



Liberia Institute of Statistics & Geo-Information Services

Capitol Hill, Monrovia Liberia
P.O. Box: 629



NEWSLETTER LIBERIA CONSUMER PRICE INDEX (LCPI) AUGUST 2023



THE INFLATION RATE FOR THE MONTH OF AUGUST, 2023 WAS 11.7 PERCENT

Inflation is a decrease in the purchasing power of money, reflected in a general increase in the prices of goods and services in an economy. In the simplest term, Inflation means consumers can buy less with the same amount of money. The Consumer Price Index (CPI) measures the change over time in the general price level of goods and services households acquire for consumption. Liberia’s CPI Basket has a Weight Reference Period of 2016 while the Price is referenced to December 2018. The Index is chain-linked to December 2005.

August 2023 Rate of Inflation

The Year-on-Year Inflation Rate as measured by the CPI was 11.7 Percent. This rate of Inflation for August 2023 is the percentage change in the Consumer Price Index (CPI) over the last twelve months, from August 2022 to August 2023. Simply put, the data shows that the general price level increased by 11.7 percent on a Year-on-Year basis. The month recorded a nearly five percentage points increase from a low of about 7.0 percent in August 2022.

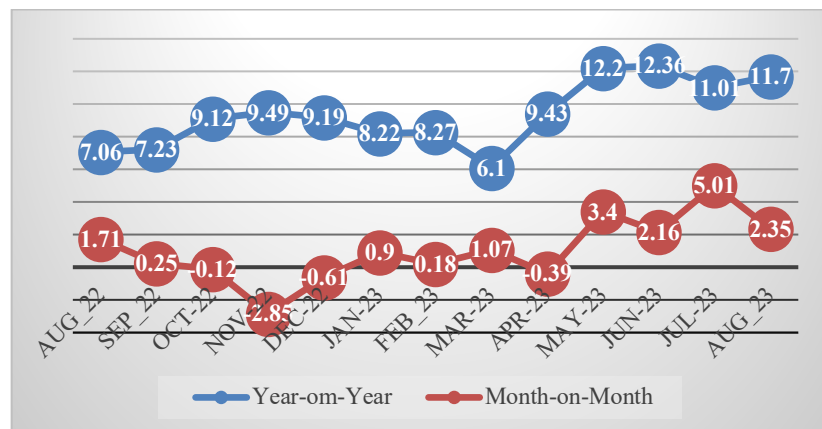
Table 1: Liberia Consumer Price Index (CPI), Aug. 2022 - Aug. 2023)

Year / Month	Index Dec 2005= 100	Change rate (%)	
		Monthly (m/m)	Yearly(y/y) Inflation
Aug-22	646.24	1.71	7.06
Sep-22	647.83	0.25	7.23
Oct-22	647.08	-0.12	9.12
Nov-22	628.67	-2.85	9.49
Dec-22	624.84	-0.61	9.19
Jan-23	630.46	0.9	8.22
Feb-23	631.59	0.18	8.27
Mar-23	638.34	1.07	6.10
Apr-23	635.85	-0.39	9.43
May-23	657.5	3.4	12.2
Jun-23	671.67	2.16	12.36
Jul-23	705.29	5.01	11.01
Aug-23	721.85	2.35	11.7

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The Month-on-Month Change was 2.35 percent. Meanwhile, the Year-on-Year Inflation Rate for the previous month (July 2023) was 11.01 Percent.

Figure 1: Monthly and Annual Changes of CPI in Time Series - August 2022 to August 2023



