



SACU INFLATION REPORT

April 2012

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Selected Global Inflation Rates

The Food and Agricultural Organisation (FAO) Food Price Index¹ declined by 1.4 percent in April 2012 when compared to March 2012. The decline was mainly due to a fall in sugar and dairy prices which offset gains in oils and meat prices.

The FAO Cereal Price Index averaged 224 points in April, down 4.0 points from March. Maize prices declined by 2.5 percent, reflecting good production prospects.

The FAO Oils/Fats Price Index registered another gain in April to 251 points, or 2.2 percent higher than in March. The increase is largely due to soy bean prices, reflecting a growing concern about this season's exceptionally tight supplies of soy beans and derived products.

The FAO Meat Price Index averaged 182 points in April, marginally up from the previous month's level. The increase was driven by rising prices in all meats with the exception of mutton.

The FAO Dairy Price Index averaged 186 points in April, down 11 points from March. The decline was caused by falling prices in all the dairy products, the prevailing downward trend reflects a rebuilding of supplies especially in Oceania and South America.

The FAO Sugar Price Index declined by 5.0 percent in April from March 2012. Overall, sugar prices traded lower as new supplies from Brazil, the world's largest sugar producer, are expected to enter the market in May.

Brent crude oil price closed at USD119.25 per barrel at the end of April 2012, which was 1.7 percent lower than at the end of March 2012, and also lower than the USD120.79 per barrel recorded at the end of April 2011. The natural gas prices closed at USD 2.30 at the end of April 2012, which was 2.6 percent higher than at the end of March 2012. RBOB gasoline prices closed at USD 3.10 per barrel at the end of April 2012, which was 4.7 percent lower than at the end of March 2012.

¹ Food Price index: consist of the average of 5 commodity group price indices (meat, dairy, cereals, oil & fat, and sugar) weighted with the average export share of each of the groups for 2002-2004

Developed Economies

Euro Area

The annual inflation rate was 2.6 percent in April 2012, down from 2.7 percent in March 2012, and this also compares with 2.8 percent in April the previous year. The main components with the highest annual rates in April 2012 were *alcohol & tobacco (4.7 percent)*, *transport (4.3 percent)* and *housing (3.9 percent)*, while the lowest annual rates were observed in *communications (-3.1 percent)*, *education (0.7 percent)* and *recreation & culture (0.8 percent)*. The annual rate recorded for April 2012 was above the European Central Bank inflation target of below but close to 2.0 percent.

Japan

The annual inflation rate was 0.4 percent in April 2012 compared to 0.5 percent in the previous month. A year earlier, the rate was -0.5 percent. The main components with the highest annual rates were *fuel, light and water charges (4.7 percent)*, *transport and communication (0.9 percent)* and, *food (0.7 percent)*, while the lowest annual rates were observed on *furniture and household utensils (-3.4 percent)*, *medical care (-0.6 percent)*, and *housing (-0.3 percent)*.

United Kingdom

The annual inflation rate was 3.0 percent in April 2012, down from 3.5 percent in the preceding month. This compares favourably to 4.5 percent recorded at the same time in the previous year. The main components with the highest annual rates were *housing & household services (6.2 percent)*, *alcohol & tobacco (5.5 percent)*, and *education (5.1 percent)*, while the lowest annual rates were observed on *recreation & culture (-0.5 percent)*, *transport (1.7 percent)*, and *clothing & footwear (2.1 percent)*. The annual inflation rate continued to remain above the Bank of England's inflation target of 2.0 percent.

USA

The annual inflation rate in the world's largest economy eased to 2.3 percent during April 2012, down from 2.7 percent in the preceding month. A year earlier, the rate was 3.2 percent. The index for all items less food and energy rose by 2.3 percent in April 2012, same as in the preceding month. While, the energy index rose by 0.9 percent in April, down from 4.6 percent in March. Similarly, the food index rose by 3.1 percent in April, down from 3.3 percent in the preceding month. The inflation rate registered during April 2012 was above the Federal Reserve Bank's long term inflation estimate of 2.0 percent.

