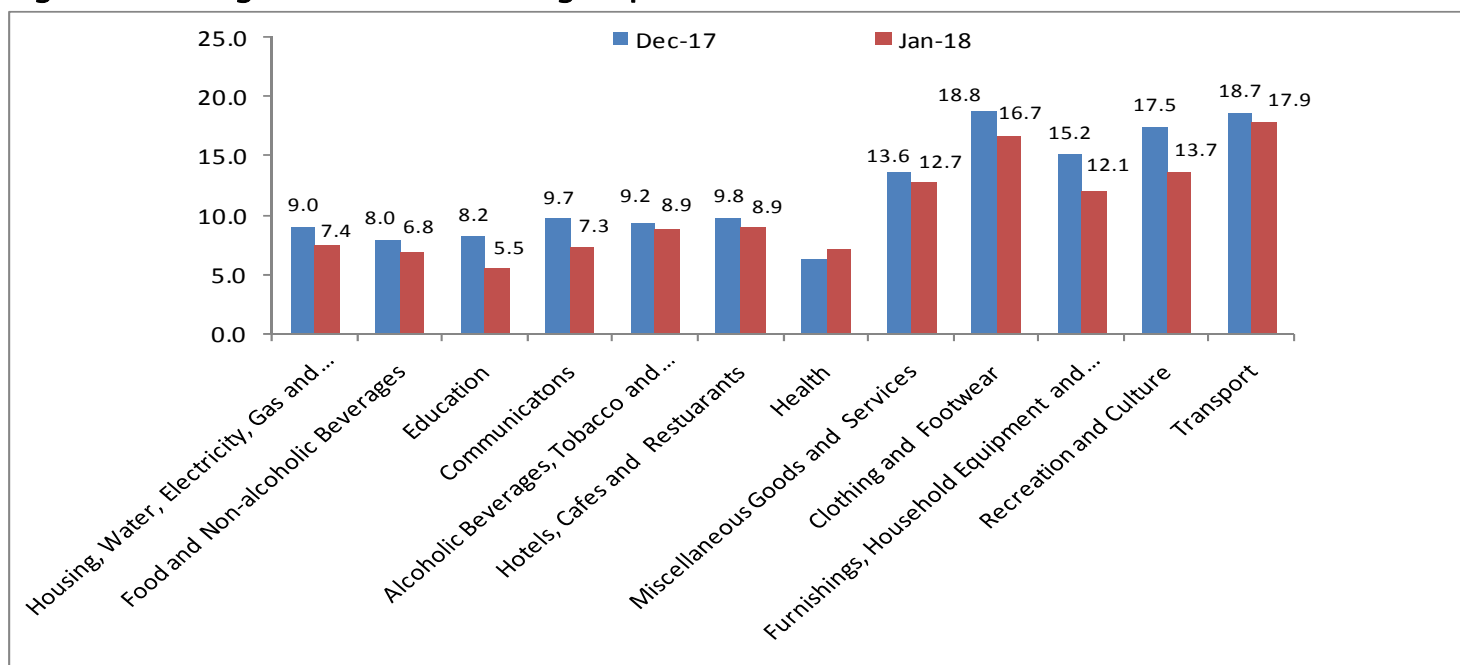# Drivers of January 2018 Inflation rate (10.3%)

1. The year-on-year inflation rate for January 2018 was 10.3 compared with 11.8% recorded for December 2017, a fall of 1.5 percentage points from December 2017 to January 2018, which was mainly due to a fall in the rates of inflation for the Recreation and Culture group (3.8%), Furnishings, Household Equipment and Routine Maintenance group (3.1%), Education group (2.7%), Communication group (2.4%), Clothing and Footwear group (2.1%), Housing, Water, Electricity, Gas and Others Fuels group (1.6%), Food and Non-alcoholic Beverages group (1.2%), Hotels, Cafes and Restaurants group (0.9%), Miscellaneous Goods and Services group (0.9%) and Transport group (0.8%) see Figure 1.

