

Rising inflationary pressures...

Indicator	Jan 2017	Dec 2016
Annual	-0.65%	-0.93%
Month-on-Month	0.23%	0.06%

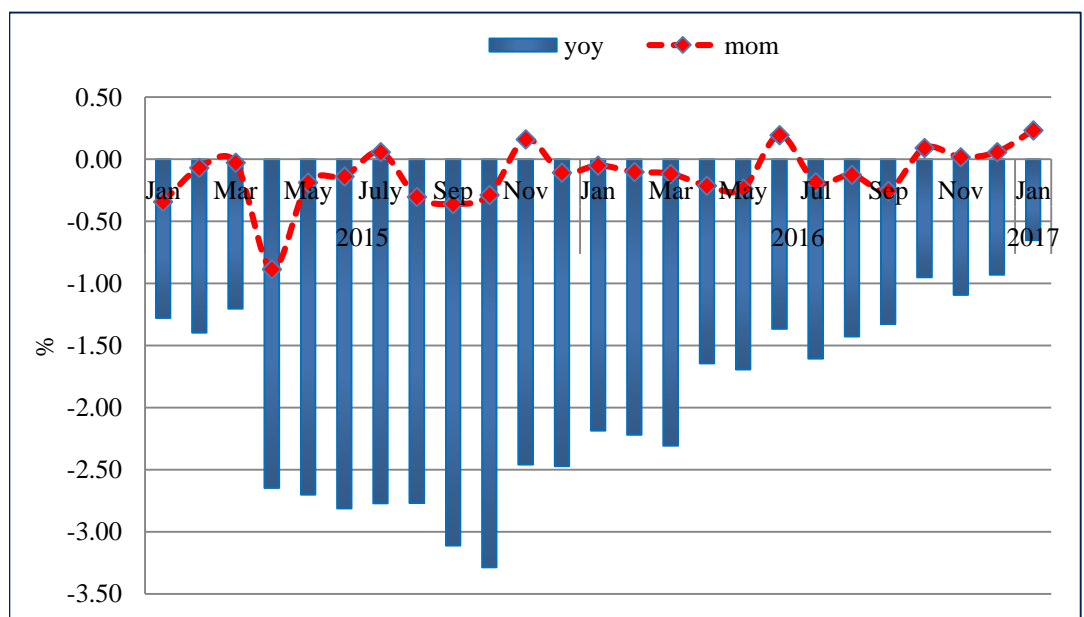
Source: ZimStat

- Annual inflation “y/y” rose by a further 0.28 percentage points “pp.” from -0.93% in December 2016 to a 2-year high of -0.65% in January 2017, driven by higher costs for food, electricity, furniture and equipment and communication services.
- In fact, excluding fruit, fish, sea food and confectionery items, all other food products recorded price increases. The prices of liquid fuels increased on the back of tax changes for paraffin, whilst foreign currency shortages lifted gas prices.
- Resultantly, both the Food and Non-Alcoholic beverages inflation rose from -0.95% in December 2016 to -0.30% in January 2017, whilst the “y/y” Non-food inflation rate rose from -0.92% in December 2016 to -0.82% in January 2017.
- Meanwhile, the underlying month-on-month “m/m” inflation also increased by 0.17 pp. to 0.23% in January 2017, compared to 0.06% in December 2016.
- The “m/m” Food and Non-Alcoholic Beverages inflation rate stood at 0.80% in January 2017 in comparison to 0.38% in December 2016. On the other hand, the “m/m” non-food inflation rate was -0.03% in January 2017, compared to -0.09% in December 2016. **Fig.1** below illustrates the trends in the inflation rates.

...Annual inflation rose by 0.28 pp. to -0.65% in January 2017...

...Month on month inflation rose by 0.17 pp. to 0.23% in January 2017...

Fig.1: Inflation trends

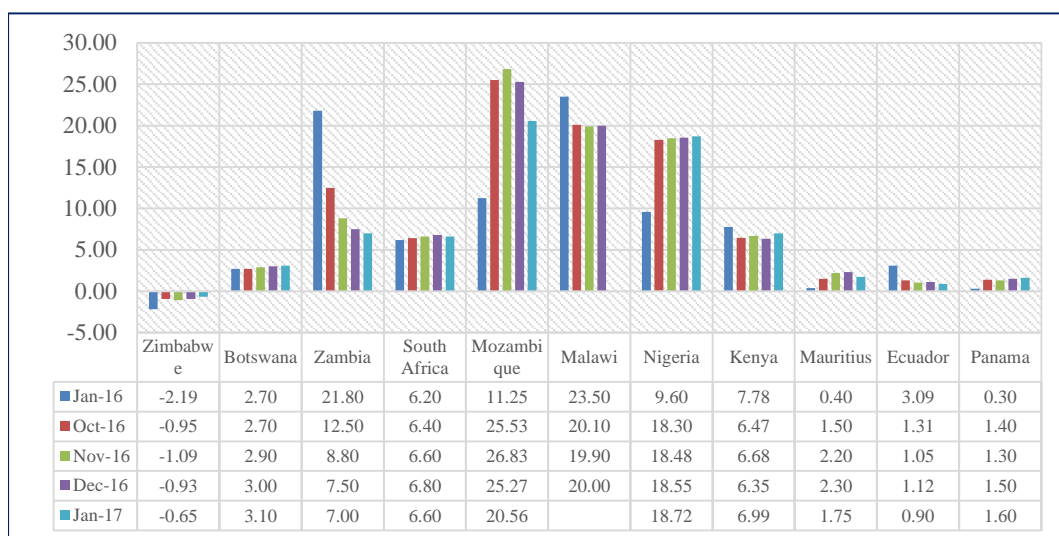


Source: ZimStat

... Mozambique still commanding the highest inflation rate in January 2017...

- Meanwhile, in terms of regional inflation rates, Kenya, Nigeria and Botswana recorded rising inflationary pressures. For Kenya and other East African countries including Tanzania and Uganda, erratic rainfall patterns, together with the El-Nino effects of 2016, fuelled drought-induced higher food prices.
- On the other hand, inflation slowed in Mozambique, South Africa and Zambia. A stable metical currency supported Mozambique, whilst South Africa benefitted from lower increases in food as well as housing and utilities compared to the previous month. Despite the slowdown, SA inflation remained above the central bank's upper limit of 6% - **Fig 2** below.

Fig.2: Regional Annual Inflation Trends



Source: Various (Malawi statistics for January 2017 not yet published)

- Amongst dollarized countries, Ecuador recorded its lowest inflation rate since April 1970 of 0.9%, as both food and non-food items prices receded in January 2017.

Outlook

- Inflationary pressures are expected to continue building up, driven by the injection of liquidity through the export incentive scheme.

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