Developing Economies

Brazil

The annual inflation rate eased to 5.1 percent in April 2012, from 5.2 percent recorded during the preceding month. A year earlier, the rate was 6.5 percent. The annual rate recorded for April 2012 continued to be within the Brazilian Central Bank inflation target of 4.5 percent with a floating range of 2 percentage points.

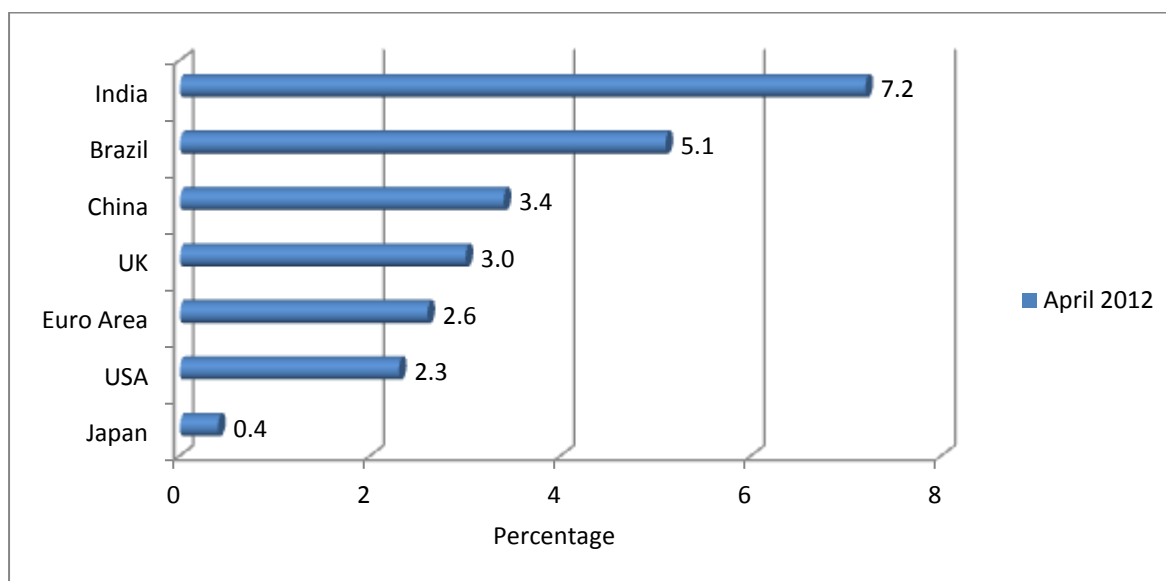
China

The annual inflation rate was 3.4 percent in April 2012, down from 3.7 percent during the preceding month. A year earlier, the rate was 5.4 percent. The main components with the highest annual rates were *food (7.0 percent)*, *clothing (3.6 percent)*, *tobacco, and liquor & articles (3.4 percent)*, while the lowest annual rates were observed on *recreation & services (0.3 percent)*, *transport & communication (0.3 percent)*, and *residence (1.8 percent)*. The annual inflation rate for April 2012 remained above the Government's inflation target of 3.0 percent.

India

The annual inflation rate was 7.2 percent in April 2012 as compared to 6.9 percent in the preceding month, and 9.7 percent during the corresponding month of the previous year. The main components with the highest annual increases were *primary articles (4.7 percent)*, while the lowest annual rates were observed on *fuel & power (1.8 percent)*, and *manufactured products (1.0 percent)*. The inflation rate registered during April 2012 remained above the Reserve Bank target range of 4.0 – 4.5 percent.

Chart 1: Annual Inflation Rates for selected economies



Source: tradingeconomics.com

Inflation Rates in SACU Member States

Inflation eased in Botswana, Lesotho and Namibia in April 2012, compared with March 2012, while it rose in South Africa and Swaziland. Swaziland registered the highest annual inflation rate among the Member States, at 9.6 percent in April 2012 followed by Botswana at 7.5 percent. The lowest annual inflation was observed in South Africa, recording an inflation rate of 6.1 percent.

All Member States recorded a single digit annual inflation rate during April 2012 as shown in Table 1. Month-on-month inflation rates varied between 0.3 percent and 1.7 percent in Member States between March 2012 and April 2012, as shown in Table 2.

