

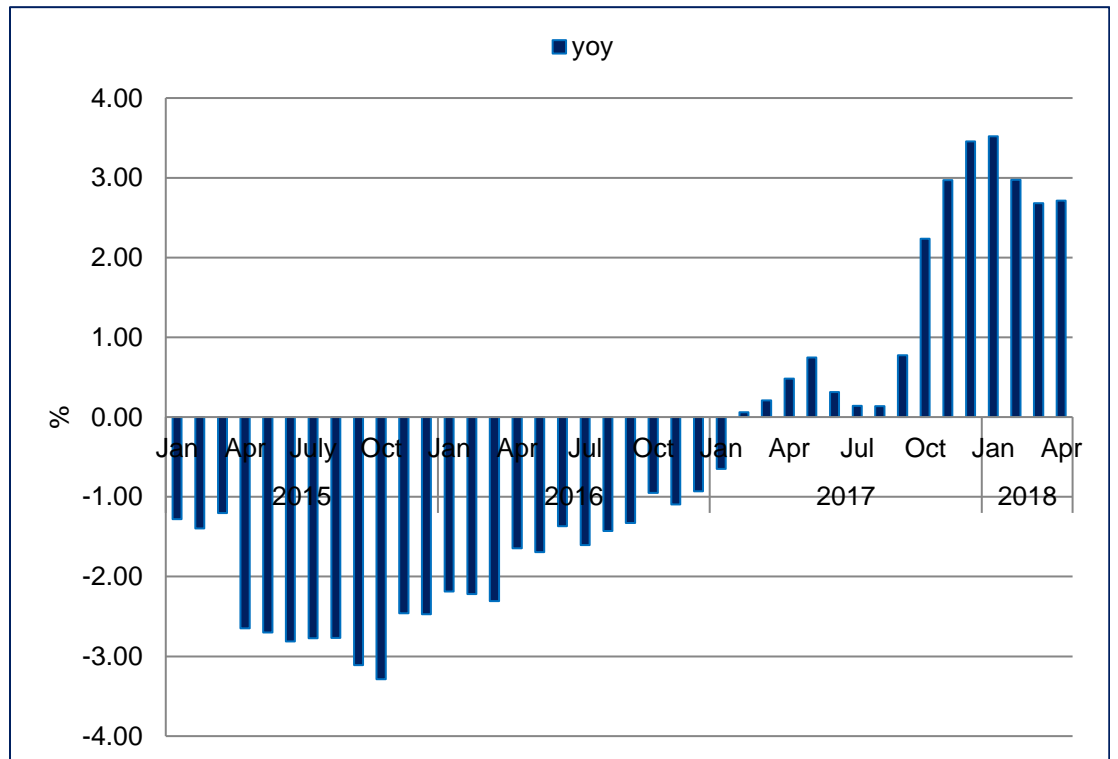
Moderate increase in inflation...

Indicator	Feb 2018	Mar 2018	Apr 2018
Annual	2.98%	2.68%	2.71%
Month-on-Month	0.08%	-0.25%	0.08%

Source: ZimStat

- According to the ZimStat, the year-on-year “y/y” rate of inflation rose marginally by 0.03 percentage points “pp” from 2.68% in Mar 2018 to 2.71% in Apr 2018.
- The y/y food and non-alcoholic beverages inflation increased from 4.54% in Mar 2018 to 4.94% in Apr 2018 lifted by most food items with the exception of fruits, fish and seafood as well as oils and fats. However, the y/y non-food inflation declined from 1.81% to 1.67%, over the same period, reflecting stable electricity (gas and liquid fuels), furniture and equipment, transport and education prices.
- Meanwhile, the month-on-month “m/m” inflation increased from -0.25% in Mar 2018 to 0.08% in Apr 2018. Increases were recorded for both food and non-food prices, particularly bread, meat, pharmaceuticals, accommodation services, gas and clothing garments. **Fig.1** below illustrates the trend in the y/y inflation rate.

Fig.1: Annual Inflation Trends



Source: ZimStat

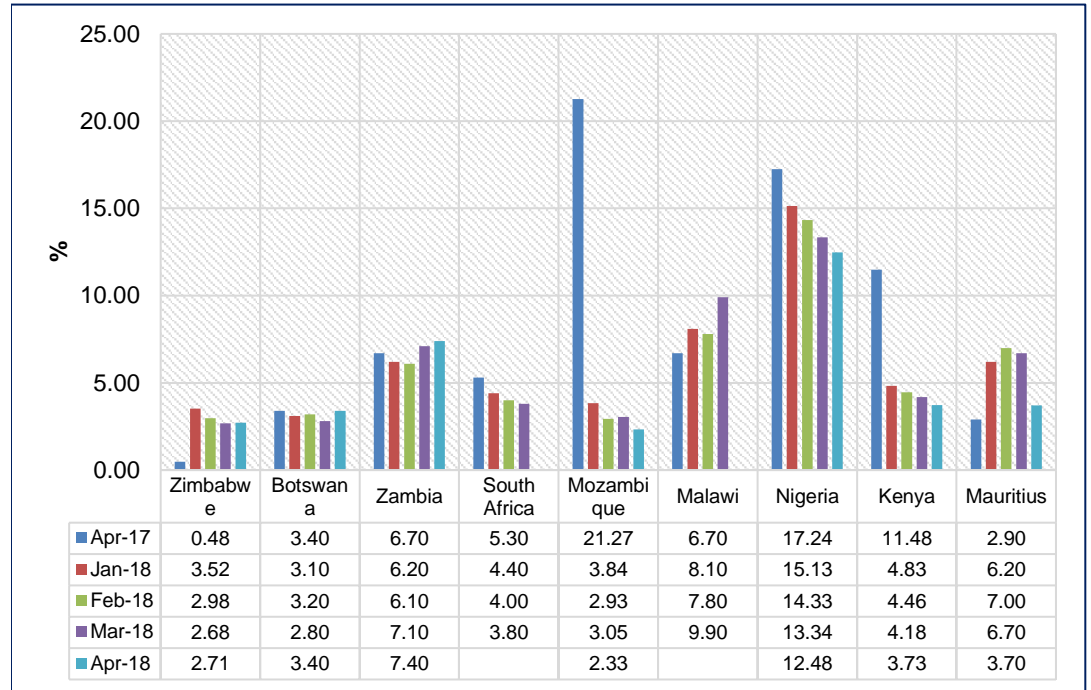
...annual inflation rose to 2.71% in Apr 2018 due to an increase in food inflation...

.... monthly inflation also increased to 0.08% in Apr 2018 from -0.25% in Mar 2018...

Peer Analysis

On a regional basis, Zambia recorded notable inflationary pressures on the back of increases in prices for fruits and vegetables, **Fig.2** below outlines trends in regional inflation rates.

Fig.2: Trend in Regional inflation



Source: Various (SA and Malawi Apr 2018 figures not yet available)

Outlook

Adverse inflation expectations had somewhat dissipated over the recent past months, thanks to restraint in money creation by the monetary authorities, fiscal prudence by the Government and a relatively balanced foreign exchange market. However, in the short term, inflationary pressures are expected to come from the rising oil prices on the international commodities markets. Moreover, in order to avoid causing a resurgence in inflationary pressures (both monetary and adverse expectations driven) from the impending upward adjustment of civil servant salaries, the Government would need to finance such new expenditure through reallocation of funds from the existing budget framework, and avoid increasing the budget deficit.

...Nigeria commands the highest inflation rate...

...Upward pressure still exists...

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