Inflation Update for Sudan during the first Quarter of the 2014

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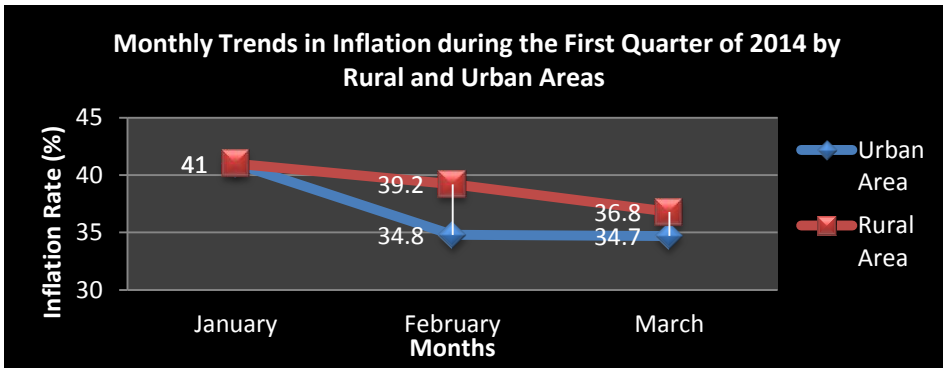
Since the secession of South Sudan in July 2011, the inflation in Sudan started to exhibit significant hikes and reached 41.9 in December 2013. The inflation rate decreased from 41.9 per cent in December 2013 to **40.9 per cent in January 2014** (1 percentage point decrease) and to 37 per cent in February 2014 (3.9 percentage point decrease) and finally decreased to 35.7 per cent in March 2014(1.3 percentage point decrease). The **inflation rate in Sudan averaged 37.9 percent during the first quarter of 2014** which is much greater than the targeted rate for 2014 which is 20.9 per cent. Despite the continuous decrease in the inflation rate during the first quarter of the year 2014, **it is apparent that the economic policies implemented have failed to contain the inflation** and bring it back to or around the targeted rate for 2014 which is 20.9 per cent.

Rural areas consistently exhibited higher inflation rates than urban areas. This could largely be attributed to infrastructure deficits in rural areas (especially roads) which increased the cost of transportation and consequently reflected in the final prices. Moreover, multiple layers of taxes and fees imposed by states account for the high inflation in rural areas than urban areas. The average rate of inflation for the first quarter of 2014 for urban areas is 36.8% whereas the average rate of inflation for rural areas is (39%).



Source: Central Bureau of Statistics (CBS) - Sudan

Inflation for **recreation and culture** averaged 55.1% in February 2014 (15.5 percentage point decrease over the preceding month). In March, the inflation rate of this item **decreased to 50.2%** (4.9 percentage point decrease over the preceding month).This indicates that **this item group was the major driver of inflation in January 2014**. Inflation for **furniture and household equipment** averaged 60.5% in February 2014 (14.2 percentage point decrease over the preceding month). This indicates that this item group can be considered as the second major driver of inflation in January 2014. Inflation for **food and non-alcoholic beverages** averaged 23.7% in February 2014 (2.1 percentage point decrease over the preceding month) and again it decreased by 2.5 percentage point in March 2014. This could be attributed to the abundant supply of some agricultural crops due to their season. The other groups that showed a sharp decrease are the Clothing and Footwear, Health and Alcoholic Beverages and Tobacco with 9, 6.4 and 5.9 percentage point decreases from January to March 2014 respectively.

However, recently, the **currency changed hands at 9.5 pounds per dollar at the parallel market which has become the business benchmark.** This historical devaluation of the local currency against the foreign currencies will be reflected in what so called the imported inflation. Consequently, **it is expected that the inflation rates for the second quarter of 2014 will significantly increase which will lower the purchasing power of the local currency (SDG).** In fact, the inflation rate increased from 35.7 per cent in March 2014 to 37.7 per cent in April 2014. *(Source: Central Bureau of Statistics (CBS)*-Sudan)