Table 1: Annual Inflation Rates in SACU Member States

	Botswana	Lesotho	Namibia	South Africa	Swaziland
March 2012	8.0	7.2	6.9	6.0	8.8
April 2012	7.5	6.6	6.4	6.1	9.6

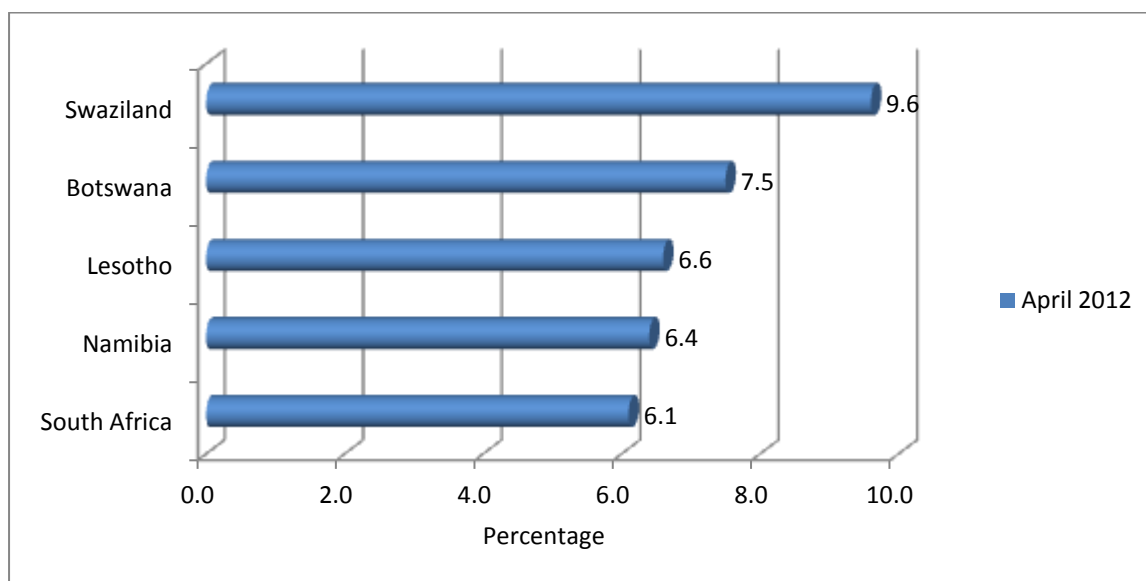
Source: Member States Statistics Offices

Table 2: Monthly Inflation Rates in SACU Member States

	Botswana	Lesotho	Namibia	South Africa	Swaziland
March 2012	0.5	0.5	0.3	1.1	0.2
April 2012	1.0	0.3	0.4	0.4	1.7

Source: Member States Statistics Offices

Chart 2: Annual Inflation Rates in SACU Member States



Source: Member States Statistics Offices

Botswana

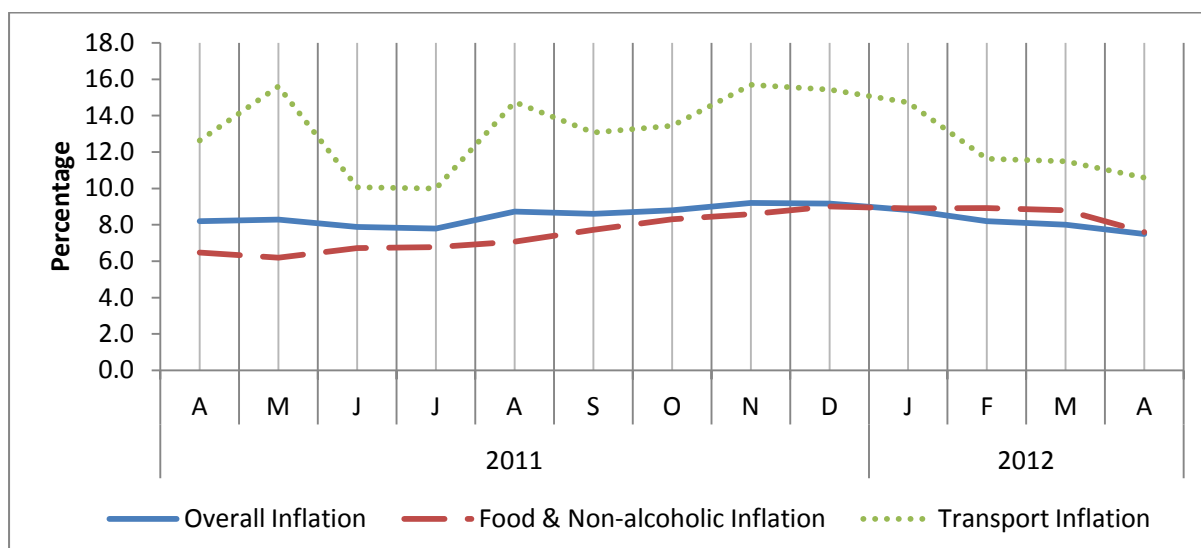
The annual inflation rate eased to 7.5 percent in April 2012 from 8.0 percent in March 2012, lower than the 8.2 percent recorded during the same month in 2011. On average, prices increased by 1.0 percent between March and April 2012.

