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# INFLATION ALERT

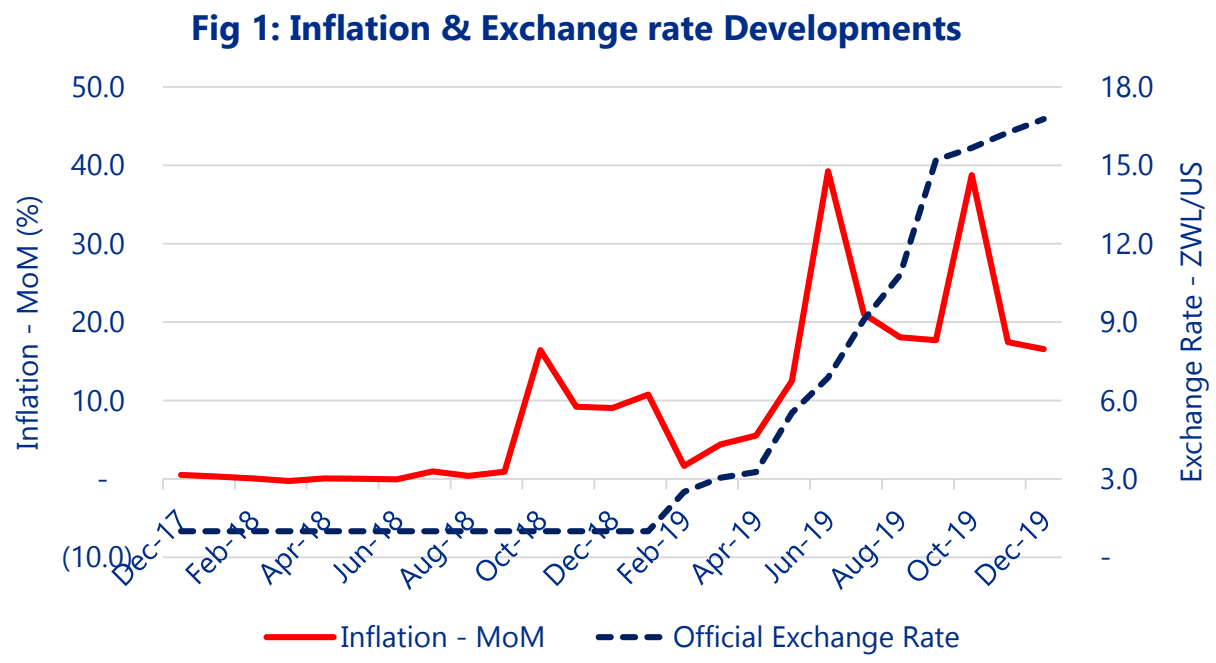
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January 2020

A decorative graphic on the left side of the page, featuring a large, flowing shape in shades of blue and red. The shape is composed of several overlapping, curved bands of color, creating a sense of movement and depth. The colors transition from a light blue at the top to a dark blue at the bottom, with a prominent red band in the middle. The overall effect is dynamic and modern.

# Commentary

- According to the Zimbabwe National Statistics Agency, "ZimStat", the month-on-month (m/m) inflation rate marginally declined, for the second consecutive month, to 16.55% in December 2019 from 17.46% in November 2019. This reflected the larger decline in food inflation (-6.88 percentage points "pp") against the lower increase in non-food inflation (+3.20 pp). **Fig1** below
- In fact, food inflation fell from 22.63% in November 2019 to 15.75% in December 2019. However, increases were still recorded in the prices of fruits, oils & fats, vegetables as well as fish & sea food. Non-food inflation increased from 14.95% to 17.14%, over the same period, underpinned by increases in the housing (rentals), transport (motor cycles, animal-drawn vehicles and passenger transport) and health (para-medical services and medical aid contribution) categories.



- Overall, the annual average month-on month inflation rate increased from 3.1% in 2018 to 17.0% in 2019, reflecting cost-push factors (cost-reflective pricing on energy and utilities), exchange rate weakness amidst high imports and price indexation and money supply growth. For instance, the latest RBZ figures reflect a 20% (m/m) and 140% (y/y) expansion in money supply to \$23.6b in September 2019.
- Going forward, inflationary pressures are expected to remain elevated, driven by higher wage demands, cost reflective pricing, rising oil prices on the international markets and potential food shortages.
- However, the reintroduction of subsidies on selected basic commodities and slower adjustment to utility prices may somewhat thaw some of the inflationary pressures, in the short term period, but this may require significant trade offs and economic rebalancing.

Source: ZimStat

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