



# **SACU INFLATION REPORT**

**February 2012**

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## Selected Global Inflation Rates

The Food and Agricultural Organisation (FAO) Food Price Index<sup>1</sup> rose by 1.0 percent from January to February 2012. The February increase was mostly driven by higher prices of sugar, oils and cereals, while dairy prices fell slightly after a marked rise in January. At the current level, the index was 9.5 percent lower when compared to February 2011.

The FAO Cereal Price Index averaged 227 points in February, up by 2.0 percent, or 4.4 points, from January. International wheat prices rose most followed by maize, while rice quotations were generally lower.

The FAO Oils/Fats Price Index registered another gain in February to 239 points, 2.0 percent or 5.0 points higher than in January. Poor monthly production growth in palm oil together with the prospect of a tight supply and demand balance for total vegetable oils was among the reasons for the upward trend.

The FAO Meat Price Index averaged 175 points in February, unchanged from the previous month's level. Prices of pig meat rose by 3.4 percent, sustained by strong purchases in Asia and shortages as a result of recent disease outbreaks in the Russia Federation. By contrast, prices of poultry, bovine and sheep meat lost some ground.

The FAO Dairy Price Index averaged 205 points in February, down from ...points in January. The decline was mainly caused by falling skim milk powder and casein quotations. However, prices of butter, cheese and whole milk powder remained relatively steady.

The FAO Sugar Price Index rose to 342 points in February, up by 2.4 percent, or 8 points, from January, but still 18.0 percent (76 points) lower than in February last year. Last month's increase was largely driven by unfavourable weather conditions in Brazil, the world's largest producer and exporter of sugar.

Brent crude oil price closed at USD121.85 per barrel at the end of February 2012, which was 10.3 percent higher than at the end of January 2012, and also higher than the USD 109.75 per barrel recorded at the end of February 2011. The natural gas prices closed at USD 2.58 at the end of February 2012, which was 8.0 percent lower than at the end of January 2012. RBOB gasoline prices closed at USD 3.28 per barrel at the end of February 2012, which was 7.9 percent higher than at the end of January 2012.

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<sup>1</sup> 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 was 2.7 percent in February 2012, unchanged compared with January 2012. A year earlier, the rate was 2.4 percent. The main components with the highest annual increases were *transport (4.6 percent)*, *housing (4.4 percent)*, and *alcohol & tobacco (4.1 percent)* while the lowest annual increases were observed in *communications (-3.0 percent)*, *recreation & culture (0.9 percent)* and *education (1.0 percent)*. The annual rate recorded for February 2012 was above the European Central Bank inflation target of below but close to 2.0 percent.

### **Japan**

The annual inflation was 0.3 percent in February 2012 compared to 0.1 percent in the previous month. The main components with the highest annual increases were *fuel, light and water charges (4.6 percent)*, *food (1.1 percent)*, and *transport and communication (0.9 percent)* while the lowest annual rates were observed on *furniture and household utensils (-3.5 percent)*, *culture and recreation (-1.9 percent)*, and *medical care (-1.2 percent)*.

### **United Kingdom**

The annual inflation was 3.4 percent in February 2012, down from 3.6 percent in the preceding month, making it the lowest rate since November 2010. A year earlier, the rate was 4.4 percent. The main components with the highest annual increases were *alcohol & tobacco (8.3 percent)*, *housing & household services (6.8 percent)*, and *education (5.1 percent)* while the lowest annual rates were observed on *recreation & culture (-0.9 percent)*, *clothing & footwear (2.2 percent)*, and *restaurants & hotels (2.9 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 rose by 2.9 percent during February 2012, unchanged from the preceding month. The index for all items less food and energy rose by 2.2 percent in February 2012, compared to 2.3 percent in the preceding month. While, the energy index rose by 7.0 percent in February compared to 6.1 percent in January. In contrast, the food index fell by 3.9 percent in February, its lowest level since June 2011. The inflation rate registered during February 2012 was above the Federal Reserve Bank's long term inflation estimate of 2.0 percent.

## **Developing Economies**

### **Brazil**

The annual inflation eased to 5.8 percent in February 2012, from 6.2 percent recorded during the preceding month. The annual rate recorded for February 2012 was above the Brazilian Central Bank inflation target of 4.5 percent with a floating range of 2 percentage points.

