ECONOMIC BRIEF
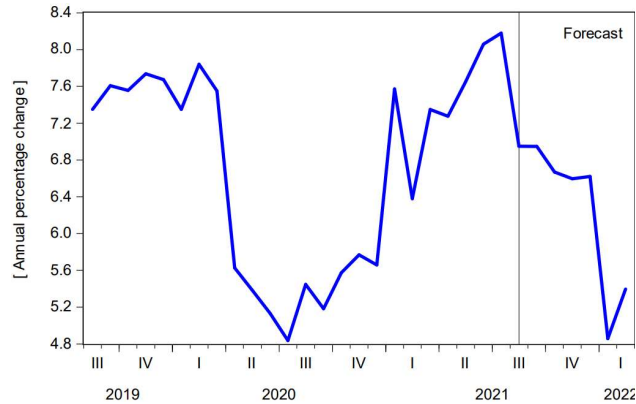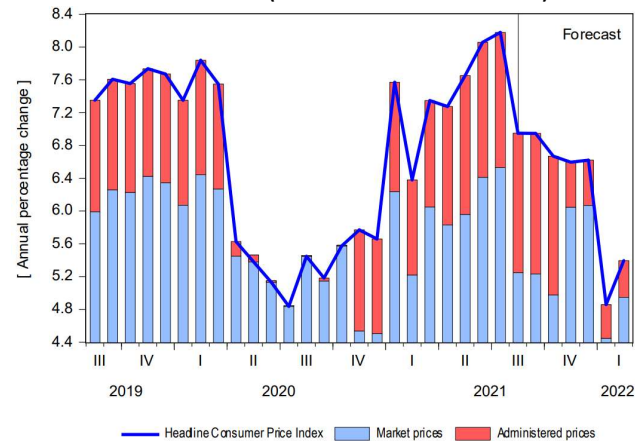## Consumer Price Index
August 2021

Inflation Rate

6.9%

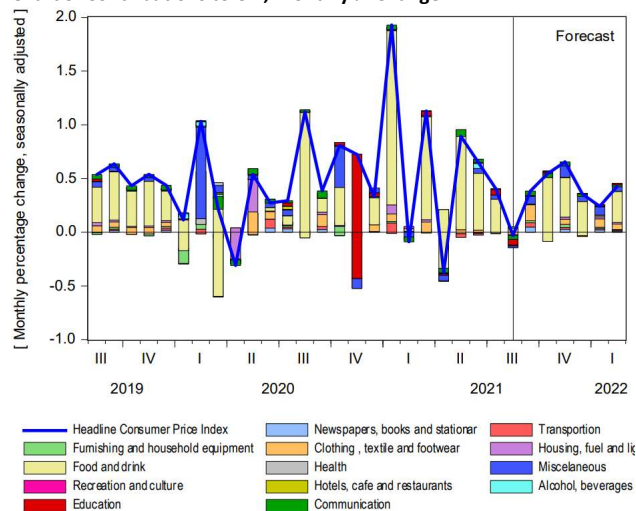**Chart 1: Headline Consumer Price Index**

Chart 2: Contributions to CPI (Market & Administered Prices)

Headline Consumer Price Index   Market prices   Administered prices

Chart 3: Contributions to CPI, Monthly % Change

Headline Consumer Price Index   Newspapers, books and stationar   Transportation
Furnishing and household equipment   Clothing , textile and footwear   Housing, fuel and lig
Food and drink   Health   Miscelaneous
Recreation and culture   Hotels, cafe and restaurants   Alcohol, beverages
Education   Communication

Consumer Price Index

12 Month Moving Average	-0.2ppt	⬇
Year-on-year change (%)	-1.2ppt	⬇

Headline Inflation

Inflationary pressures moderated in August 2021. Headline inflation declined significantly from 8.2 percent in July 2021 to 6.9 percent in August 2021. This trend has pushed inflation closer to the medium-term target, breaking the trend of the last quarter. The decline in inflation is consistent with the forecast presented during the September 2021 MPC Meeting. The descending trajectory of inflation was largely driven by the decline in food prices. Food inflation (y-o-y) subdued notably from 11.8 percent in July to 9.0 percent in August. This can be attributed to the passing of the Tobaski holiday, and the arrival of rain-fed crops to the market. Non-food inflation (y-o-y) on the other hand has edged up slightly to 4.8 percent in August 2021, from 4.5 percent in July 2021.

In terms of drivers, the decline in food inflation was occasioned by the diminished contribution from all items in the food basket except for meat and milk, cheese & eggs. Within the non-food category, the rise in prices was broad-based, notably coming from communications and housing, water, electricity, gas & other fuels.

Underlying inflation exhibited a similar trend to headline inflation over a comparative period. The Bank's core measures of inflation, (which excludes energy, fuel, and utilities), revealed prices fell from 12.1 percent in July 2021 to 8.9 percent in August 2021.

The key risk to the inflation outlook is the vulnerability of the agricultural sector to unpredictable rains and crop harvest which could potentially lower food production. Thus, creating upward pressure on food prices. Barring any unforeseen shocks, CBG Staff forecasts show that inflation is expected to remain steady at the end of the 3rd quarter of 2021 at 6.9 percent and further moderate at the end of the 4th quarter of 2021 to 6.6 percent.

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