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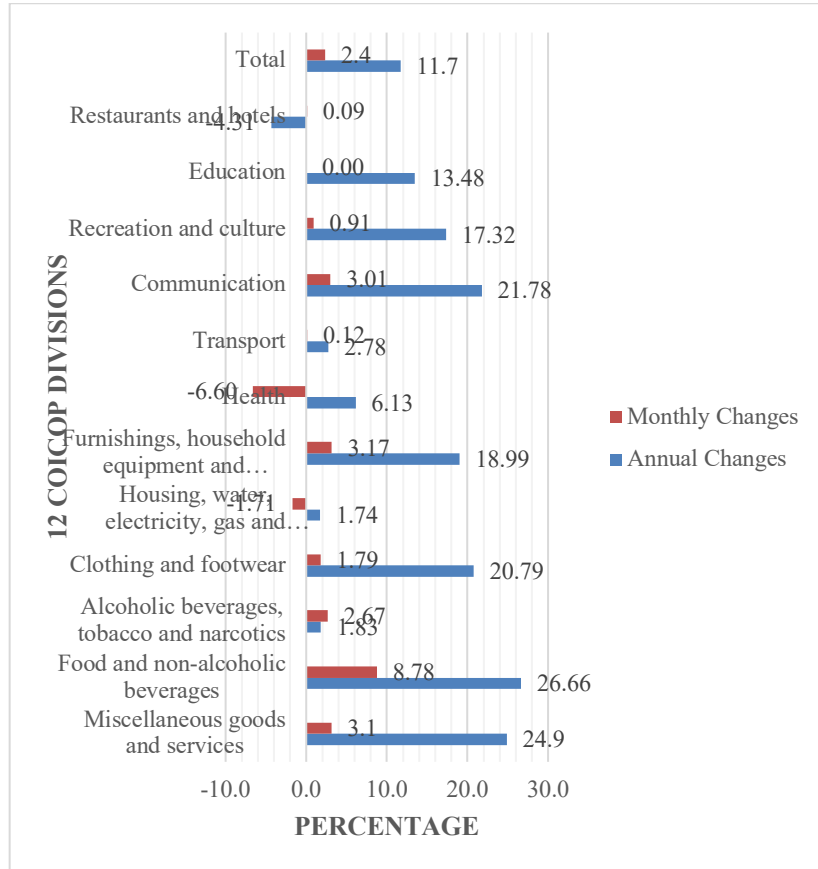
Food and Non-food Inflation for August 2023

The Food and Non-alcoholic Beverages Division, on a Year-on-Year basis recorded a rate of nearly 27.0 percent. The same Division recorded about negative four percent in August, 2022. In the Food and Non-alcoholic Beverages Division, the Vegetables Group registered the highest inflation of about 43.0 percent with Fresh Pepper contributing the highest inflation (67.0 percent) within the Group. The Vegetable Group was followed by the Bread and Cereals Group which

was reported at about 31.0 percent of which cassava recorded the highest inflation rate at nearly 47 percent followed by imported rice at nearly 33 percent. In the Food and Nonalcoholic Beverages Division, the Coffee, Tea and Cocoa Group registered the lowest inflation rate of negative 28 percent from which the Tea, Herbal Tea (Lipton's) Class accounts for the least, about negative 48 percent. In the Food and Nonalcoholic Beverages Category, only two (2) Groups recorded inflation rates greater than the group's average of about 27 percent. They are: Vegetables (about 43 percent) and Bread and cereals (about 31 percent).

The Non-Food Category recorded a Year-on-Year Inflation Rate of about 5.5 percent in August 2023, decreasing by nearly seven percentage points from the 12.4 percent recorded in August 2022. In the Non-Food Category, the **Miscellaneous goods and services Division** recorded the highest Inflation of about 25.0 percent followed by the **Communication Division** of about 22 percent. In the Nonfood category, the **Restaurants and hotels Division** recorded the lowest Inflation of about negative 4.3 percent. Only four out of the 11 Divisions within the Non-Food category recorded inflation rates lower than the average of the nonfood category of 5.5 percent. They are: **Alcoholic Beverages, Tobacco and Narcotics** (1.8 percent), **Housing, water, electricity, gas and other fuels** (1.7 percent), **Transport** (about 3.0 percent) and **Restaurants and hotels** (negative 4.3 percent).