The main components with the highest annual rates were *transport (10.6 percent)*, *restaurants & hotels (9.8 percent)* and *housing & utilities (8.6 percent)*, while the lowest annual increases were observed on *communications (-4.9 percent)*.

The annual inflation rate for April 2012 continued to be above the inflation target range of 3-6 percent set out by the Bank of Botswana. The interest rate policy remained accommodative for growth with the bank rate² at 9.5 percent and the prime rate at 11.0 percent.

² Bank rate is the rate at which the Central Bank lends to Commercial Banks

Chart 3: Annual Inflation Rate



Source: Statistics Botswana

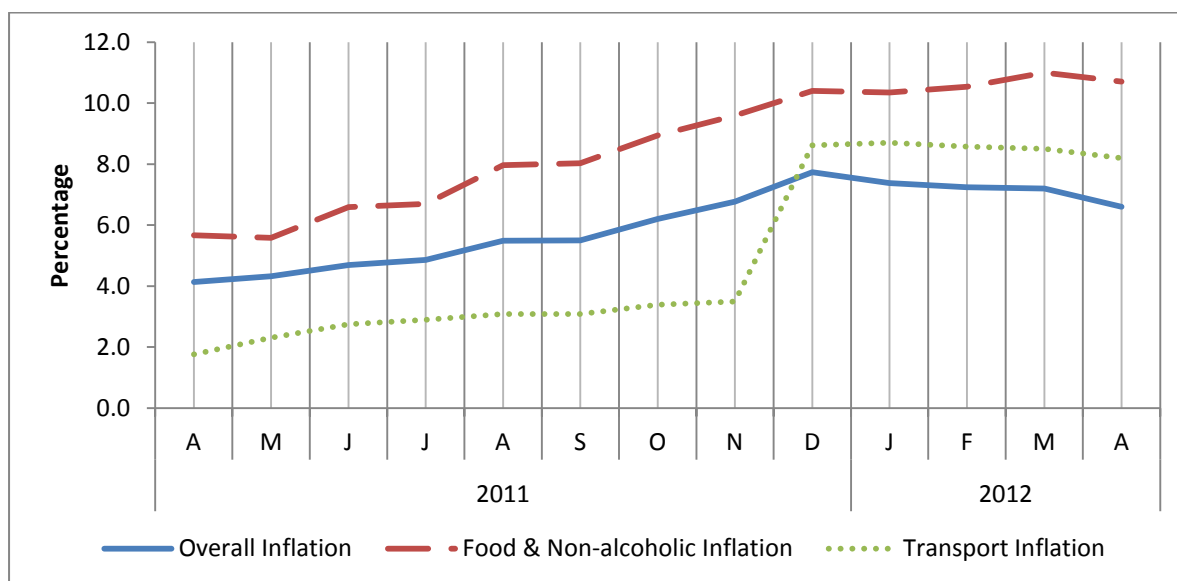
Lesotho

The annual inflation rate eased to 6.6 percent in April 2012 from 7.2 percent in March 2012. Annual inflation in April 2012 was higher than the 4.1 percent recorded during the corresponding month in 2011. On average, prices increased by 0.1 percent between March and April 2012, mainly due to *alcohol and tobacco* prices that increased by 1.0 percent.

