



...marginal reduction in  
month-on-month (m/m)  
inflation rate ...

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## INFLATION ALERT

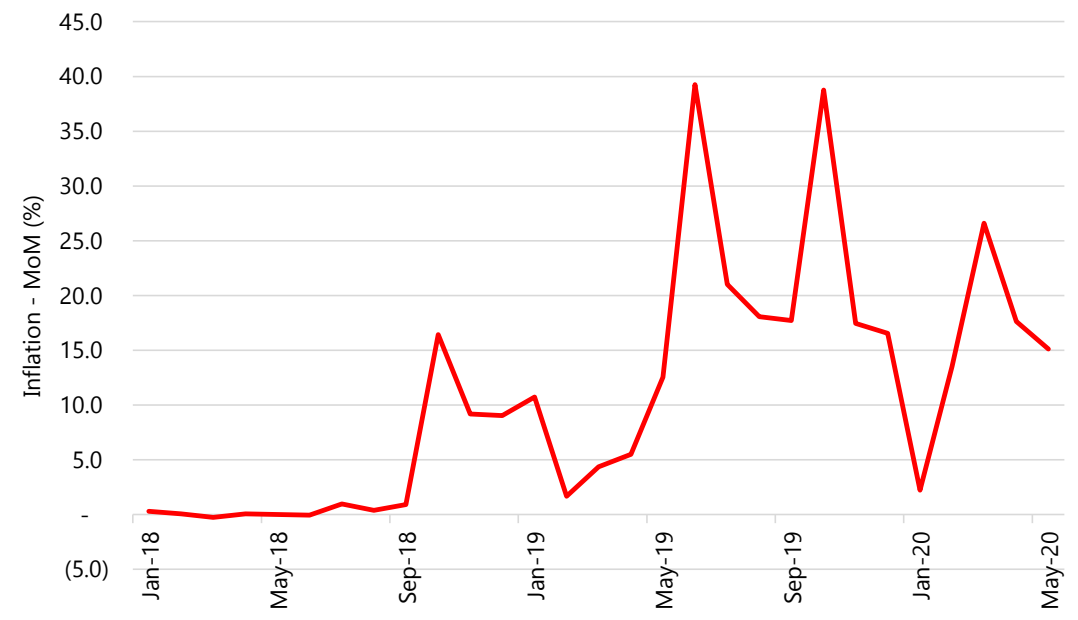
May 2020

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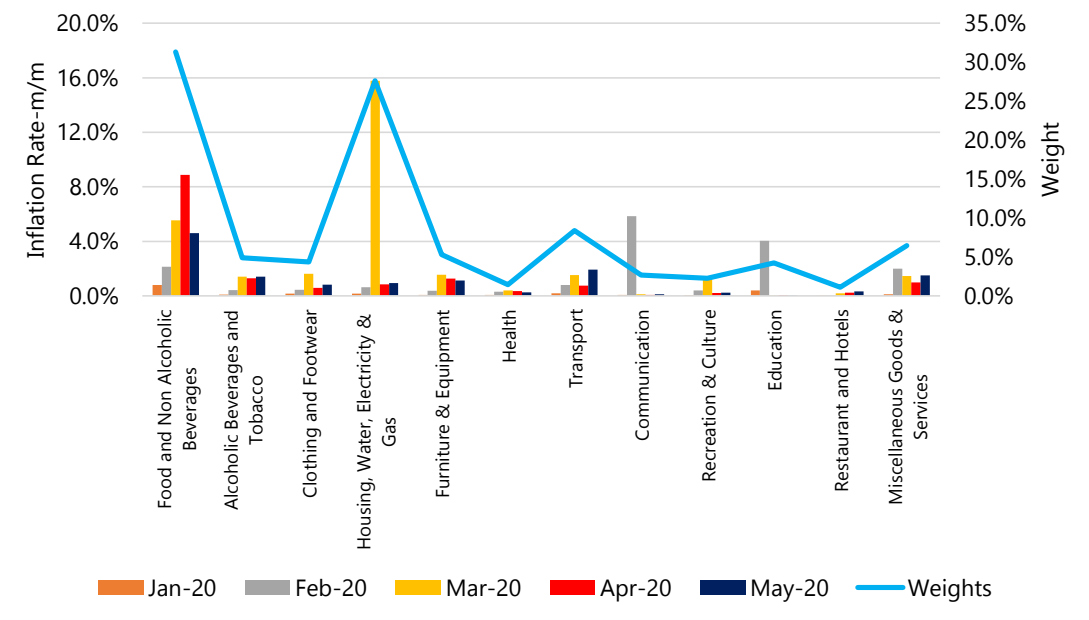


- According to the ZimStat, the headline month-on-month (m/m) inflation rate receded by a further 2.5 percentage points “pp” to 15.1% in May 2020, from 17.6% in April 2020 - **Graph 1** below.
- This decline reflected larger slowdown in food inflation, which outweighed the marginal increases in non-food inflation.
- Meanwhile, notwithstanding the decline in the m/m inflation, the y/y rate of inflation increased further from 766% in April 2020 to 786% in May 2020.
- As depicted in **graph 2** below, m/m food and non-alcoholic beverages inflation declined notably from 8.9% in April 2020 to 4.6% in May 2020, somewhat reflecting lower bread & cereals inflation.
- However, notable m/m increases were still recorded in transport, clothing & footwear, and alcoholic beverages inflation.

Graph 1: M/M Inflation Rate Trends



Graph 2: M/M Inflation Trends By Category



Going forward, the recent upward adjustment in the prices of bread, fuel, and other commodities, coupled with ongoing upward wage adjustments (to match inflation, and not production), potential devaluation and the general exchange rate weaknesses and adverse expectations, are expected to result in sustained inflationary pressures. Government interventions, among them the subsidized maize meal, will somewhat thaw some direct inflationary pressures on the food basket. However, there is need to simultaneously eliminate the unintended consequences of such interventions, among them unsustainable fiscal pressures and monetary growth – which in turn may lead to a further pressure on the exchange rate and ultimately inflation.

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