

Inflation rises for the 6th consecutive month...

Indicator	Apr 2017	May 2017
Annual	0.48%	0.75%
Month-on-Month	0.05%	0.03%

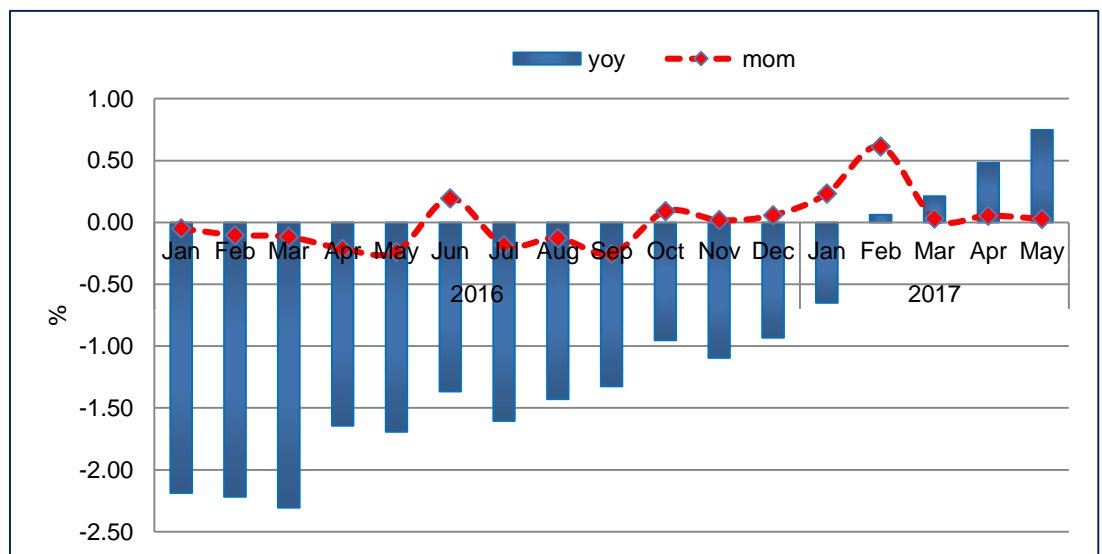
Source: ZimStat

...Annual inflation rose by 0.27 pp. to 0.75% in May 2017...

.... Month on month inflation fell by 0.02 pp. to 0.03% in May 2017...

- The year-on-year “y/y” inflation increased by a further 0.27 percentage points “pp.” from 0.48% in April 2017 to 0.75% in May 2017. Increases emanated from both food and non-food categories.
- In fact, the y/y food and non-alcoholic beverages inflation rose from 1.35% in April 2017 to 1.92% in May 2017, whilst the non-food inflation rose significantly from 0.08% in April 2017 to 0.21% in May 2017. The major drivers were most food items (with the exception of fruits), clothing & footwear and health services.
- Meanwhile, the underlying month-on-month “m/m” inflation fell by a marginal 0.02 pp. to 0.03% in May 2017, compared to 0.05% in April 2017. The decline was attributed to the non-food components of communication, furniture and equipment and electricity (i.e. gas and liquid fuels). Nonetheless, increases were still recorded in food items, clothing materials, pharmaceutical products and vehicle spare parts.
- The m/m Food and Non-Alcoholic Beverages inflation rate stood at 0.07% in May 2017 in comparison to -0.36% in April 2017. On the other hand, the m/m non-food inflation rate was 0.01% in May 2017, compared to 0.25% in April 2017. **Fig.1** below illustrates the trends in the inflation rates between January 2016 and May 2017.

Fig.1: Inflation trends

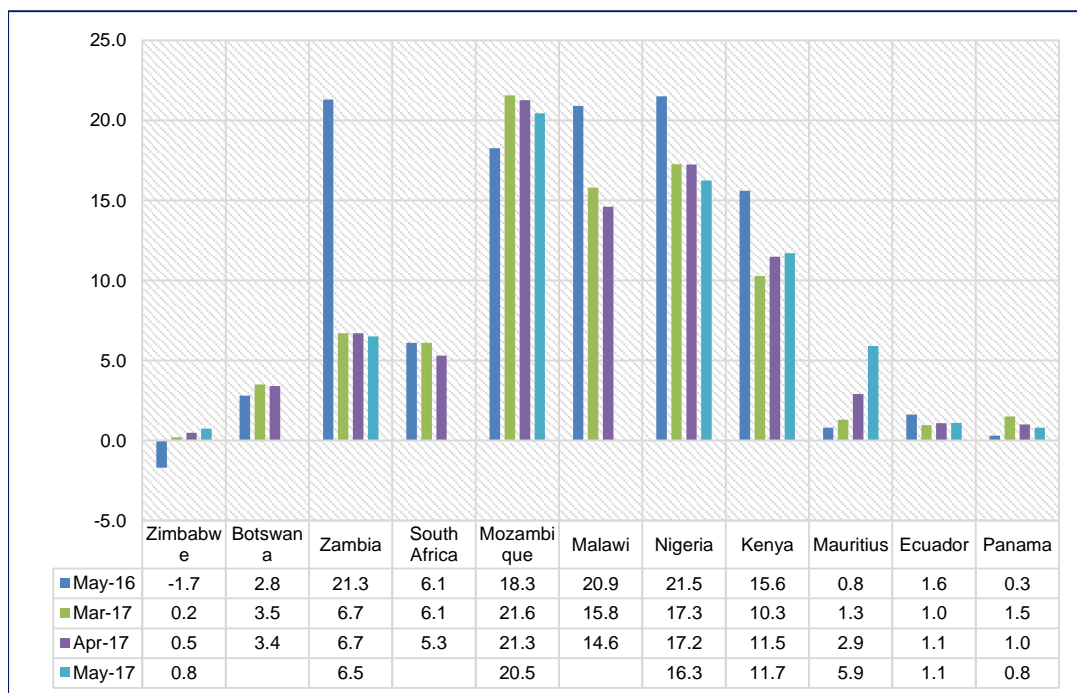


Source: ZimStat

- Meanwhile, on a regional peer analysis, most Southern African countries witnessed moderate inflationary pressures. However, a combination of food and non-items spurred inflationary pressures in Kenya and Mauritius, with Kenya recording its highest rate since May 2012 at 11.7% - **Fig 2** below.

... Mozambique still commands the highest inflation profile...

Fig.2: Regional Annual Inflation Trends



Source: Various

NB: Botswana, South Africa & Malawi statistics for May 2017 not yet published.

Meanwhile, amongst dollarized countries, annual inflation rose in Ecuador, driven by non-food categories. In Panama, prices slowed down to 0.8% in May 2017, from 1.0% in the prior month.

Outlook

In the short to medium term, the 2016/7 bumper agricultural season is expected to reduce cost push inflationary pressures that could have emanated from food imports. However, the combination of other macroeconomic challenges, among them the shortages of cash and foreign currency – which the authorities are visibly addressing – are expected to continue exerting pricing challenges especially in the retail sector. Subsequently, these pricing disparities may also affect the accuracy of inflation statistics.

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