The main components with the highest annual rates were *food & non-alcoholic beverages (10.7 percent)*, *housing & utilities (10.0 percent)*, and *transport (8.2 percent)*, while the lowest annual rates were observed on *communications (-0.6 percent)*, and *restaurants and hotels (0.1 percent)*.

Lesotho's monetary policy targets the maintenance of adequate net international reserves (NIR). The NIR target for the quarter ending in March 2012 was revised in February 2012 to USD776 million, which translate to M6.22 billion, a target that is consistent with the maintenance of the exchange rate peg between the Loti and the Rand. During the month of April 2012 the Lombard facility stood at 9.46 percent, while, the prime lending rate remained at 10.25 percent.

Chart 4: Annual Inflation Rate



Source: Bureau of Statistics of Lesotho

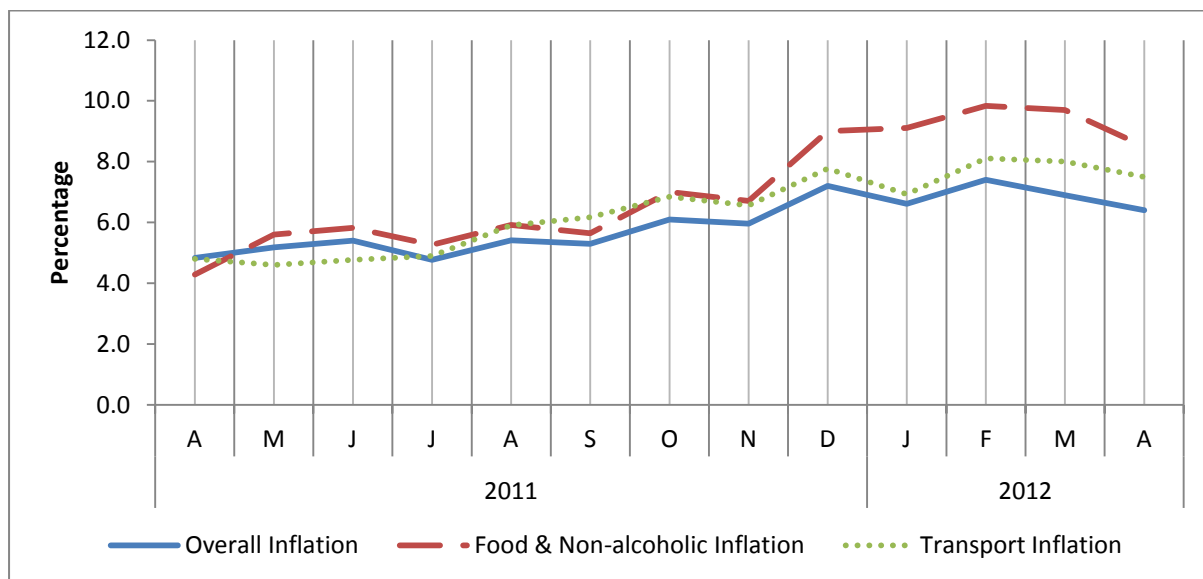
Namibia

The annual inflation rate eased to 6.4 percent in April 2012, from 6.9 percent recorded in the preceding month. Annual inflation in April 2012 was higher than the 4.8 percent recorded during the same month in 2011. On average, prices increased by 0.4 percent between March and April 2012.

The main components with the highest annual rates were *recreation & culture* (8.6 percent), *food & non-alcoholic beverages* (8.5 percent), and *alcoholic beverages & tobacco* (8.0 percent), while the lowest annual rates were observed on *communications* (0.5 percent), *clothing & footwear* (1.7 percent) and *restaurants & hotel* (2.3 percent).

The international reserve level increased to N\$15.5 billion in April 2012 from N\$12.2 billion recorded in the previous month; sufficient to support the Rand parity. The repo rate remained unchanged at 6.0 percent during April 2012. Similarly, the prime rate also remained unchanged at 9.75 percent.

