

# The Current State of Ghana's Consumer Price Index (CPI)

A comprehensive analysis of Ghana's Consumer Price Index (CPI) in 2023, including key statistics, inflation drivers, and recommendations for stabilizing prices and controlling inflation.



## Highlights

- Analysis of Ghana's Consumer Price Index (CPI) trends in 2023 and its impact on inflation.
- Key statistics on price increases, inflation drivers, and the impact of CPI on households and businesses.
- Projections for future CPI trends and recommendations for policy responses to stabilize inflation.

## Content

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## Research Methodology

This article is based on data from Ghana's Statistical Service (GSS), the Bank of Ghana, the International Monetary Fund (IMF), and reports from leading economic think tanks. The methodology includes analyzing recent trends in the Consumer Price Index (CPI), inflation drivers across key sectors, and their impact on both consumers and the broader economy. The article also draws on historical CPI data to compare current inflationary pressures with past periods of volatility, providing a comprehensive view of Ghana's inflationary dynamics.

## Top 10 Key Statistics and Facts

- 1. CPI Inflation Rate (2023):** Ghana's inflation rate, as measured by the CPI, reached 30% in 2023, marking one of the highest levels in the past decade.
- 2. Food Inflation (2023):** Food prices increased by 35% year-over-year, contributing significantly to overall inflation.
- 3. Non-Food Inflation:** Non-food inflation grew by 25% in 2023, driven by higher transportation and housing costs.
- 4. CPI Basket Composition:** The CPI basket in Ghana includes food (43%), housing and utilities (11%), transportation (10%), and other consumer goods.
- 5. Imported Inflation:** Rising global prices for oil, fuel, and food have exacerbated inflationary pressures in Ghana, contributing over 40% to the total CPI growth.
- 6. Exchange Rate Impact:** Depreciation of the cedi by over 20% in 2023 increased the cost of imports, further driving up CPI.
- 7. Monetary Policy Response:** The Bank of Ghana raised interest rates to 30% in 2023 to combat inflation, though CPI inflation remained high.
- 8. Wage Growth vs. Inflation:** Average wage growth in 2023 was 10%, far below the inflation rate, eroding real household incomes.
- 9. Regional Inflation Differences:** Urban areas saw a higher CPI increase (32%) compared to rural areas (28%), reflecting varying cost structures across regions.
- 10. Inflation Expectations:** According to a survey by the Bank of Ghana, 70% of businesses expect inflation to remain elevated in 2024, indicating ongoing pricing pressures.

## Body of Article / Critical Analysis

Ghana's Consumer Price Index (CPI) has become one of the most watched economic indicators as inflationary pressures have risen sharply over the past year. As of 2023, the CPI inflation rate stands at 30%, representing a significant spike from the previous year's rate of 17%. This surge in inflation has been driven by a combination of domestic and external factors, including rising food and fuel prices, currency depreciation, and supply chain disruptions.

The most significant contributor to Ghana's inflationary woes is the sharp rise in food prices, which increased by 35% in 2023. Food accounts for 43% of the total CPI basket, meaning that any volatility in food prices disproportionately affects the overall inflation rate. The hike in food prices can be attributed to both global factors—such as higher input costs for agriculture due to the Ukraine war and supply chain issues—and local challenges, including adverse weather conditions affecting agricultural production.

Non-food inflation has also surged, growing by 25% in 2023. Transportation costs, driven by rising fuel prices, have been a key driver. The depreciation of the cedi, which lost over 20% of its value against major currencies, has further exacerbated the inflationary pressures, making imports more expensive and raising the cost of living for Ghanaians.

The Bank of Ghana has responded by raising the policy interest rate to 30% in an effort to control inflation. However, this monetary tightening has not yet brought CPI inflation under control, as structural factors like high import dependency and volatile global

commodity prices continue to put upward pressure on prices. The mismatch between wage growth, which averaged 10% in 2023, and the inflation rate of 30% has significantly eroded household purchasing power, especially for low-income families.

