

**NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 1208 [NW1414E]
DATE OF PUBLICATION: 27 MARCH 2015**

1208. Dr D T George (DA) to ask the Minister of Finance:

With regard to the National Treasury inflation forecast of 4,3% for 2015 and 5,9% for 2016, what factors contributed to the increase between 2015 and 2016?

NW1414E

REPLY:

The increase in inflation from 4.3 per cent in 2015 to 5.9 per cent in 2016 is largely driven by an increase in energy prices. The National Treasury Budget forecast assumes that global Brent crude oil prices will rebound in 2016 from the current level to around USD70 per barrel. Electricity inflation is also projected to increase by close to 12 per cent. These increases will feed into other prices, which will lead to overall inflation for 2016 increasing to 5.9 per cent. As any forecast, the inflation forecast has downside and upside risks. For example, if the oil prices are sustained at the current levels, inflation will be lower for 2016 which will provide support to production and consumption. Oil prices can also be higher which will increase the inflationary pressures in the economy and affect negatively economic activity.