



...Headline consumer inflation edged higher in January, starting the year at 363% y/y...

INFLATION ALERT

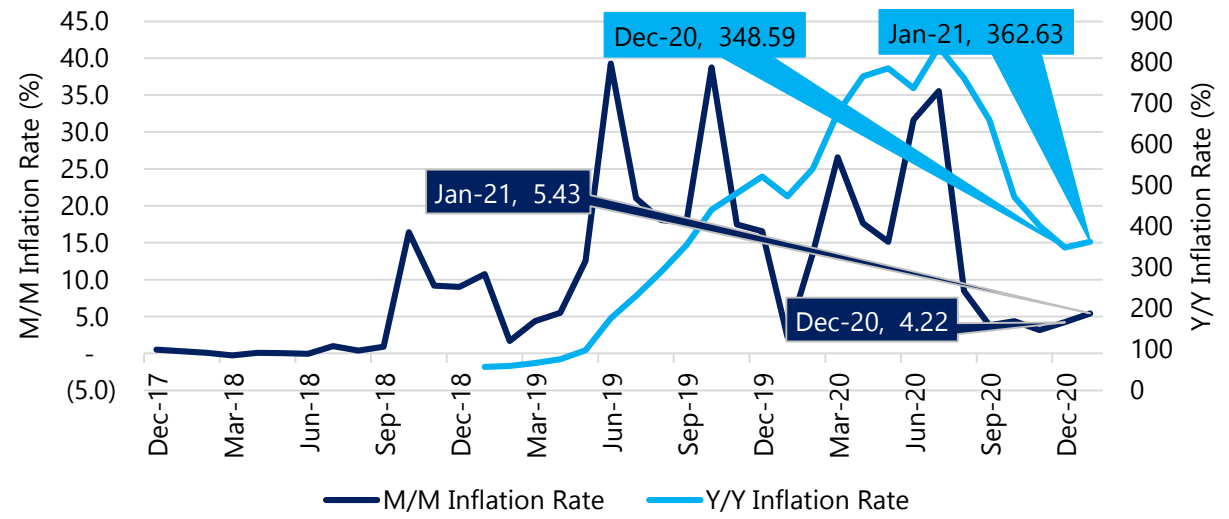
January 2021



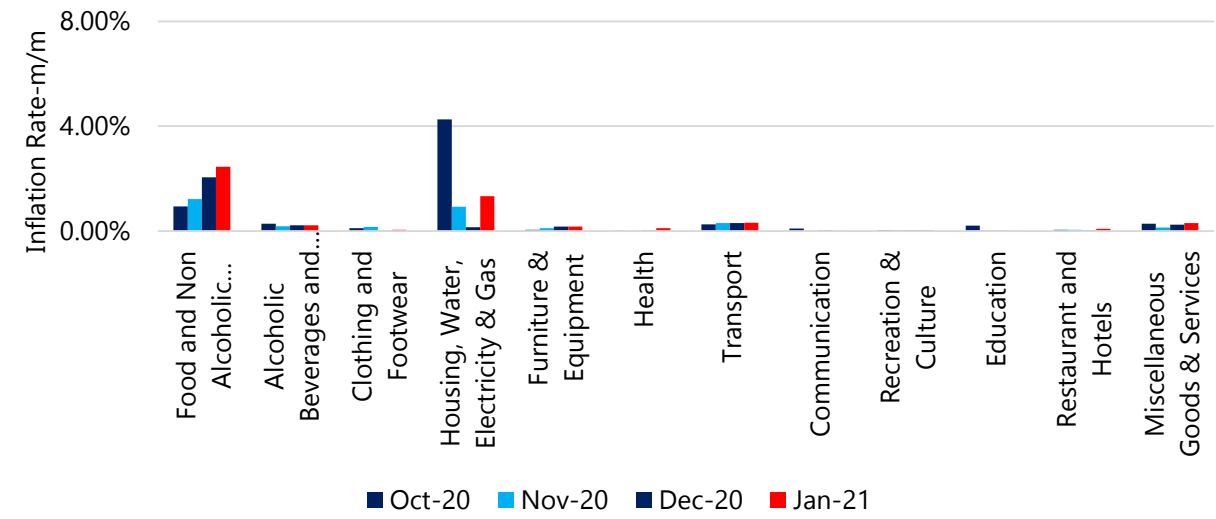
ZIMBABWE | INFLATION UPDATE - JANUARY 2021

- According to the ZimStat, the headline consumer inflation edged higher in January 2021, to a 5-months high of 5.4% month-on-month "m/m", from 4.2% and 3.2% recorded in December and November 2020, respectively - **Graph 1**. This reflected increases in both food and non-food inflation rates to 7.8% and 3.7%, respectively.
- In fact, with the exception of education and communication, most CPI subcategories recorded increases, led by housing, water, electricity & gas (1.3%) and food and non-alcoholic beverages (2.5%) – **Graph 2**. Resultantly, annual inflation rate broke a 7-month downward trend, after gaining 14 percentage points "pp" to 362.6% in January 2021, from 348.6% in December 2020.
- Going forward, inflationary pressures will emanate from potential increases in oil prices on the global markets as well as industry's response to recent adjustments in public service charges and fees. However, these pressures may be somewhat limited by the prevailing depressed demand emanating from the COVID-19 induced lockdowns, reduced in-store sales/ operating hours and compressed wages and salaries. The developments on the foreign exchange markets will also have a significant bearing on the inflation outturn.

Graph 1: Annual and Monthly Inflation Trends



Graph 2: M/M Inflation Trends By CPI Categories



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