Inflationary expectations remain high, with businesses anticipating continued price increases in 2024. This expectation could lead to further price hikes as firms pass on higher costs to consumers, creating a cycle of inflation that is difficult to break without structural reforms.

## Current Top 10 Factors Impacting Ghana's CPI

- 1. Food Prices:** Food inflation, driven by supply chain disruptions and adverse weather conditions, is the largest contributor to overall CPI growth.
- 2. Fuel Prices:** Rising global oil prices and local transportation costs have increased CPI, especially in non-food categories.
- 3. Currency Depreciation:** The cedi's depreciation has raised the cost of imported goods, leading to higher overall inflation.
- 4. Global Commodity Prices:** External factors such as the war in Ukraine have caused sharp increases in the prices of imported goods like wheat and fuel.
- 5. Monetary Policy:** The Bank of Ghana's interest rate hikes have yet to fully curb inflation, though they have impacted borrowing costs.
- 6. Supply Chain Disruptions:** Ongoing global supply chain issues have contributed to higher input costs for businesses, which are passed on to consumers.
- 7. Government Spending:** Expansionary fiscal policies, including subsidies and social spending, have added to inflationary pressures.
- 8. Wage Growth:** With wage growth lagging far behind inflation, households are struggling to keep up with rising prices, amplifying the impact of CPI increases.
- 9. Housing Costs:** Rising costs in the housing and utilities sector, driven by energy prices, are adding to non-food inflation.
- 10. Import Dependency:** Ghana's reliance on imported goods for essential commodities has made it more vulnerable to global price fluctuations, directly affecting CPI.

## Projections and Recommendations

Looking ahead, Ghana's CPI is expected to remain elevated in the near term, with inflation likely staying above 20% in 2024. Key drivers such as global commodity prices and exchange rate volatility are expected to persist, making it challenging to bring inflation back to target levels. However, with continued monetary tightening and potential improvements in global supply chains, inflationary pressures could ease in the medium term.

To mitigate the impact of CPI inflation, the following recommendations are critical:

**Enhancing Food Security:** Increasing local agricultural production and reducing dependency on food imports can help stabilize food prices.

**Monetary and Fiscal Coordination:** The government should work closely with the Bank of Ghana to ensure that fiscal policies do not undermine monetary tightening efforts.

**Cedi Stabilization:** Measures to stabilize the cedi, such as boosting foreign exchange reserves and reducing the trade deficit, are essential to managing import costs.

**Energy Subsidies and Support:** Short-term energy subsidies can help cushion the impact of fuel price increases on households, while long-term investments in renewable energy could reduce dependency on imported fuel.

## Conclusion

The current state of Ghana's Consumer Price Index highlights significant inflationary pressures that are eroding the purchasing power of households and creating challenges for businesses. With inflation reaching 30% in 2023, driven by food prices, fuel costs,

and currency depreciation, the Bank of Ghana faces a difficult task in balancing inflation control with economic growth. While some factors, such as global commodity prices, are beyond Ghana's control, domestic reforms aimed at improving agricultural production, stabilizing the cedi, and coordinating fiscal and monetary policies could help bring inflation under control and stabilize the CPI in the medium term.

## Notes

This analysis is based on CPI data as of 2023. Any significant shifts in global commodity markets or domestic policies could impact future projections.

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## SEO Metadata

**Title:** The Current State of Ghana's Consumer Price Index (CPI)

**Description:** A comprehensive analysis of Ghana's Consumer Price Index (CPI) in 2023, including key statistics, inflation drivers, and recommendations for stabilizing prices and controlling inflation.

**Keywords:** Ghana CPI, inflation in Ghana, consumer price index Ghana, Ghana inflation drivers, food inflation Ghana, Bank of Ghana monetary policy, CPI inflation Ghana.

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**Article Type:** Expository and Critical Analysis Essay