

# UNDERSTANDING THE GAMBIA'S INFLATION



BY:



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March, 2026

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## Background

The Gambia's inflation is one of the most discussed macroeconomic variables among its residents. One of the statements that stands out is: "Government says the inflation rate has declined, but we don't feel it; cost of living is still very high." This piece aims to demystify the complexities of inflation, enabling readers to better understand and effectively interpret inflation figures. The article briefly explains what inflation is and how it is measured, the key difference between disinflation and deflation, The Gambia's worst period of inflation since 2006, the key drivers of inflation in the country, and what the government can do to combat inflation.

## CPI is the measure of consumer price changes & cost of living in The Gambia

*The Consumer Price Index (CPI) measures changes in the general level of prices of goods and services that households buy or acquire to consume.* In other words, it measures a change in the buying cost of a specific market basket of consumer goods and services from one period to the next (GBoS, 2020, p. 6).<sup>1</sup>

The Gambia's market basket of consumer goods and services (created by The Gambia Bureau of Statistics, GBoS) comprises **265 consumer products**, as at early 2026. These goods and services have been selected on the basis that they are commonly-consumed products in The Gambia (to see all 265 products, go to pages 26-48 of the "Consumer Price Index Computation Guide" [here](#)).

Figure 1: A sample market basket



## How is the Consumer Price Index (CPI) generated?

The primary function of the CPI is to track changes in the cost of purchasing a representative 'fixed basket' of consumer goods and services over time.<sup>2</sup>

To generate the CPI of a particular period (say Period X), you divide the cost of the fixed basket in Period X by its cost in the base period (i.e., **CPI for Period X** =  $\frac{\text{Cost of Fixed Basket in Period X}}{\text{Cost of Fixed Basket in Base Period}} * 100$ ). The CPI is anchored on a **base period** or **index reference period** (often referred to as the "**base year**"), which is the period compared with all other periods to determine changes in the cost of the fixed basket. The base period is the common denominator. (EML, 2018).

Now, let us assume that the cost of buying The Gambia's representative fixed basket of consumer goods and services was D10 million in the base period (January 2020) and rose to D18 million by January 2026. Therefore, the overall CPI for January 2026 would be an index value of **180** – calculated as  $\frac{18,000,000}{10,000,000} * 100$ . Assuming the cost increased to D18.2 million in February 2026, the overall CPI for that period would be **182**.

<sup>1</sup> CPI measures changes in the cost of buying a fixed, representative market basket of consumer goods and services of constant quality over time (GBoS, 2020, p. 6). Such measurement is based on "pure price change," and GBoS excludes or removes changes in price that originate from a change in quality or characteristics of a good or service in the basket (GBoS, 2020, p. 69). Imagine measuring a change in the buying cost of a basket – containing a bag of rice, a gallon of oil, a bag of onions, a TV, and a fridge – between January 2025 and January 2026, while keeping the products within the basket unchanged or the same. In other words, each product in the basket maintains its individual standard, quality, quantity, or characteristics from January 2025 to January 2026 (meaning the basket is fixed or unchanged), enabling the calculation of a pure price change for the twelve months to determine a change in the cost of living.

<sup>2</sup> The CPI basket is **representative** because it does not include all consumer goods & services, just those commonly bought or acquired by households. **Note that consumer goods & services are for final consumption (not for business or investment)**. The CPI basket is termed **fixed** because statistical agencies, e.g. GBoS, ensure that each individual product in the basket maintains its respective characteristics for a set period of time.

## Anything added to a CPI of 100 is the total inflation rate since the base period

*The base period or index reference period, as defined by GBoS, is the period for which the Consumer Price Index (CPI) is set to 100.* For The Gambia, the current base period is January 2020, which means the CPI for January 2020 is 100. This is because the cost of the fixed basket is the same for both the target period (Period X) and the base period. Taking the previous assumptions into account, the CPI for January 2020, an index value of 100, would be computed as:  $\frac{10,000,000}{10,000,000} * 100 = 100$ .

Any value added to a CPI of 100 reflects the total inflation rate since the base period. To illustrate, The Gambia's overall CPI rose from 100 in January 2020 to 167.98 in January 2025, indicating a total inflation rate of 67.98 percent since the base period. Hypothetically, if The Gambia's CPI basket of consumer goods and services cost D10 million in January 2020, it would cost D16.8 million by January 2025 due to the 67.98 percent inflation rate (i.e., D10 million \* 1.6798 = D16.798 million).

