

Food and fuel prices send inflation sharply higher

By [Ntsakisi Maswanganyi](#)

23 Mar 2016

Inflation rose significantly last month compared with a year ago, mainly due to higher food, fuel and medical insurance prices.



© Jakub Krechowicz – [123RF.com](#)

Inflation's sharp acceleration to 7% in February compared with a year ago, from 6.2% year on year in January, supports the Reserve Bank's decision to raise interest rates both in January and this month. The 7% increase in the consumer price index (CPI) was highest rate since May 2009.

"The jump in inflation is substantial relative to consensus and it reinforces the Reserve Bank's hawkish stance on inflation, given the risk from rapidly rising food prices to second-round effects," Rand Merchant Bank fixed income strategist Carmen Nel said.

Food inflation was headed for double-digit increases, Econometrix chief economist Azar Jammie said. "Inflation will come back down in the next two months but then start picking up again in the second half of the year on higher food and possibly also petrol prices, unless oil prices fall," Jammie said.

The consumer price index increased by 1.4% month on month in February.

The food and nonalcoholic beverages index was up 8.6% year on year, alcoholic beverages and tobacco increased by 7.6% and transport rose 8.7%.

The miscellaneous goods and services index increased by 6.8% year-on-year, with goods inflation at 7.9% — accelerating from 6.5% in January — and services inflation increased at 6.1%, up from 6% in January.

Source: Business Day

For more, visit: <https://www.bizcommunity.com>