Chart 5: Annual Inflation Rate



Source: Namibia Statistics Agency

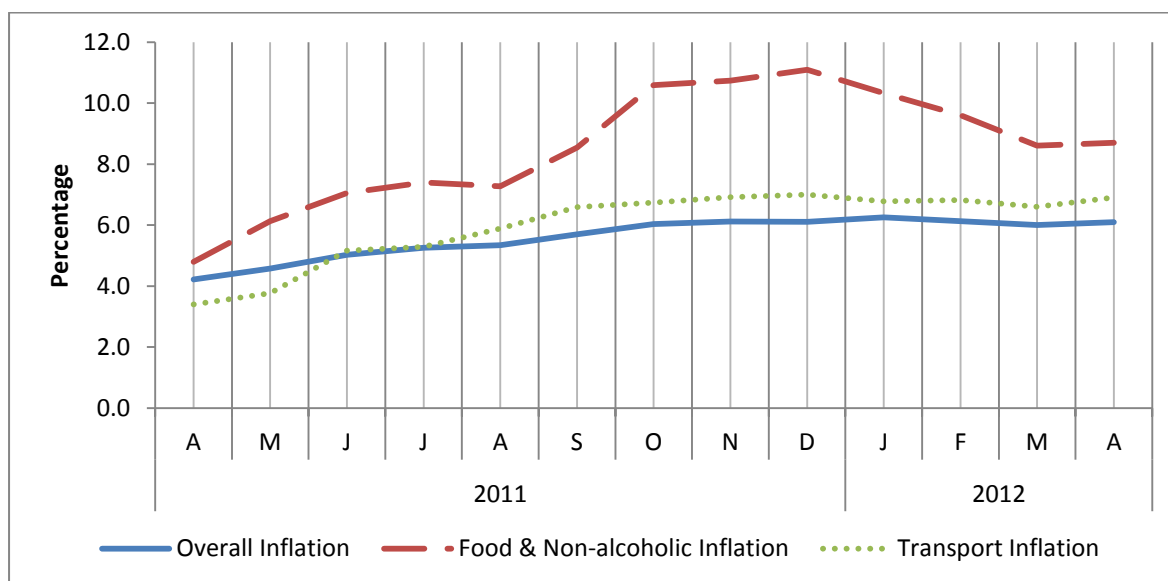
South Africa

The annual inflation rate was 6.1 percent in April 2012, up from 6.0 percent recorded in the previous month, but higher than the 4.2 percent recorded during the same period in 2011. On average, prices increased by 0.4 percent between March and April 2012.

The main components with the highest annual rates were *education (9.0 percent)*, *food & non-alcoholic beverages (8.7 percent)*, and *alcohol & beverages (7.3 percent)*, while the lowest annual rates were observed on *communications (-1.2 percent)*, and *recreation & culture (-0.4 percent)*.

The annual inflation remained above the target range of 3-6 percent during April 2012. Interest rate policy remained accommodative for growth with the repo rate at 5.5 percent, and the prime rate at 9.0 percent.