*Inflation rate is the rate at which the general level of prices of goods and services increases. From a CPI perspective, inflation rate is the percentage increase in CPI resulting from a rise in the purchase cost of the consumer basket.*

Therefore,  $\text{inflation rate} = \frac{(\text{Current Period CPI} - \text{Previous Period CPI})}{\text{Previous Period CPI}} * 100$

For The Gambia, GBoS measures year-on-year (12-month) and month-on-month (1-month) inflation rates using CPI. For instance, The Gambia's overall CPI for June 2024 was 159.50, which rose to 170.93 by June 2025. A simple percentage calculation,  $\frac{(170.93 - 159.50)}{159.50} * 100$ , shows that the 12-month or year-on-year inflation rate was **7.2 percent**, meaning the purchase cost of the national CPI basket increased by 7.2 percent, or the general level of consumer prices within the basket rose by 7.2 percent, from June 2024 to June 2025. Similarly, the country's overall CPI in May 2025 was 170.38. Applying the same method of calculation for May-June 2025,  $\frac{(170.93 - 170.38)}{170.38} * 100$ , the monthly inflation rate indicated **0.3 percent** (EML, 2018; GBoS, 2020; GBoS, 2025).

## Inflation reflects a general increase in prices, not a single price increase

As mentioned earlier, there is a fixed, representative market 'basket' of consumer goods and services (products), created and used by GBoS to measure inflation and changes in the cost of living in The Gambia. Each consumer good and service in the basket has a *unit quantity* (physical amount – e.g., 2 kg, 1 liter, 1 unit, etc.), a *price* (monetary cost of the unit quantity), and a *weight* (relative importance or share in total household spending). The unit quantities and weights of the products are kept constant for a set period, while the prices fluctuate, thereby determining changes in the basket's cost and the overall Consumer Price Index (CPI). For inflation to emerge or for positive inflation rates to persist, the current prices of consumer goods and services in the basket must collectively increase to the extent that the basket becomes persistently more expensive in the current period than in the previous one.

However, this does not automatically require all current prices of consumer goods and services in the basket to increase. Some individual prices may remain the same or even fall. But so long as the inflation rate remains positive, it means price increases are dominating price declines and unchanged prices within the basket, causing the current basket cost to rise above the previous one. Nonetheless, falling or stable individual product prices help slow down the rising basket cost and lower the positive inflation rate (e.g., from 4% to 3%).

It should also be noted that product prices in the CPI basket *do not have an equal impact* on the inflation rate. Some prices affect the inflation rate more than others. This is due to the *weight* assigned to each product in the basket. *The weight of a product is determined by the product's share in total consumption expenditure by households: the greater the share, the higher the weight, and vice versa.* That is to say, goods and services that households spend more of their money on have a higher weight than those they spend less money on. The higher a product's weight, the more a change in its price affects the CPI basket cost, the overall CPI, and ultimately the inflation rate. As underscored by GBoS (2020), "the impact that a price change for a good or service has on the overall index is therefore determined by the weight attached to it" (p. 19). For instance, a 6-percent price increase in a higher-weighted product (bread) will drive the overall CPI and inflation rate much higher than the same 6-percent price increase in a lower-weighted product (fish pie) (The Department of Statistics, 2019, p. 2).

Products that carry significant weights in The Gambia's currently used CPI basket – with each accounting for more than 1 percent of the overall CPI weight – are: E-Credit, bread, medium-grained rice – imported, small-grained rice – imported, electricity, internet cost – cyber café, beef, laundry, sugar, material for trouser, vegetable oil, firewood, onion, taxi fare – shared taxi, ladyfish, car – Toyota Yaris, simple necklace – gold imitation, fresh bonga fish, diesel, imported chicken, Chinese green tea – ataya, palm oil, motorcycle – DT Yamaha 125, petrol, and catfish (GBoS, 2020, pp. 26-48). If prices of these high-weight products increased significantly all at once, that would cause substantial inflation in the economy.<sup>3</sup>

<sup>3</sup> E-Credit accounts for 5.843% of *The Gambia's overall CPI weight of 100,000 expenditure points*, bread accounts for 4.682%, medium-grained rice – imported (4.031%), small-grained rice – imported (3.841%), electricity (3.263%), internet cost – cyber café (2.880%), beef (2.543%), laundry – (hand wash, trousers and shirts for men) (2.495%), sugar (2.485%), material for trouser (2.195%), vegetable oil (1.955%), firewood (1.936%), onion (1.923%), taxi fare – shared taxi (1.909%), ladyfish (1.777%), car – Toyota Yaris (1.761%), simple necklace – gold imitation (1.659%), fresh bonga fish (1.606%), diesel (1.587%), imported chicken (1.514%), Chinese green tea – ataya (1.423%), palm oil (1.259%), motorcycle – DT Yamaha 125 (1.233%), petrol (1.229%), and catfish (1.226%). These 25 high-weight products altogether account for **58.255%** of the overall CPI weight of 100,000.

