

# Inflation Rates

Status	Done
Parent Task	Economic Indicators
Multi-select	Economy Report Trends

## Inflation Rates: Somalia

### Current State and Recent Trends

Somalia's inflation rate has shown significant volatility in recent years, influenced by a combination of domestic and international factors including climate conditions, global supply chain disruptions, and monetary policy developments.

### Recent Annual Inflation Rates

Year	Inflation Rate	Source
2022	6.8%	African Development Bank
2022	34.7% (average)	FocusEconomics
2023	6.1%	African Development Bank
Current (2025)	5.57%	Trading Economics
2024	4.8% (projected)	African Development Bank
2025	4.3% (projected)	African Development Bank

The significant discrepancy between the African Development Bank's 2022 figure (6.8%) and FocusEconomics' 2022 average (34.7%) likely reflects different methodologies, data sources, or time periods measured. FocusEconomics may be capturing peak inflation periods or using a different basket of goods in their calculations.

### Recent Monthly Trends

According to the Somali National Bureau of Statistics, the All-Groups Consumer Price Index (CPI) was 151.57 in December 2024, compared with 152.46 in November 2024, representing a monthly decrease of -0.58 percent. This indicates a deflationary trend in the most recent period.

### Quarterly Forecasts (Trading Economics)

Quarter	Projected Inflation Rate
Q1/25	6.2%
Q2/25	5.4%
Q3/25	5.2%
Q4/25	6.0%

These quarterly projections suggest some volatility is expected throughout 2025, though within a relatively moderate range of 5.2-6.2%.

### Historical Context

According to FocusEconomics, consumer price inflation in Somalia averaged 11.6% in the ten years to 2022, indicating that the current and projected rates represent a significant moderation from historical averages.

The historical data shows considerable volatility:

- **Historical Average (2013-2022):** 11.6%
- **2022 Average:** 34.7%
- **Current Trend (2023-2025):** Moderating to 4-6% range

### Inflation Drivers and Constraints

#### Inflation Drivers

1. **Climate Vulnerability:** Droughts and floods affecting agricultural production and food prices
2. **Import Dependence:** Reliance on imported goods making prices vulnerable to global market fluctuations and exchange rate movements

3. **Currency Issues:** Circulation of counterfeit Somali shillings and multiple currencies creating monetary control challenges
4. **Security Concerns:** Conflict disrupting supply chains and increasing transportation costs
5. **Limited Domestic Production:** Underdeveloped manufacturing sector increasing reliance on imports

## Inflation Constraints/Moderating Factors

1. **Global Supply Chain Stabilization:** The African Development Bank notes that "the stability of global supply value chains eased inflation in Somalia from 6.8% in 2022 to 6.1% in 2023"
2. **Agricultural Recovery:** Improved rainfall and agricultural production helping to moderate food prices
3. **Currency Exchange Program:** Somalia is implementing a currency exchange program to gradually replace US dollars and counterfeit Somali shillings with new Somali shillings by 2026
4. **Improved Agricultural Production:** Projected to help reduce inflation to 4.8% in 2024 and 4.3% in 2025

## Sectoral Inflation Trends

### Food Inflation

According to Trading Economics, food inflation is currently at -1.50%, indicating deflation in food prices. This is projected to reverse in coming quarters:

- Q1/25: 0.7%
- Q2/25: 1.3%
- Q3/25: 2.1%
- Q4/25: 3.0%

The negative food inflation likely reflects improved agricultural conditions following the return of rains after drought periods.

## Transportation

The CPI for transportation is currently at 148.14 points, with projections of:

- Q1/25: 146 points
- Q2/25: 146 points
- Q3/25: 147 points

This suggests relatively stable transportation costs in the near term.

## Regional and Global Context

Somalia's current inflation rate of approximately 5-6% is moderate by regional standards:

- It represents a significant improvement from historical averages
- It aligns with the general trend of moderating inflation across many developing economies
- The projected decline to 4.3% by 2025 would bring Somalia closer to global average inflation rates

## Monetary Policy Context

Somalia's monetary policy framework is still developing, with several notable features:

- Limited central bank control over monetary conditions due to widespread use of foreign currencies
- Currency exchange program being implemented to establish greater monetary sovereignty
- Absence of conventional monetary policy tools like interest rates due to underdeveloped financial markets
- Heavy reliance on fiscal policy and international support for economic stabilization

## Future Outlook

The inflation outlook for Somalia is cautiously optimistic, with projections indicating a gradual moderation:

- **2024:** 4.8% inflation projected (African Development Bank)
- **2025:** 4.3% inflation projected (African Development Bank)

However, Trading Economics forecasts suggest some quarterly volatility throughout 2025, with rates ranging from 5.2% to 6.2%.

Key factors that will influence the inflation trajectory include:

- Success of the currency exchange program
- Climate conditions affecting agricultural production
- Global commodity price trends
- Progress in security and political stability
- Development of domestic production capacity

## Conclusion

Somalia's inflation rate has moderated significantly from the high levels seen in 2022, with current rates around 5-6% and projections suggesting further moderation to the 4-5% range by 2025. This represents a substantial improvement from the ten-year historical average of 11.6%.

The moderation in inflation reflects several positive developments, including improved agricultural conditions, stabilization of global supply chains, and ongoing monetary reforms. However, structural vulnerabilities remain, including climate sensitivity, import dependence, and security challenges.

The inflation outlook is generally positive, though subject to both domestic and external risks. Continued progress in monetary reforms, agricultural development, and security improvements will be critical to maintaining the current favorable inflation trajectory.

## Sources

1. African Development Bank - Somalia Economic Outlook (2024)
2. FocusEconomics - Somalia Inflation

3. Trading Economics - Somalia Forecast
4. Somali National Bureau of Statistics - Consumer Price Index (December 2024)
5. International Monetary Fund - DataMapper