



...decline in headline  
month-on-month (m/m)  
inflation...

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## INFLATION ALERT

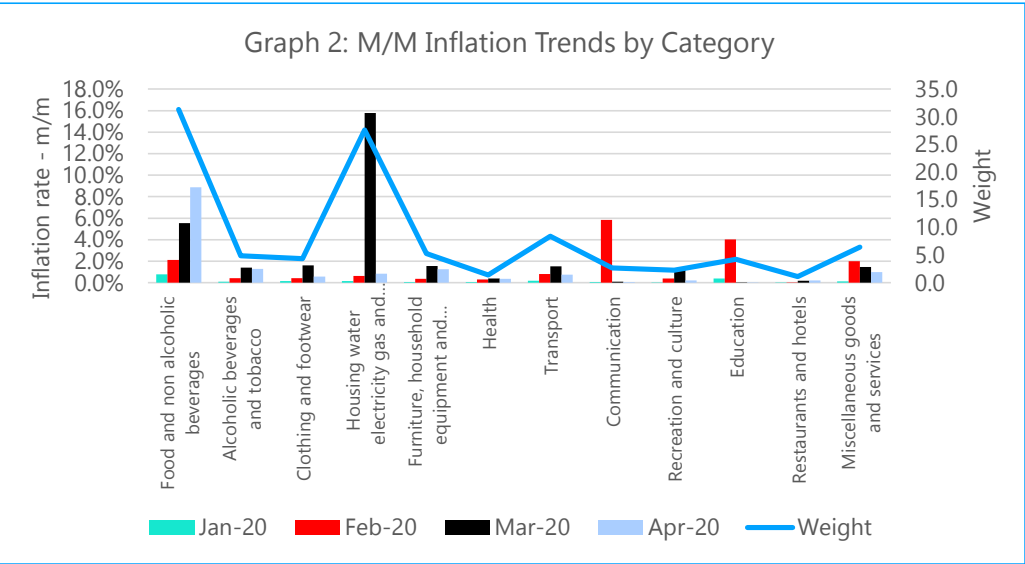
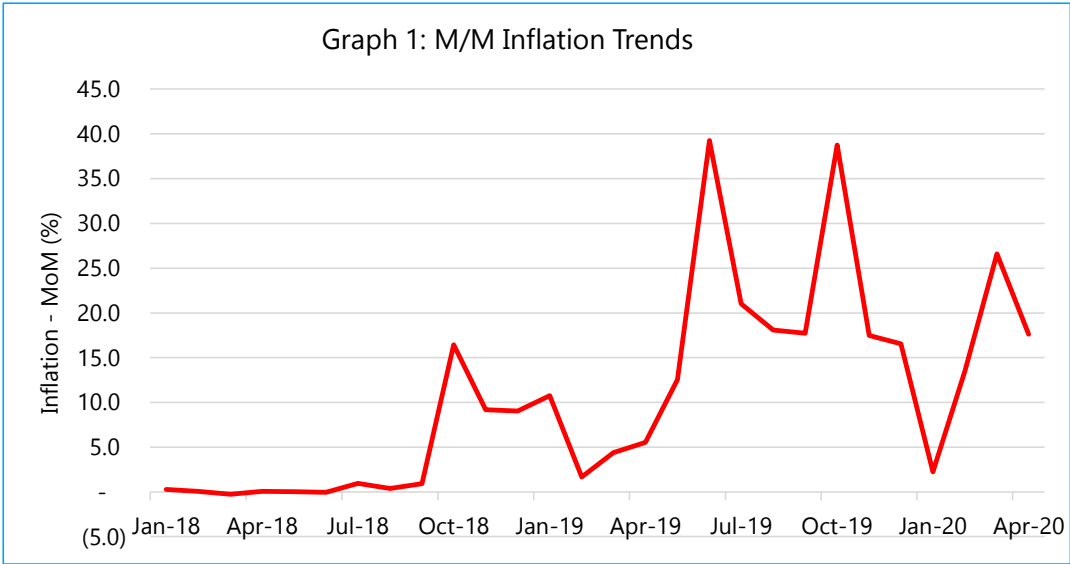
April 2020

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- According to the Zimbabwe National Statistics Agency, “ZimStat”, the headline month-on-month (m/m) inflation rate declined, for the first time in four months, from 26.6% in March 2020 to 17.6% in April 2020 - **Graph 1** below.
- This somewhat reflected a larger decline in non-food inflation and a lower increase in food and non- alcoholic beverages inflation.

- As shown in Graph 2, m/m food and non-alcoholic beverages inflation rose further from 5.5% in March to 8.9% in April – hence the Government’s move to suspend customs duty on maize and floor imports. Food has the largest weight of 31.3% in the CPI basket.
- In terms of non-food inflation, the major decline was recorded in the housing, water, electricity, gas and other fuels inflation from 15.8% to 0.8%, over the same period, as flat rentals and electricity charges somewhat neutralized increases in fuel and gas prices.



- The annual inflation rose further from 676% in March 2020 to 766% in April 2020. The intertwined major inflation drivers were, among others, adverse expectations, exchange rate depreciation and high money supply growth.
- Policy interventions, therefore, need to focus on rebuilding consumer confidence through policy consistency, enhanced policy targeting and fostering currency stability, as well as eliminating pricing distortions emanating from the multiple price bases. The CPI weights may also need to be reviewed, for example, to reflect the increasing usage of alternative sources of energy such as gas, which currently has a weight of 0.4% in the CPI basket, compared to 2.95% for electricity.

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