Figure 1: Changes in main COICOP groups' inflation rates

2. The month-on-month inflation rate for January 2017 was 2.8% compared to the 1.4% recorded in January 2018. The higher month-on-month change rate in January 2017 compared to that of January 2018 caused the year-on-year inflation rate to fall from 11.8% to 10.3%, thus the decrease in inflation was due to **base drift effect**. That is to say that the monthly inflation in January 2018 had gone down compared to that of January 2017.

3. The **food group** on the other hand had the following sub-groups recording higher percentage points fall in inflation rates for January 2018 compared to December 2017.

a. Fish and seafood fell by **2.7** percentage points from 8.7% in December 2017 to 6.0% in January 2018.

b. Vegetables fell by **1.6** percentage points from 10.0% in December 2017 to 8.4% in January 2018.

c. Cereals and cereal products fell by **1.1** percentage points from 7.8% in December 2017 to 6.7% in January 2018.

d. Milk, cheese and eggs fell by **1.1** percentage points from 6.6% in December 2017 to 5.5% in January 2018.

e. Oils and fats fell by **0.3** percentage point from 6.5% in December 2017 to 6.2% in January 2018.

f. Sugar, jam, honey, chocolate and confectionery fell by **0.1** percentage point from 6.1% in December 2017 to 6.0% in January 2018. see Figure 2.

Figure 2: Changes in main food groups inflation rates
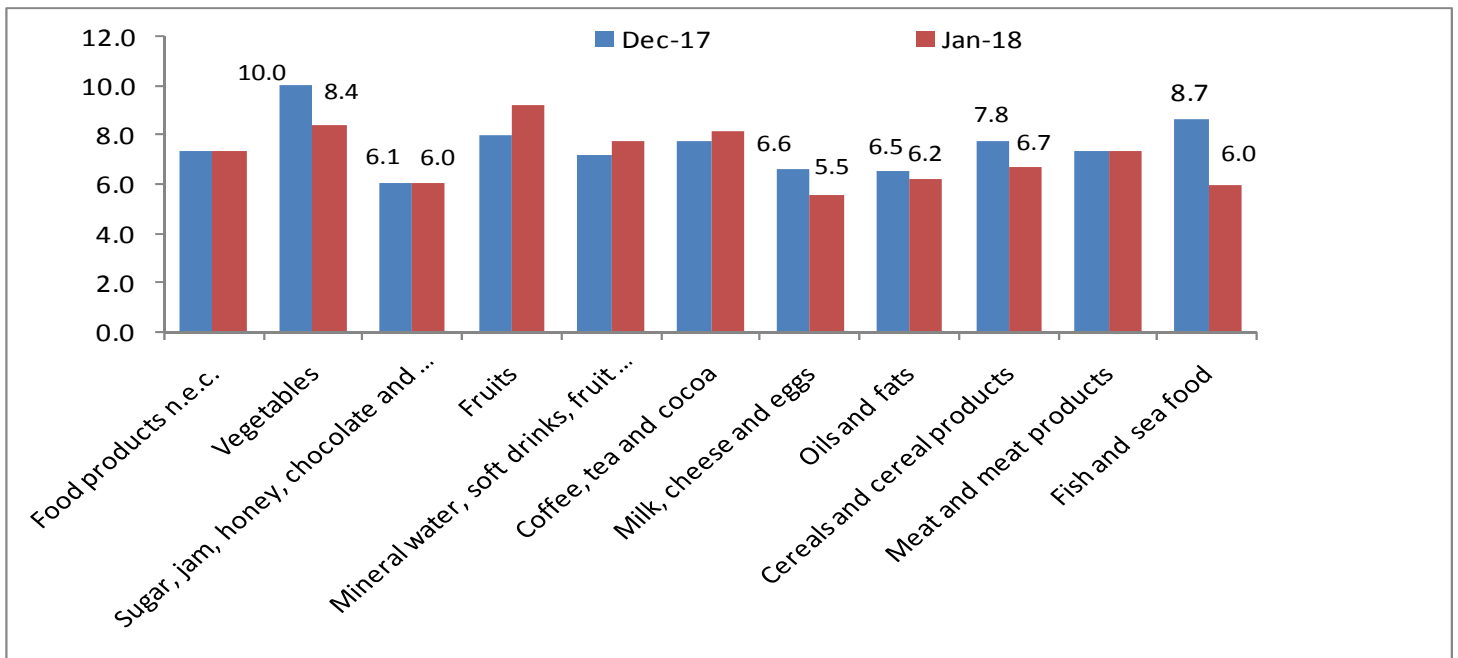
In any month, the combinations of factors may influence the rate of inflation. For the period January 2017 to January 2018, the main price drivers for the rising inflation rate were the substantial changes in the prices of non-food commodities. The price drivers for the main CPI COICOP commodity groups and items level are given below in Tables 1 and 2.

