

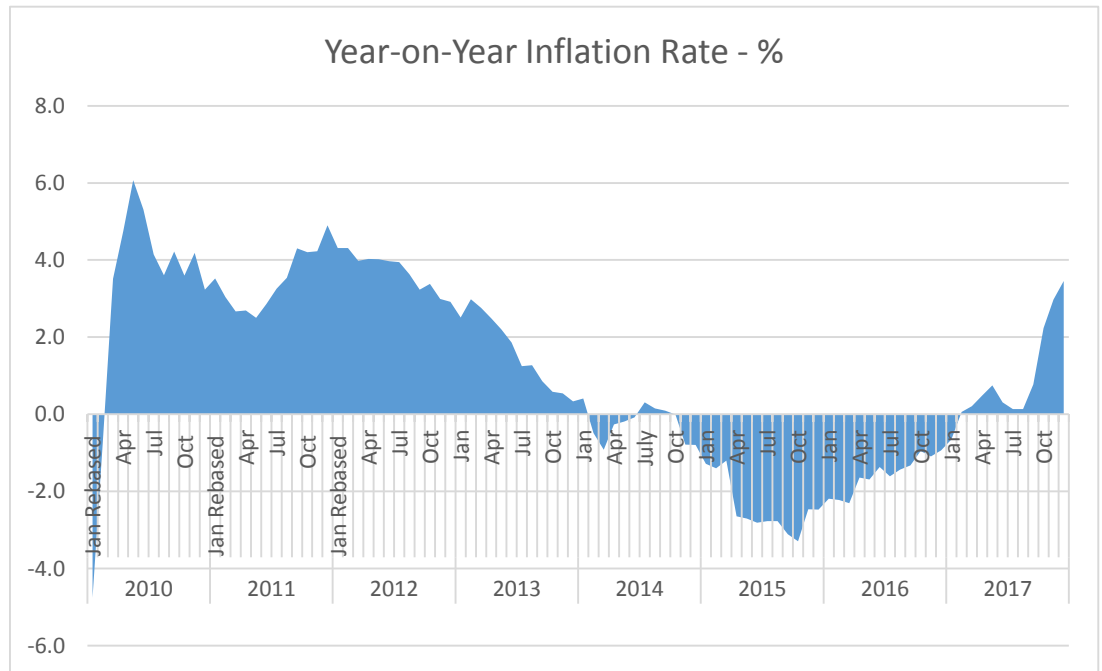
Annual inflation rises to a near 6 year high in December 2017...

Indicator	Oct 2017	Nov 2017	Dec 2017
Annual	2.2%	3.0%	3.5%
Month-on-Month	1.5%	0.7%	0.5%

Source: ZimStat, Own forecast

- The year-on-year “y/y” inflation increased by 0.5 percentage points from 3.0% in November 2017 to 3.5% in December 2017, a level last breached in August 2012.
- According to the ZimStat, the y/y food and non-alcoholic beverages inflation rose further from 5.7% to 6.6%, whilst the y/y non-food inflation also increased from 1.7% to 2.0%, over the same period.
- Meanwhile, the month-on-month “m/m” inflation declined by a further 0.2 percentage points from 0.7% in November 2017 to 0.5% in December 2017. Declines were recorded in the vegetables, mineral waters, cleaning, rentals and domestic services categories. **Fig.1** below illustrates the trend in the inflation rates from January 2010.

Fig.1: Inflation trends



Source: ZimStat

Meanwhile, in a statement accompanying the inflation numbers, ZIMSTAT outlined and explained its methodology for calculating the inflation figures. ZIMSTAT also advised that the CPI weights, which were last reviewed in 2011, are currently being reviewed in line with the United Nations Statistical Commission guidelines.

...annual inflation increased by 0.5 percentage points to a near 6 year high of 3.5% in Dec 2017...

...ZIMSTAT explained its methodology following public concerns over accuracy of inflation numbers...

However, given the multiplicity of pricing models that are prevailing in the economy, and that imported merchandise, the bulk of which has been the subject of price increases, still account for a bigger proportion of goods available in the retail sector, it may also be ideal for the ZIMSTAT to consider expanding the inflation numbers through among others, publishing separate figures for:

1. Rural prices inflation
2. Urban prices inflation
3. Imported goods inflation
4. Locally produced goods inflation
5. Overall inflation

Ultimately, this will enable policy makers to come up with more informed policy interventions and solutions.

Outlook

Going forward, inflationary pressures are expected to remain largely elevated due to (1) adverse inflation expectations, (2) exchange rate disparities and (3) general uncertainty. As such, the policy makers need to expedite ongoing interventions, some of which were pronounced in the 2018 national budget, including:

1. instilling confidence in the economy through policy consistency and bridging the gap between policy pronouncement and policy implementation,
2. enhancing availability of foreign currency in order to eliminate the exchange rate premiums, and
3. eliminating monetary imbalances emanating from the fiscal deficit through strict adherence to the proposed public finance management guidelines.

The disparities in prices, especially between some imported goods and locally manufactured goods may also be an opportunity for consumers to embark on some “painful” expenditure switching in favor relatively cheaper locally produced goods.

...ZIMSTAT may need to provide separate inflation figures for rural prices, urban prices, imported goods prices....

...concerted efforts and strong commitments are required from both the Government and private sector in order to stabilize the domestic prices....

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