Figure 2: Inflation Rates (%) by the 12 major COICOP Functions, August 2023 (Monthly and Annual Changes)



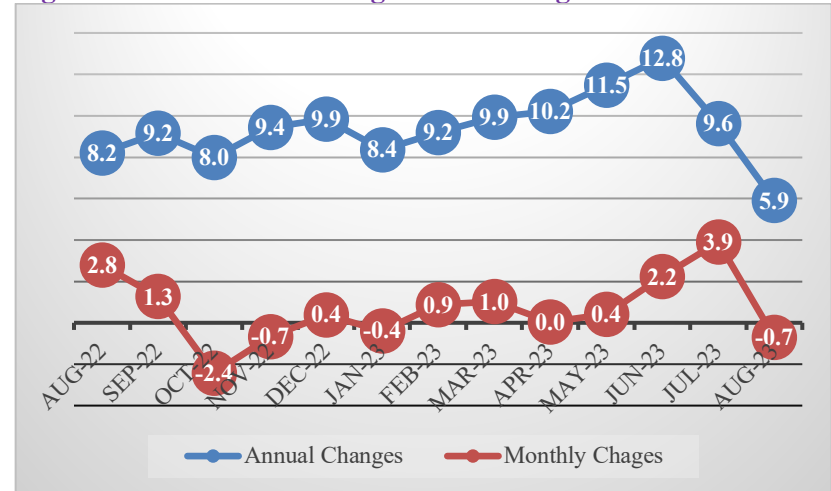
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Core Inflation

As depicted in Figure 3 below, Core Inflation, that is, General Inflation less food and transport recorded an annual rate of 5.9 percent in

August 2023, from a high of about eight percent in August 2022. Month-on-Month Change was below negative one percent.

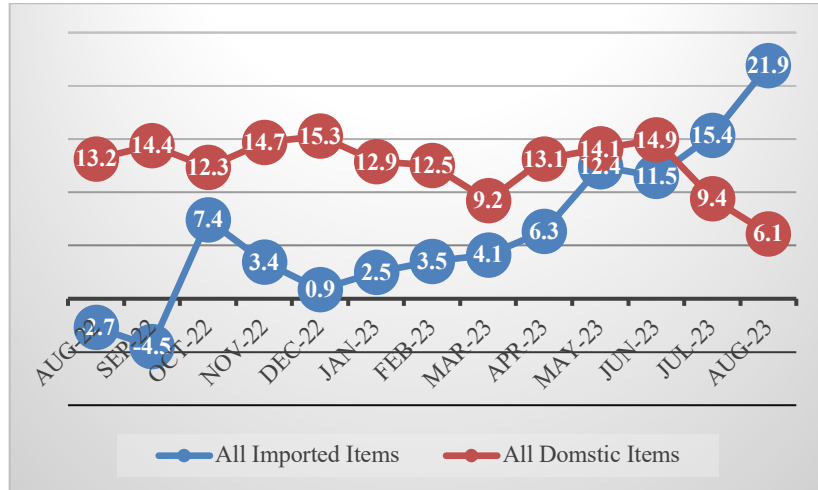
Figure 3: Core Inflation- August 2022 – August 2023



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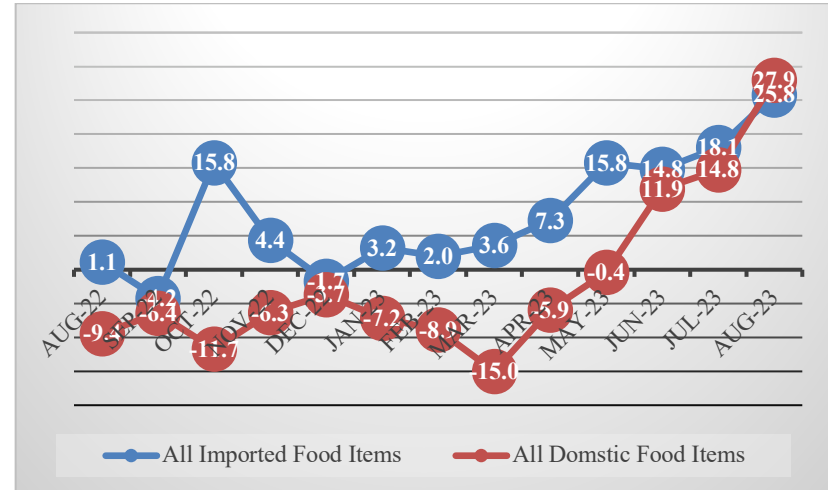
Figure 4 below presents data for all imported and domestically produced items respectively, covering the period August 2022 to August 2023. As seen below, the month of August 2023 recorded a Year-on-Year change of about 22 percent for all imported items combined within the Basket. In August 2022, the rate was about negative 3.0 percent. All domestically produced items within the Basket grouped as a unit reported a decline of 6.1 percent in August 2023 compared to about 13 percent in August 2022.

