

Spatial Price Adjustment for Poverty and Inequality Measurement: A Case Study of Ghana

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Abstract

This paper examines spatial price adjustment methodology for welfare and poverty measurement. To measure and compare the levels of household welfare and poverty in a country, costs of living need to be appropriately taken into account. This is particularly important when analyzing sub-national poverty, such as the comparison of poverty between urban and rural areas, large cities and small towns, etc. Despite the importance of spatial price adjustment, the theory and practice have various unclear issues. Taking advantage of the price data availability for Ghana, this case study investigates several spatial price adjustment approaches, thereby suggesting which is promising based on the pros and cons of each method. While this study is in line with recent studies that stress the importance of detailed information about product specification in the price data, the findings shed light on the potential use of consumer price index (CPI) price data for spatial price adjustment for poverty measurement. The results also demonstrate the tendency to underestimate urban poverty.

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