## Disinflation is not Deflation: A reduced positive inflation rate does not mean a fall in the general price level

**Inflation is a sustained, general increase in prices of goods and services, leading to a persistent rise in the general price level within an economy.** The rate at which the general price level increases is the inflation rate. **As long as the inflation rate – generated from the overall Consumer Price Index (CPI) – is positive (e.g., 2%, 3%, 4%, 5%, etc.), prices of consumer goods and services, on average, are rising, or the cost of buying the fixed basket of consumer goods and services is increasing.** In such a scenario, the overall CPI rises (current CPI > previous CPI) – causing the positive inflation rate, a reduction in the purchasing power of money, and a rise in the cost of living, as households generally have to spend more money at present than before on the same basket of consumer goods and services.

In assessing a positive inflation rate, there are two forms of inflation to keep in mind: *rising inflation* and *disinflation*.

**Rising inflation (or accelerating inflation) occurs when the current positive inflation rate is higher than the previous positive inflation rate.** For example, The Gambia's year-on-year inflation rate in January 2022 was 7.8 percent, which rose to 13.1 percent in January 2023. This increase from 7.8 percent to 13.1 percent is called rising inflation, indicating that the general level of consumer prices and the overall cost of living rose at a faster rate.

On the other hand, **disinflation occurs when the current positive inflation rate is lower than the previous positive inflation rate.** For instance, The Gambia's year-on-year inflation rate in November 2024 was 10.3 percent, but dropped to 6.9 percent in November 2025. This decline from 10.3 percent to 6.9 percent is disinflation. However, this does not mean a fall in the general price level. Rather, it shows that the general level of consumer prices and the overall cost of living continued to increase, but more slowly (CBG, n.d.; EconplusDal, 2020; Marks, 2023).

Basically, there is rising inflation when the general price level is rising at a faster or accelerating rate, and there is disinflation when it is rising at a slower rate. In giving a driving analogy to the difference between rising inflation and disinflation, Peate (2024) states, “you might think of it as riding in a vehicle: The driver can go faster (accelerate to 60 mph) or slower (...at around 45 mph); but in both cases, you’re moving forward, just at different rates.”

Again! As long as the inflation rate is positive, even if it drops from 10 percent to 2 percent, there is still inflation in the economy. Peate (2024) confirms this, that “...any positive inflation rate number means inflation is occurring and the price level is rising. It’s not until the inflation rate becomes negative that deflation is occurring.”

**Deflation is a sustained, general decrease in prices of goods and services, leading to a persistent fall in the general price level within an economy.** It occurs when negative inflation rates are registered: for instance, -0.5%, -1%, -2%, -3%, etc., resulting from the cost of purchasing the fixed basket of consumer goods and services declining and the current overall CPI being lower than the previous overall CPI. Essentially, the basket is cheaper to buy in the current period than in the preceding one (EconplusDal, 2020; Marks, 2023).

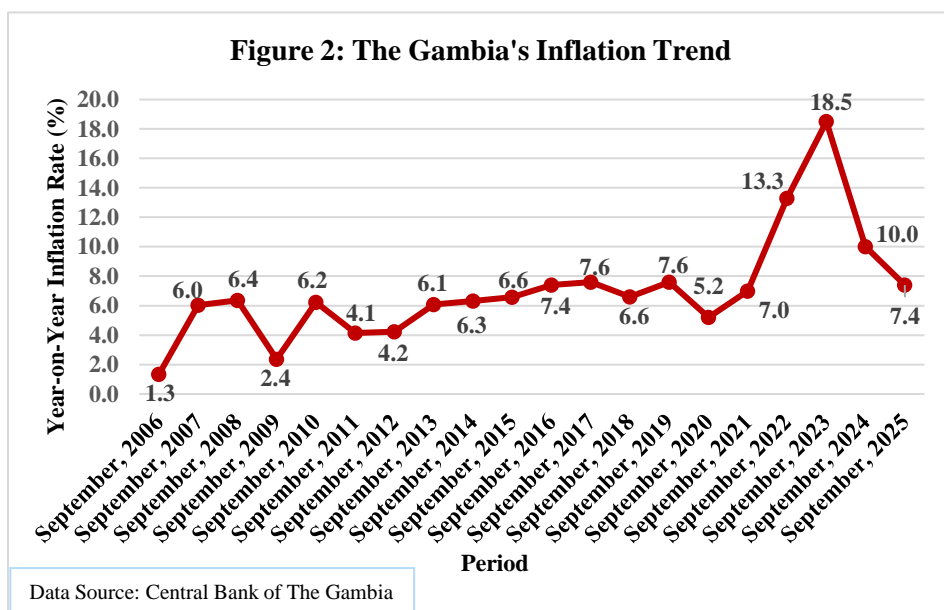
## The cost of living in The Gambia worsens over time

Central Bank data show that from January 2006 to January 2026, the cost of the national representative basket of consumer goods and services increased annually, demonstrating a persistent rise in the overall cost of living for twenty years.