Table 1: Main Price drivers for the main CPI COICOP Commodity groups

Price drivers: Main COICOP groups	Weight	Price change over 12 months (%)
Transport	7.3	17.9
Clothing and Footwear	9.0	16.7
Recreation and Culture	2.6	13.7
Miscellaneous Goods and Services	7.1	12.7
Furnishings, Household Equipment and Routine Maintenance	4.7	12.1

The items with the highest year-on-year inflation rate between January 2017 and January 2018 are shown in Table 2. It shows that the high inflation rate is due to the high price changes in items such as motor cars, motor bike, newspaper advertisement, garments, computer equipment, clothing, furnishings, household equipments and routine maintenance, hotels, cafes and restaurants, household appliances and rent.

Table 2: CPI items that recorded high y/y change rate from January 2017 to January 2018

ITEM	DESCRIPTION	Weight	Price change over 12 months
189	Toyota Corolla	0.7	34.5
191	Motor Bike eg. Yamaha AG 100	0.3	32.7
266	Newspaper advertisement, (funeral, 1/8 page)	0.5	31.8
99	Simple Suit	0.1	30.3
220	PC laptop	0.1	30.1
95	Imported cloth (Dutch/British)	0.4	30.1
218	Digital photo camera	0.1	28.3
190	Hyundai Accent	0.7	27.3
94	Cotton Local Super (cloth)	1.9	27.2
219	PC desktop	0.1	26.6
151	Mattress (foam)	0.3	26.2
244	Hotel Accommodation	0.0	25.6
156	Air conditioner	0.0	25.1
98	Kente (Men)	0.1	25.0
108	Kente (Women)	0.1	24.5
150	Double Bed (simple or ordinary)	0.2	24.1
192	Bicycle	0.1	24.1
215	TV-set (21")	0.3	22.9
138	Rent (monthly)	1.3	20.7
217	DVD-Player	0.2	20.6
96	Imported cloth (China)	0.4	20.1
246	Hostels private	0.0	20.0
196	Batteries (Car)	0.1	19.8
155	Refrigerator	0.3	19.5
211	Cost of mobile phone (nokia, Techno)	0.6	18.7
126	Dress shoe (men)	0.2	18.4
157	Microwave oven	0.0	18.3
199	Motor oil	0.1	18.1
130	Sports shoes (canvas/camboo)	0.2	17.3
113	Two pieces dress	0.1	17.1
158	Gas cooker	0.1	16.7
107	smock	0.1	16.2
112	Boubou	0.1	16.1

Regional Performance

1. Upper West region recorded the highest regional combined inflation rate (12.1%).

2. Transport (26.2%), Clothing and Footwear (17.8%), Miscellaneous Goods and Services (16.0%) and Recreation and Culture (12.7%) were responsible for the high inflation in the Upper West region.

3. Upper West region recorded the highest regional non-food inflation rate (15.4%) due to Transport, Clothing and Footwear and Miscellaneous Goods and Services.

4. Ashanti region recorded the highest food inflation rate (8.1%) due to Vegetables (12.6%), Oils and fats (10.0%), Mineral water, soft drinks, fruit and vegetable juices (8.7%) and Non-alcoholic beverages (8.4%).