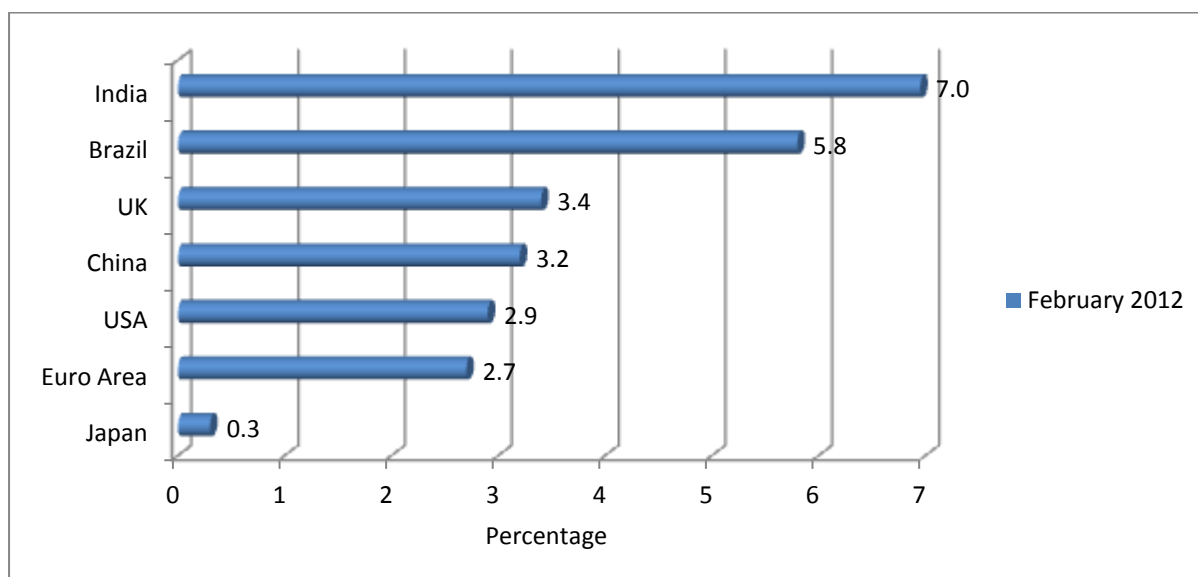
### **China**

The annual inflation rate was 3.2 percent in February 2012, down from 4.5 percent during the preceding month. The main components with the highest annual increases were *food (6.2 percent)*, *clothing (3.8 percent)*, and *tobacco, liquor & articles (3.7 percent)* while the lowest annual rates were observed on *recreation & services (-0.4 percent)*, *transport & communication (0.1 percent)*, and *residence (2.1 percent)*. The annual inflation rate for February 2012 remained above the Government's inflation target of 3.0 percent.

### **India**

Headline annual inflation rate measured using the Wholesale Price Index (WPI) stood at 6.95 percent in February 2012 as compared to 6.55 percent in the preceding month and 9.54 percent during the corresponding month of the previous year. The main components with the highest annual increases were *fuel & power (12.83 percent)*, and *primary articles (6.28 percent)* while the lowest annual rates were observed on *manufactured products (5.75 percent)*. The inflation rate registered during February 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

Compared with January 2012, annual inflation eased in Botswana, Lesotho, and South Africa in February 2012, while it rose in Namibia and Swaziland. Swaziland for the second time registered the highest annual inflation among the Member States, registering an inflation rate of 9.4 percent in February 2012 followed by Botswana at 8.2 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 February 2012 as shown in Table 1. Month-on-month inflation rates varied between 0.3 percent and 1.9 percent in Member States between January 2012 and February 2012, as shown in Table 2.

**Table 1: Annual Inflation Rates in SACU Member States**

	<b>Botswana</b>	<b>Lesotho</b>	<b>Namibia</b>	<b>South Africa</b>	<b>Swaziland</b>
January 2012	8.8	7.4	6.6	6.3	9.3
February 2012	8.2	7.2	7.5	6.1	9.4

