strain on households and businesses alike. While monetary policy tightening by the Bank of Ghana is a necessary step, long-term solutions will require structural reforms to stabilize the currency, reduce import dependency, and improve productivity in essential sectors. Addressing these underlying issues will be critical for bringing core inflation under control and ensuring sustainable economic growth.

## Notes

This analysis is based on core inflation data as of 2023. Future developments in global commodity markets, currency exchange rates, and domestic policy may influence projections.

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