

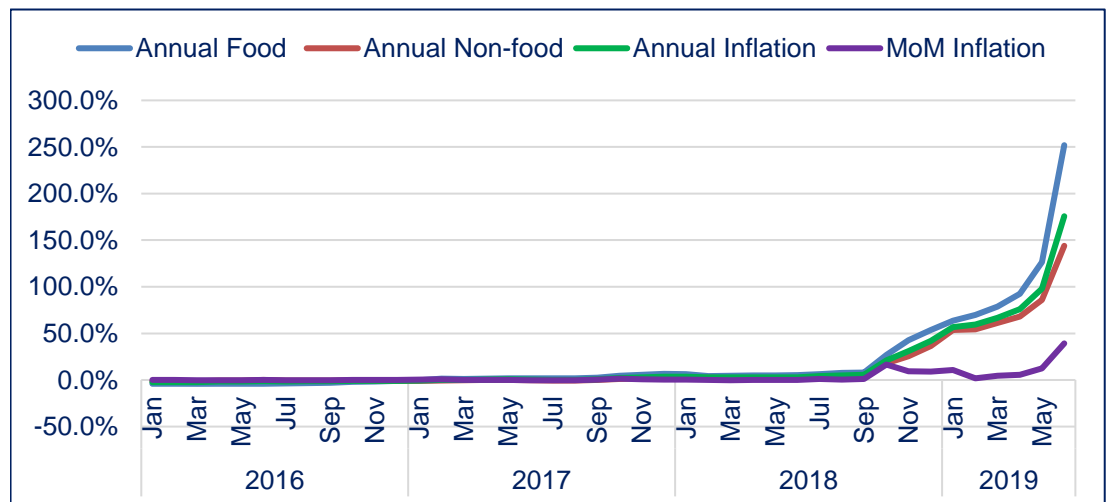
Inflation driven by rising FX premiums...

Indicator	Jun 2018	May 2019	Jun 2019
Annual	2.91%	97.85%	175.66%
Month-on-Month	-0.05%	12.54%	39.26%

Source: ZimStat

- According to the ZimStat, the year-on-year “y/y” rate of inflation increased from 97.9% in May 2019 to 175.7% in June 2019.
- The y/y food and non-alcoholic beverages inflation rose from 126.4% to 251.9%, whilst y/y non-food inflation rose from 85.9% to 143.9%, over the same period. With the exception of housing, water & electricity, education and recreation, all other categories registered price increases ranging from 168% to 279%.
- Meanwhile, the underlying m/m inflation rate jumped from 12.5% to 39.3% between May 2019 and June 2019, narrowly avoiding the hyperinflationary level of 50.0%. The m/m food and non-alcoholic beverages inflation rate stood at 55.1%, whilst m/m non-food inflation rate was 31.2%.
- The surge in the inflation rates reflected the rapid depreciation of the Zimbabwe dollar on the foreign currency markets, amid price indexation by most economic agents. Fig. 1 below outlines the inflation trend since Jan 2016.

Fig. 1: Inflation trend



Source: ZimStat

Outlook

In-spite of the recent stability in the official and parallel market exchange rates and some nascent stability in prices of goods and services – following promulgation of SI 142 of 2019, the recent 19% hike in fuel prices, upward adjustments in interest rates by banks and entrenched adverse expectations (reflected through rampant price indexation), largely point to sustained inflationary pressures going forward.

...annual inflation at a record high of 175.7% in June 2019...

...month on month inflation jumped to 39.3%...

...cost-push factors entrench stagflation...

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