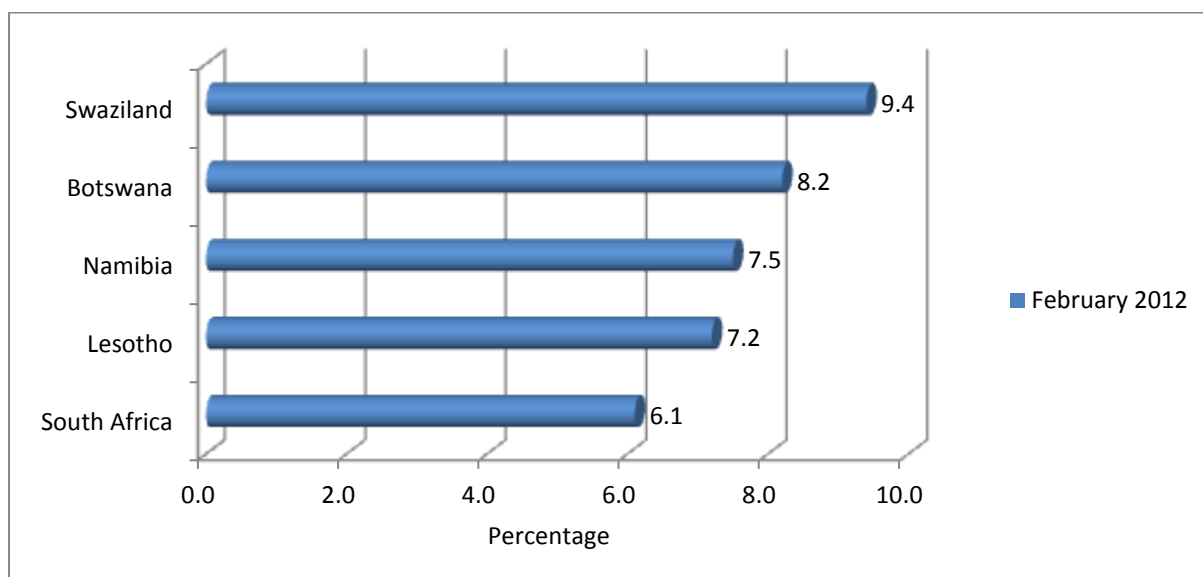
Source: Member States Statistics Offices

**Table 2: Monthly Inflation Rates in SACU Member States**

	<b>Botswana</b>	<b>Lesotho</b>	<b>Namibia</b>	<b>South Africa</b>	<b>Swaziland</b>
January 2012	0.5	0.3	0.3	0.6	1.9
February 2012	0.2	0.2	0.8	0.6	1.2

Source: Member States Statistics Offices

**Chart 2: Annual Inflation Rates in SACU Member States**



Source: Member States Statistics Offices

## Botswana

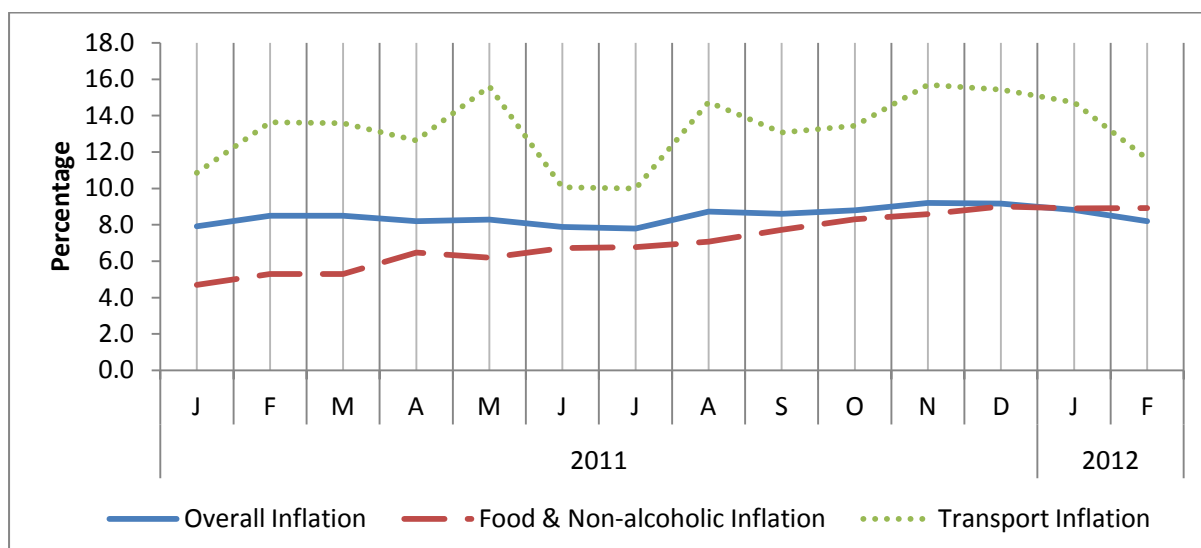
The annual inflation rate eased to 8.2 percent in February 2012 from 8.8 percent in January 2012, lower than the 8.5 percent recorded during the same month in 2011. On average, prices increased by 0.2 percent between January 2012 and February 2012.

