



Living Income March 2020 Update

Rural Ghana

Cocoa growing areas of Ashanti, Central, Eastern and Western



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BACKGROUND¹

This report updates the living income for the cocoa producing regions of Ashanti, Central, Eastern and Western regions of Ghana to March 2020.²

This report takes into account the amount of inflation since the original March 2018 living income study to March 2020.³ Without accounting for inflation, the living income estimated in 2018 would not be sufficient for workers to have a basic but decent standard of living in 2020 because the purchasing power of the living income in Cedi would have decreased compared to what it was in 2018.

LIVING INCOME ORIGINAL REPORT IN MARCH 2018

The original living income country report for Ghana estimated the monthly living income as GHC 1,464 (\$329) in March 2018. This was the required net income for a typical size family to be able to afford a decent standard of living in March 2018.

INFLATION RATE USED FOR UPDATE

The Ghana Statistical Service is the government body responsible for computing and reporting price indices in Ghana including the Consumer Price Index (CPI). It recently changed its CPI base year to 2018 from 2012 previously. In the current series, February 2018 holds the value of 100, and therefore all increases or decreases in CPI are calculated in relation to this base period. CPI is calculated monthly. In its monthly CPI bulletin⁴, the Ghana Statistical Service reports a national inflation rate as well as inflation rates for each of its ten administrative regions, including the four regions of Ashanti, Central, Eastern and Western in which the original living income study with a focus on cocoa was conducted. Because their inflation rates are similar to the national rate (e.g. from March 2019 to March 2020, the inflation rate was 7.8% for the country as a whole, and 7.0% for Ashanti, 7.4% for Central, 8.7% for Eastern, and 8.5% for Western), and because the national inflation rate is based on a larger sample, and is consequently more robust, this report uses the national inflation rate to update the original March 2018 living income estimate. To obtain the

¹ This report was prepared by Martha Anker and Richard Anker.

² The original living income report was written by Smith Sally and Dr. Daniel Sarpong. It was entitled “Living Income Report Rural Ghana Cocoa growing areas of Ashanti, Central, Eastern, and Western Regions”, 2018. It is available at The Living Income Community of Practice website www.living-income.com at https://docs.wixstatic.com/ugd/0c5ab3_55017cee608047d494f56b496925ae4a.pdf

³ The reason why we updated living income to the same month as the original study is because year-on-year inflation rates are implicitly seasonality adjusted – and therefore, seasonal variations in prices do not distort the living income update.

⁴ https://www.statsghana.gov.gh/nationalaccount_macros.php?Stats=MjI5NjA1MzU3Mi43NTU1/webstats/249ssp0p7r

most current data on inflation, we used the CPI chain linked index data⁵ that was first published in March 2020, which links the 2012 based CPI series and the new 2018 based CPI series so that it is possible to determine inflation between dates before and after these base periods. This chain linked CPI series indicates slightly lower inflation rates for 2017 and 2018 than are indicated in the monthly CPI bulletins for this period.

RECENT LEVEL OF INFLATION

The annual inflation rate in Ghana is reasonably high, at around 8% since March 2018. It was even higher at above 10% in 2016 and 2017. Between March 2018 (original living income study date) and March 2020, inflation in Ghana was 14.94%. This is the inflation rate used in this update report.

UPDATED LIVING INCOME FOR MARCH 2020

The living income for March 2020 is GHC 1,683 per month (\$312). In addition to considerable inflation of the Ghanaian Cedi, there has also been a 17.5% devaluation of the Ghanaian Cedi compared to the US dollar – slightly more than the inflation rate. As a result, although the living income is higher in Cedi in March 2020 compared to March 2018, living income is slightly lower in US dollars. Table 1 provides details of the original and the updated living income.

	March 2018 (original study date)		March 2020	
Currency	Ghanaian Cedi	USD	Ghanaian Cedi	USD
Monthly Living Income for Family (2 adults and 3 children)	GHC 1,464	\$329	GHC 1,683	\$312
Exchange Rate to USD	4.45		5.393	
Source of Exchange Rate	Original Report (Exchange rate for March 1, 2018 midway through primary data collection)		Bank of Ghana (Average interbank mid-rate February 1 – April 30)	

Table 1: Living income for cocoa growing areas of Ashanti, Eastern, Western and Central regions of Ghana for March 2018 and March 2020 (in Ghanaian Cedi and US Dollars)

⁵ https://www.statsghana.gov.gh/gssmain/fileUpload/Price%20Indices/Bulletin_%20March%20CPI%202020.pdf