From January 2006 to January 2026, The Gambia only ever registered positive inflation rates year-on-year, fluctuating between *rising inflation* (e.g., inflation rate increasing from 5.2 percent in September 2020 to 18.5 percent in September 2023) and *disinflation* (e.g., inflation rate [still positive] declining from 18.5 percent in September 2023 to 7.4 percent in September 2025). For two decades, The Gambia has not experienced yearly deflation.

In April 2022, about two months after a major global shock (the Russia-Ukraine war), The Gambia, for the first time in more than a decade, saw year-on-year **double-digit inflation** (i.e., a rapid increase in consumer prices at a rate of 10 percent or more, quickly eroding purchasing power); a phenomenon which continued for over two years.

In the last twenty years, The Gambia's highest year-on-year inflation rate was recorded in September 2023 at 18.5 percent, and the country's most inflationary year was also 2023 (CBG, n.d).



## What are the key drivers of inflation & cost of living in The Gambia?

- **A combination of heavy import dependency and Dalasi depreciation:** A greater portion of The Gambia's consumer products are imported from other countries. Such products are purchased using foreign currencies (such as the Dollar, the Euro, the CFA, etc.). Therefore, resident businesses or importers must convert Dalasi into a foreign currency to acquire foreign consumer products. However, given the depreciating nature of Dalasi – meaning it is losing value – against major foreign currencies (specifically the Dollar, Euro, CFA, and Pound Sterling), the cost of importing consumer products has been rising, leading to increased consumer prices and inflation in The Gambia (Nachega et al., 2024; Joof, 2025).
- **Logistical constraints:** The Gambia's poor transport infrastructure is another major driver of the country's inflation. Its only seaport (Port of Banjul) is both underdeveloped and largely inefficient, leading to poor service delivery and increased business cost. In fact, a significant volume of imports is being facilitated through Senegal, the neighboring country, prolonging delivery and increasing transport costs for businesses. Weak domestic road connectivity, coupled with high fuel costs and limited storage facilities, further exacerbates the domestic supply chain problem and cost of delivery. All these drive up consumer prices, causing significant inflation in the economy (Tanimu, 2025; Joof, 2025).

## What should The Gambia government do to combat inflation sustainably?

- **Large-scale domestic value-chain production:** The Gambia is naturally endowed with fertile soil and water resources. Strategic and sustainable investments in large-scale, mechanized, value-chain agricultural and fisheries production (grains, vegetables, dairy, meat, fruit, and fish) will address long-standing domestic food supply constraints, reduce dependence on food imports, and boost exports and foreign exchange inflows. This will help lower domestic prices and facilitate the stabilization of Dalasi against foreign currencies.
- **Advancing the transport, warehouse, storage, and market infrastructures:** Developing and expanding the Port of Banjul, improving the domestic road connectivity, and building well-connected, accessible, and state-of-the-art warehouse, storage, and market facilities across the country are integral to eliminating supply shortages or delays, reducing logistical costs, and increasing trade competitiveness, all of which are needed to keep domestic prices and inflation low and stable.
- **Adopting more effective trade policies:** The Gambia government must do away with exclusionary or discriminatory trade policies that cause unfair competition among domestic traders and unnecessary supply shortages, and adopt trade policies aimed at ensuring sustained domestic price stability.

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## Important Note

In this article, 'overall CPI' means all-items CPI, while "inflation rate" refers to the overall/headline inflation rate. Both the overall/all-items CPI and overall/headline inflation rate focus on the entire fixed, representative market basket of consumer goods and services (also referred to, in this article, as the CPI basket, the consumer basket, or the basket). Headline inflation is calculated from the overall/all-items CPI. Therefore, the inflation rates in Figure 2 reflect overall/headline CPI inflation rates. Furthermore, Figure 1 is not the actual representative basket of consumer goods and services for The Gambia, and 'product' refers to both goods and services.



## BACKGROUND

Center for Budget and Macroeconomic Transparency (CBMT) is a non-profit Civil Society Organization that conducts budget and macroeconomic research and advocacy - aimed at increasing awareness on The Gambia's Public Financial Management and macroeconomy, fostering effective public participation in fiscal and macroeconomic management, and promoting inclusive, transparent, and sustainable economic growth and development in The Gambia.

MARCH 2026

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