INFLATION BRIEF
February 2023

Inflation Rate
13.6%

Chart 1: Headline Consumer Price Index (Seasonally Adjusted)

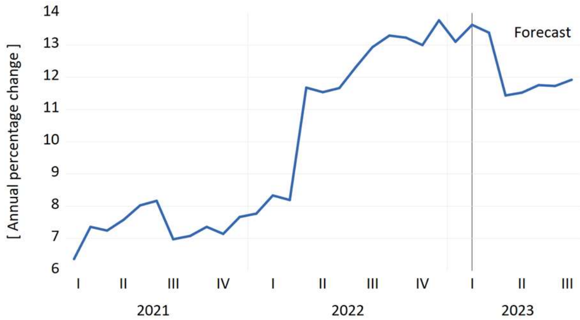


Chart 2: Core inflation

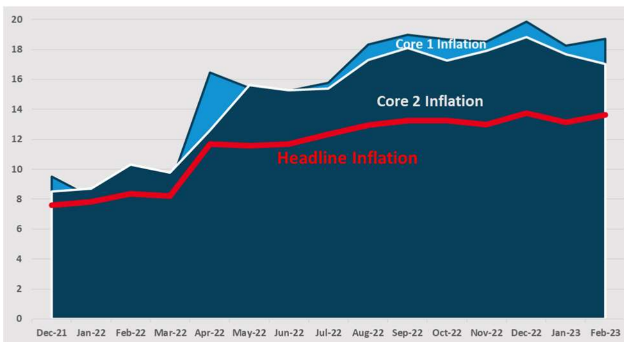


Chart 3: Contributions to CPI: Market & Administered Prices (Seasonally Adjusted)

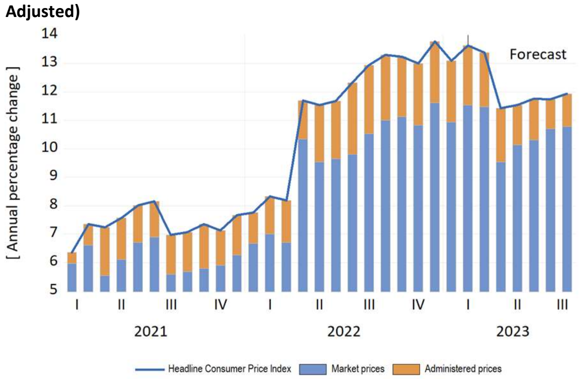
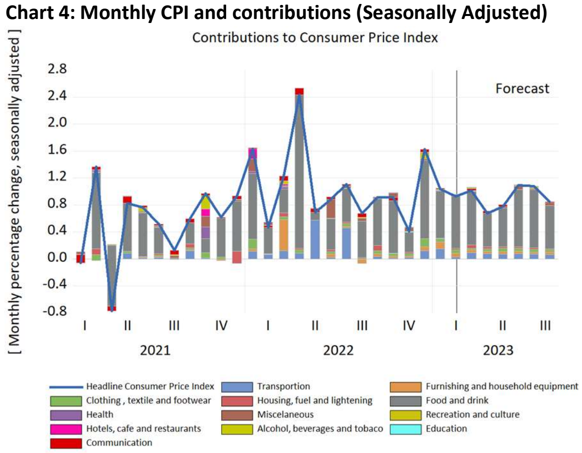


Chart 4: Monthly CPI and contributions (Seasonally Adjusted)



Consumer Price Index

12-Month Moving Average	-0.2ppt	⬇
Year-on-year change (%)	+0.5ppt	⬆

Headline Inflation

Inflationary pressures remain elevated due to demand and supply shocks. Headline inflation (year-on-year) jumped to 13.6 percent in February 2023 from 13.1 percent in January 2023.

The increase in headline inflation is driven by increases in both food and non-food inflation, which increased by 0.6 percent and 0.4 percent respectively in February 2023. The rise in food inflation was driven by an increased contribution of Meat, Dairy Products and Fish. Whilst amongst the non-food basket, the increased contributions of Health, Clothing & footwear, and the hospitality sector supported the acceleration. Further analysis of the market and administered prices revealed that the increase in headline inflation (year-on-year) was occasioned by the rise in the contribution of market-determined prices as administered prices decreased marginally.

The Bank's core measures of inflation, which exclude food, energy, fuel, and utilities from headline inflation are core 1 and core 2. Core 1 inflation, which excludes energy, fuel, and utilities revealed an increase in underlying inflation from 18.2 percent in January 2023 to 18.7 percent as of February 2023. Core 2 inflation, which further excludes volatile food items showed a decrease from 17.7 percent in January 2023 to 17.0 percent as of February 2023.

The near-term inflation outlook is gloomy. CBG Staff forecast shows year-on-year inflation (seasonally adjusted) will remain above 10 percent for the next three months. However, the latest forecast suggests that inflation will have peaked in the Q1 of 2023.

The risk to inflation remains elevated. Global inflation is showing early signs of moderating, however, continued monetary policy tightening across the world must be sustained to maintain that outlook. A strengthening American Dollar risk having an adverse effect on inflationary pressures, as the lagged effects of currency depreciation present an upside risk to the outlook.

Overall inflationary pressures persist with significant risk to the outlook, however, the CBG has recently increased the policy rate to further contain persistent inflationary pressures.

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