The main components with the highest annual increases were *transport (11.6 percent)*, *housing & utilities (9.7 percent)* and *clothing and footwear (9.6 percent)* while the lowest annual increases were observed on *communication (-5.4 percent)*.

The annual inflation rate for February 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 rate<sup>2</sup> at 9.5 percent and the prime rate at 11.0 percent.

<sup>2</sup> Bank rate is the rate at which the Central Bank lends to Commercial Banks

**Chart 3: Annual Inflation Rate**



Source: Statistics Botswana

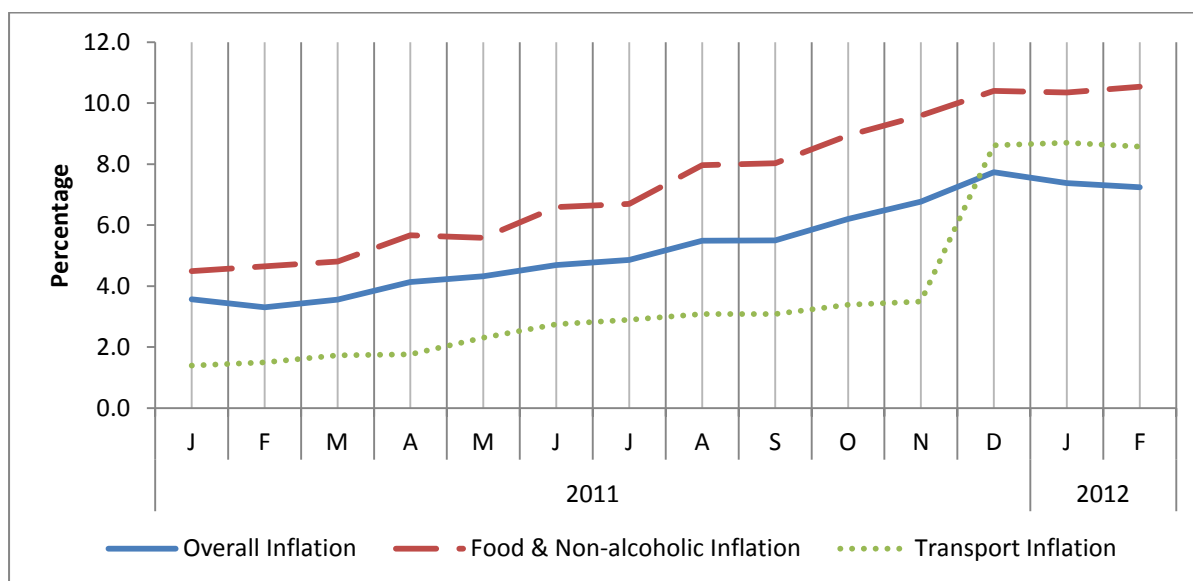
## Lesotho

The annual inflation rate eased to 7.2 percent in February 2012 from 7.4 percent in January 2012. Annual inflation in February 2012 was higher than the 3.3 percent recorded during the corresponding month in 2011. On average, prices increased by 0.2 percent between December and February 2012, mainly due to *food* prices that increased by 0.6 percent.

The main components with the highest annual increases were *housing & utilities* (14.5 percent), *food & non-alcoholic beverages* (10.5 percent) and *transport* (8.6 percent) while the lowest annual increases were observed on *restaurants and hotels* (-1.2 percent), and *communication* (-0.6 percent).

Lesotho's monetary policy targets the maintenance of adequate net international reserves (NIR). The NIR target for the quarter ending in March 2012 is 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 February 2012 the Lombard facility remained at 9.28 percent, while the prime lending rate changed to 10.25 percent from 10.50 percent.

