

Abstract

To date, there is little econometric investigation on the New Keynesian Philip Curve (NKPC) in Ghana. Therefore, this study contributes to the empirical fit of the New Keynesian Philip Curve for the Ghanaian economy. We test the NKPC fit to both the deflator-based and CPI-based inflation for headline, food, non-food, and core inflation by adopting GMM and Campbell-Shiller (1987) techniques in the analysis. The study found that both the deflator-based and CPI-based headline inflation fit the traditional NKPC as against the hybrid. However, the CPI-based core inflation fits both the traditional and hybrid NKPC models accurately. The study identified that the forecasts of core inflation generated by the Campbell and Shiller (1987) technique mimic well the behavior of actual core inflation and so providing a good signal worth consideration by the Bank of Ghana. The findings of the study signal that the NKPC model can be adopted to investigate inflation dynamics in Ghana.