

INFLATION TO REMAIN WITHIN TARGET RANGE

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Pretoria - Inflation is expected to remain within its target range for the next two years, says the South African Reserve Bank (SARB).

In its October Monetary Policy Review released on Thursday, the SARB said the central projection of the baseline forecast shows that inflation is expected to reach a low point of 3.7 percent in the third quarter of 2010. The target range is between 3 and 6 percent.

"Inflation was expected to remain within the target range until the end of the forecast period, averaging 4.8 percent in 2011 and measuring 5.1 percent in the final quarter of 2012," said the Reserve Bank.

It said that when compared to the forecast presented at the last Monetary Policy Committee meeting, the outlook for the annual rate of targeted inflation is lower over the entire forecast period from 2010 to 2012.

The central bank said the forecast made provision for electricity price increases of 20 percent per year at the consumer level.

The foreign exchange rate of the rand is the main downside risk to the inflation outlook, while wage settlements in excess of inflation forms the main upside risk.

"Risks from cost-push pressures remained relatively unchanged," said the central bank, adding that administered price increases continue to place upside pressure on the inflation outlook.

Inflationary pressure from the global economy remained muted, though with potential risks from food price increases.

The outlook for inflation remains benign with the Consumer Price Index increasing by 3.5 percent in August, its lowest rate of increase in five years.

The bank said that there were indications that consumption expenditure is recovering but that the impact of the FIFA World Cup was still unclear, raising doubts about the sustainability of expenditure. - *BuaNews*