Chart 6: Annual Inflation Rate



Source: Stats SA

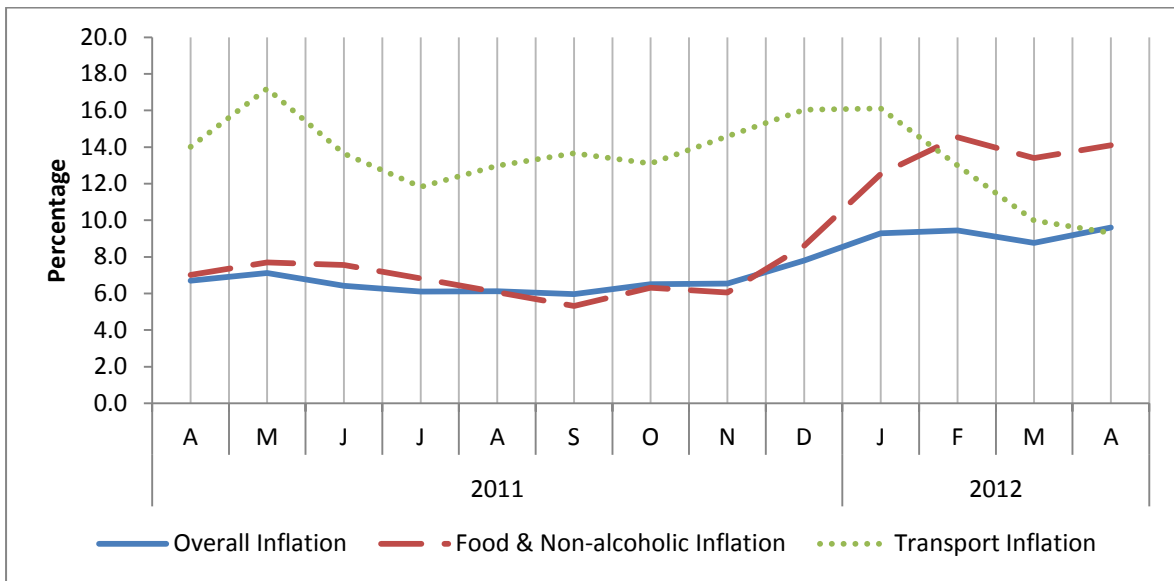
Swaziland

The annual inflation rate stood at 9.6 percent in April 2012 from 8.8 percent in the previous month. The annual inflation rate for April 2012 was higher than the 6.7 percent recorded during the same period in the previous year. On average, prices increased by 1.7 percent between March and April 2012.

The main components with the highest annual increases were *food & non-alcoholic beverages (14.1 percent)*, *housing & utilities (12.3 percent)*, and *transport (9.3 percent)*, while the lowest annual increases were observed on *communications (0.0 percent)*, *recreation & culture (0.2 percent)*, and *miscellaneous goods & services (3.3 percent)*.

The NIR level for April 2012 was E5.1 billion, sufficient to support the Rand parity. Interest rate policy remained accommodative for growth with the discount rate remaining at 5.5 percent, while the prime rate remained at 9.0 percent during April 2012.

Chart 7: Annual Inflation Rate



Source: Central Statistics Office of Swaziland

Appendix

Annual inflation rates by main categories (April 2012)

Main Categories	Botswana	Lesotho	Namibia	South Africa	Swaziland
Food & non-alcoholic beverages	7.6	10.7	8.5	8.7	14.1
Alcoholic beverages & tobacco	6.7	7.5	8.0	7.3	7.6
Clothing & footwear	7.6	1.5	1.7	3.6	4.8
Housing, water, electricity, gas & other fuels	8.6	10.0	4.5	6.7	12.3
Furnishings, household equipment &...	8.4	1.0	6.2	2.5	3.8
Health	6.0	0.3	3.9	5.2	6.3
Transport	10.6	8.2	7.5	6.9	9.3
Communications	-4.9	-0.6	0.5	-1.2	0.0
Recreation & Culture	5.4	1.5	8.6	-0.4	0.2
Education	6.4	1.0	3.6	9.0	7.2
Hotels, cafés & restaurants	9.8	0.1	2.3	6.2	5.3
Miscellaneous goods & services	2.0	2.4	6.9	5.6	3.3
All Item	7.5	6.6	6.4	6.1	9.6

Source: SACU Member States Statistics Offices

Consumer Price Index Basket Weights

Main Categories	Botswana	Lesotho	Namibia	South Africa	Swaziland
Food & non-alcoholic beverages	21.84	38.14	29.63	15.68	37.73
Alcoholic beverages & tobacco	9.29	1.22	3.26	5.58	0.96
Clothing & footwear	7.52	17.43	5.13	4.11	6.16
Housing, water, electricity, gas & other fuels	11.46	10.60	20.59	22.56	14.33
Furnishings, household equipment &...	6.76	9.42	5.61	5.86	11.88
Health	2.71	1.88	1.51	1.47	3.58
Transport	18.98	8.47	14.79	18.8	8.6
Communications	3.01	1.24	0.9	3.22	1.43
Recreation & Culture	2.22	2.39	2.5	4.19	4.62
Education	3.37	2.75	7.36	2.19	5.38
Hotels, cafés & restaurants	3.27	0.66	1.62	2.78	0.72
Miscellaneous goods & services	9.57	5.81	7.11	13.56	4.67
All Item	100.00	100.00	100.00	100.00	100.00

Source: SACU Member States Statistics Offices