Figure 4: Inflation Rate: All Imported and Domestic Items (August 2022 – August 2023)



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Figure 5: Inflation Rate: Imported and Domestic Food Items (August 2022 to August 2023)



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Figure 5 above presents data for imported and domestically produced food items, respectively. The data narrates that imported food items (as a group) reported a rate of about 26 percent while domestically produced food items (as a group) reported a rate of about 28 percent for the month of August 2023. In August 2022, imported and domestically produced food items were at 1.1 and negative 9.4 percent, respectively.

Key factors contributing to the increase in Inflation for August 2023

Headline Inflation was reported at 11.7 percent which directly reflects the level at which the general price level increased on a year-on-year basis (August 2022 to August 2023). Major price increases were recorded in the Food and Nonalcoholic Beverages Division which constitutes about one-third of the total basket weight. The high weight of this division has a significant influence on the overall rate. In other words, a slight increase in the food and nonalcoholic beverages index will affect total inflation (upward) and vice versa.

High cost of transportation due to limited access to farm-to-market roads and exchange rate variations are contributing factors to the current state of inflation. On a year-on-year basis, the Liberian Dollar has depreciated by about 33 Dollars or nearly 17.5 percentage points (that is, from 153.6137 LRD – 1USD in August 2022 to 186.2235 LRD-1USD in August 2023, as published by the Central Bank of Liberia). This shows that compared to the same time last year, there's a higher demand for United States Dollars which has a trigger down effect on household purchasing power given the more import-reliant nature the Liberian economy is.

Method of Calculating Indices

For the computation of indices, two methods are used: For Elementary Indices, Jevons Geometric Average Index Formula is used while the Lowe Index Formula is used to compute Aggregate Index.

All items within the Basket are grouped according to the **Classification of Individual Consumption by Purpose (COICOP)**, an international hierarchical classificatory scheme developed by the United Nations Statistics Division to classify and analyze individual consumption expenditures incurred by households. The 12 functions are being used for Liberia's CPI Compilation.

Composition of the CPI Basket

The current basket contains 161 items while the discarded basket contained 157. There are 317 products in the new basket whereas the old basket contained 306 and the number of quotations for market data items is 4 and 3-9 for services items. There are 114 items in the services category and 47 items in the market category of the new basket. Market data are being collected from four markets only: Red Light, Duala, Rally Time, and General Market (Waterside).

Limitations of the CPI

Liberia's CPI Data for market items are only collected in the four major markets of Monrovia and its immediate environs of Paynesville and Bushrod Island. For services items, data are collected in all major supermarkets, shops, stores, restaurants and hotels in Monrovia and its immediate environs.

Dissemination

A bulletin on the August 2023 CPI and more detailed data in Excel format have been posted on the LISGIS website www.lisgis.gov.lr. The target publication date of the monthly CPI Report is the 15th of each month for the previous month's report.

For comments/inquiries, please contact the followings:

*Hon. Lawrence A. George, Sr. – Acting Director-General (cell:
+231 778 928115; lawrence.george@lisgis.gov.lr)*

*Mr. Boima H.M. Sonii – Director/Economic Statistics
(bhmsonii1975@gmail.com; b.sonii@yahoo.com; +231-886524773*

*Andrew A. Tellewoyan – Asst. Director/Industrial Statistics
tellewoyanandrew@yahoo.com; +231-886633149/+231-776212810*