

## Inflation slows down for the first time since Nov 2016...

Indicator	May 2017	June 2017
Annual	0.75%	0.31%
Month-on-Month	0.03%	-0.24%

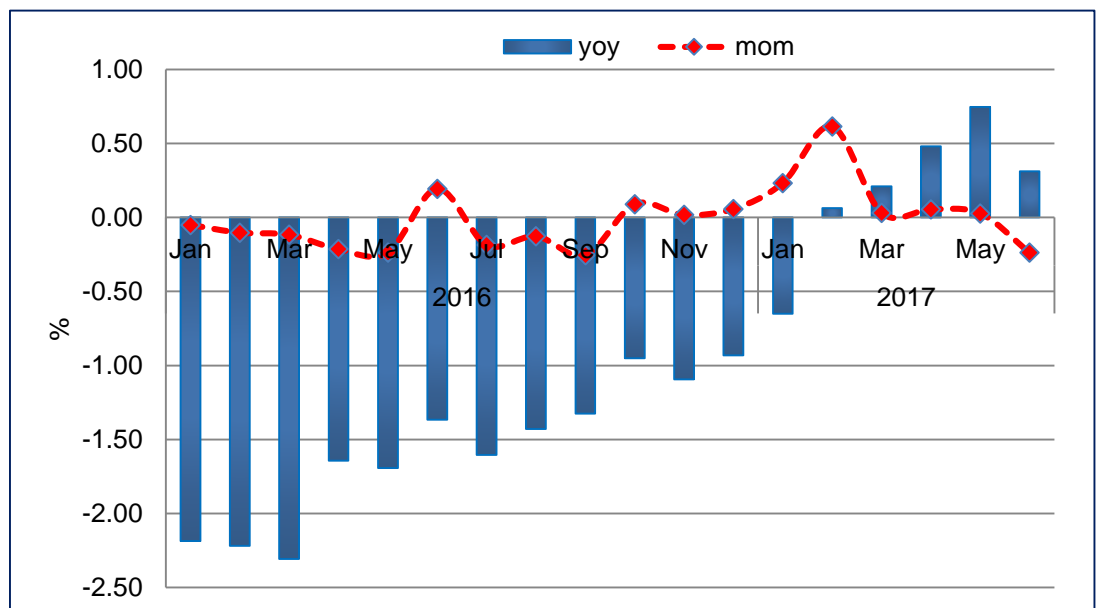
Source: ZimStat

- The year-on-year “y/y” inflation fell by 0.43 percentage points “pp.” from 0.75% in May 2017 to 0.31% in June 2017. The slowdown emanated from both food and non-food categories.
- In fact, the y/y food and non-alcoholic beverages inflation declined from 1.92% in May 2017 to 1.82% in June 2017, whilst the non-food inflation significantly fell from 0.21% in May 2017 to -0.37% in June 2017. The major drag on prices were on selected food items (fish, oils and fats, fruits and vegetables), gas and liquid fuels, health and transport services.
- Meanwhile, the month-on-month “m/m” inflation also shed 0.27 pp. to -0.24% in June 2017, compared to 0.03% in May 2017. Price decreases in food, footwear, electricity and transport managed to offset increases registered in clothing, furniture and equipment, restaurants and hotels’ categories.
- The m/m Food and Non-Alcoholic Beverages inflation rate stood at -0.45% in June 2017 in comparison to 0.07% in May 2017. On the other hand, the m/m non-food inflation rate was -0.14% in June 2017, compared to 0.01% in May 2017. **Fig.1** below illustrates the trends in the inflation rates between January 2016 and June 2017.

...Annual inflation fell by 0.43 pp. to 0.31% in June 2017...

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**Fig.1: Inflation trends**

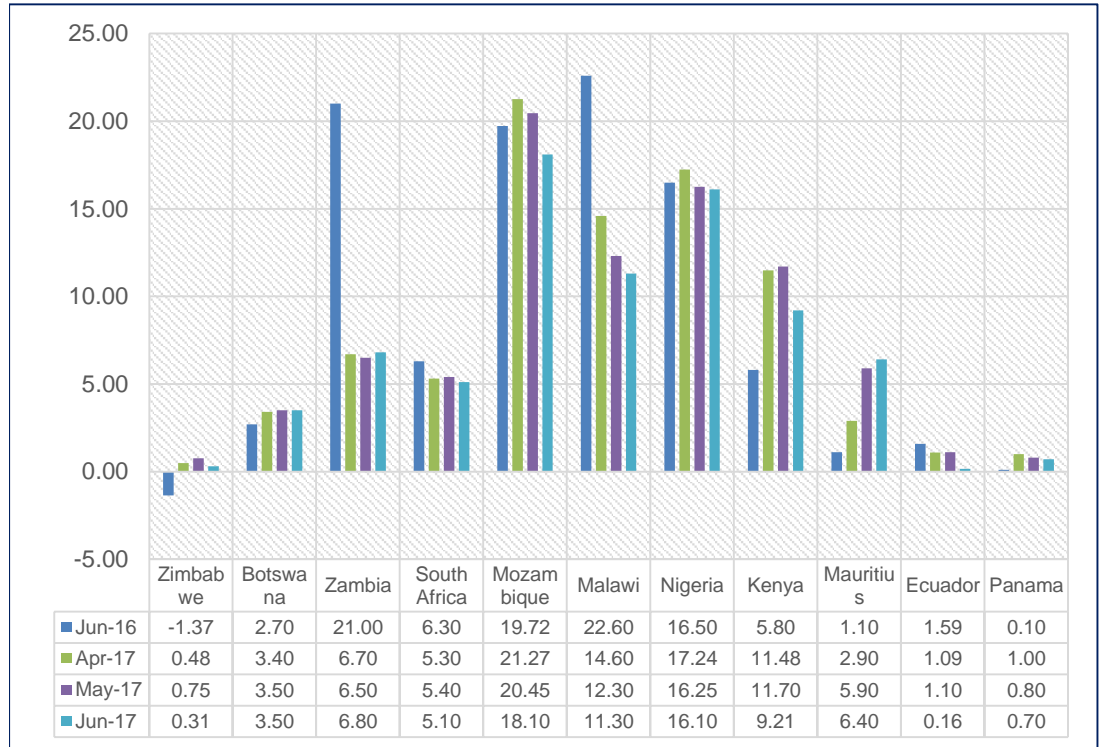


Source: ZimStat

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

- Meanwhile, on a regional peer analysis, inflationary pressures eased in most countries driven by improved agriculture output thereby reducing food-related price increases. However, a build-up in prices was witnessed in Zambia and Mauritius. For Zambia, the lagged effects of a 50% upward adjustment in electricity tariffs, effected in May 2017, pushed annual inflation from 6.5% in May 2017 to 6.8% in June 2017 as shown in **Fig 2** below.

**Fig.2: Regional Annual Inflation Trends**



**Source: Various**

Meanwhile, amongst dollarized countries, annual inflation rose at a slower pace in June 2017 for both Ecuador and Panama.

### Outlook

In the short to medium term, moderate inflationary pressures are expected largely underpinned by persistent shortages of cash and foreign currency. On the regional front, improved food security outlook especially in Southern Africa and subdued international oil prices will continue to support a benign inflation outlook.

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