**Chart 4: Annual Inflation Rate**



Source: Bureau of Statistics of Lesotho

## Namibia

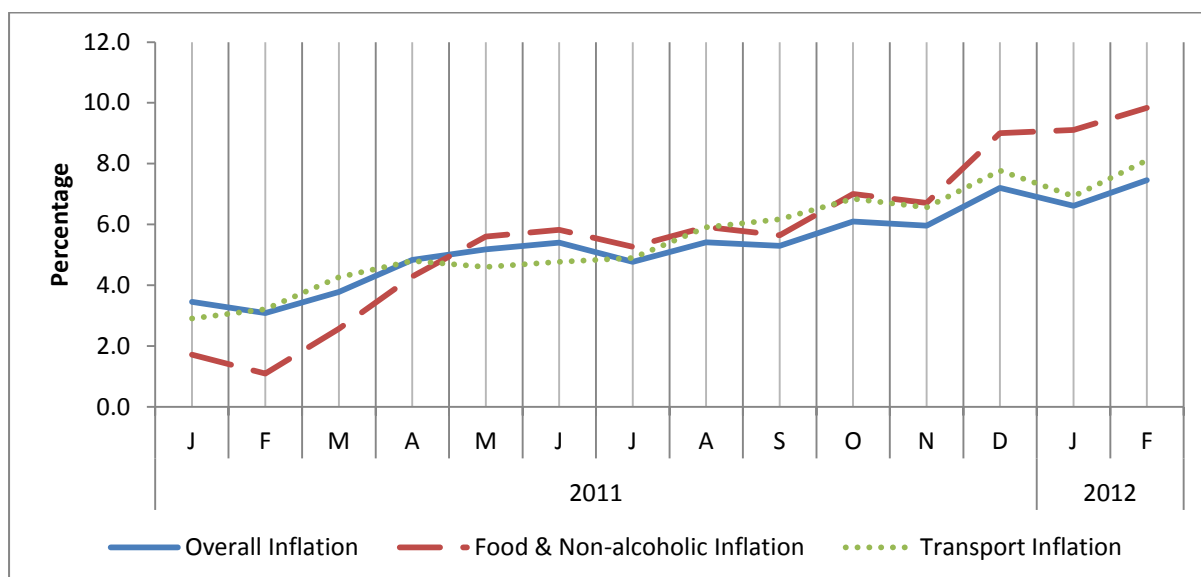
The annual inflation rate rose to 7.5 percent in February 2012, from 6.6 percent recorded in the preceding month. Annual inflation in February 2012 was higher than the 3.1 percent recorded during the same month in 2011. On average, prices increased by 0.8 percent between January 2012 and February 2012.

The main components with the highest annual increases were *food & non-alcoholic beverages (9.8 percent)*, *recreation & culture (8.9 percent)* and *alcoholic beverages & tobacco (8.7 percent)* while the lowest annual increases were observed on *communication (0.6 percent)*, *clothing & footwear (2.1 percent)* and *education (3.6 percent)*.

The international reserve level stood at N\$13.43 billion in February 2012 compared to N\$14.98 billion recorded in the previous month; sufficient to support the Rand parity. The repo rate remained unchanged at 6.0 percent during February 2012. Similarly, the prime rate also remained unchanged at 9.75 percent.



**Chart 5: Annual Inflation Rate**



Source: Namibia's Central Bureau of Statistics

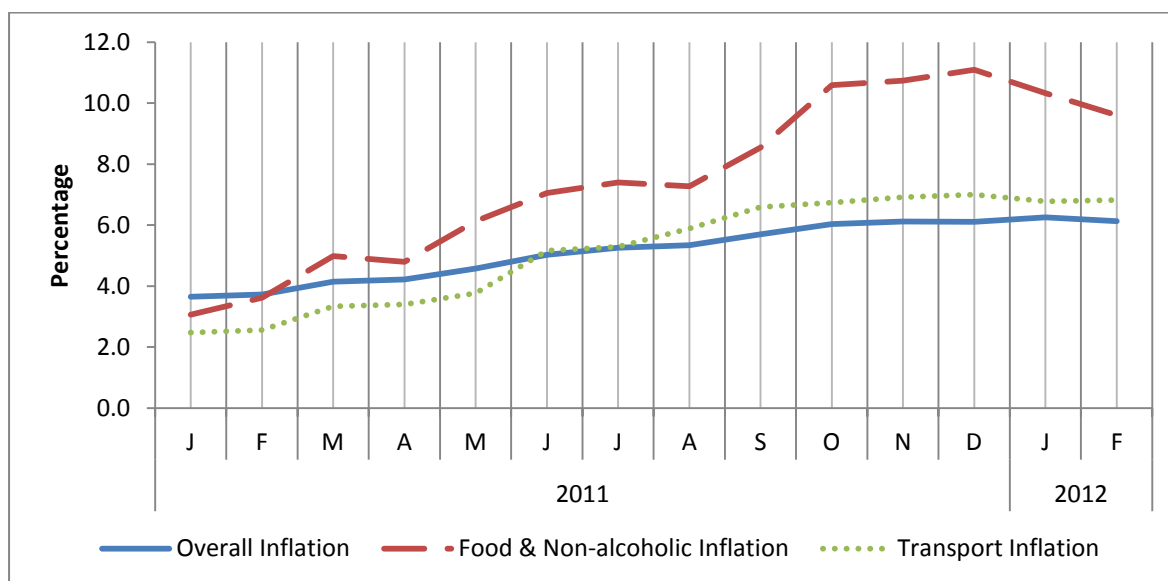
## South Africa

The annual inflation rate eased to 6.1 percent in February 2012, from 6.3 percent recorded in the previous month, but higher than the 3.7 percent recorded during the same period in 2011. On average, prices increased by 0.6 percent between January 2012 and February 2012.

The main components with the highest annual increases were *food & non-alcoholic beverages* (9.6 percent), *education* (8.6 percent) and *transport* (6.8 percent) while the lowest annual increases were observed on *communication* (-1.6 percent), *recreation & culture* (0.3 percent) and *household contents & services* (2.3 percent).

The annual inflation remained above the target range of 3-6 percent during February 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

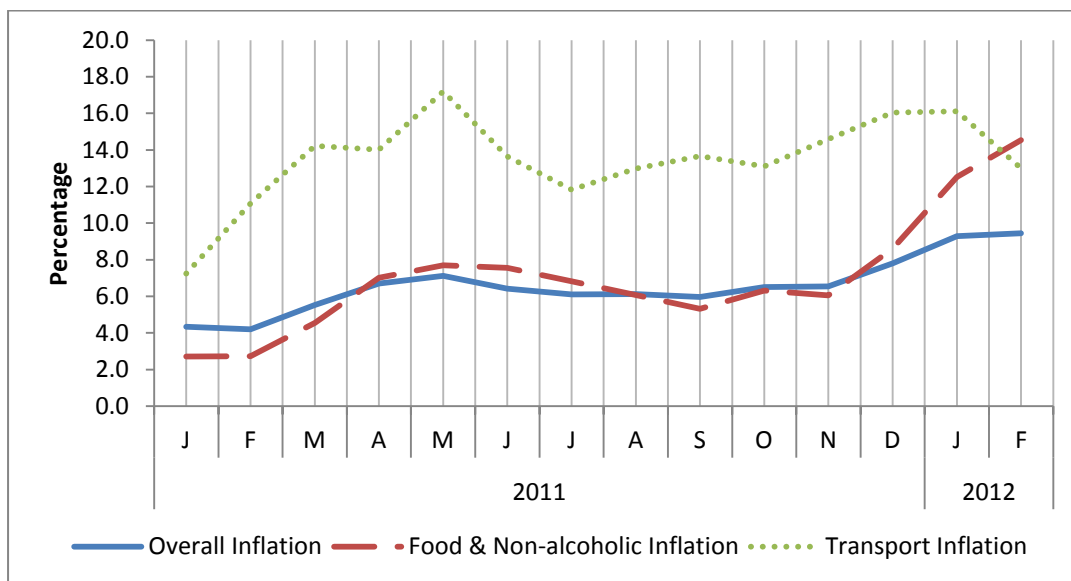
### Swaziland

The annual inflation rate rose to 9.4 percent in February 2012, up from 9.3 percent in the previous month. The annual inflation rate for February 2012 was higher than the 4.2 percent recorded during the same period in the previous year. On average, prices increased by 1.2 percent between January 2012 and February 2012.

The main components with the highest annual increases were *food & non-alcoholic beverages (14.5 percent)*, *transport (13.0 percent)*, and *housing & utilities (8.0 percent)* while the lowest annual increases were observed on *recreation & culture (-0.4 percent)*, *communications (0.0 percent)*, and *miscellaneous goods & services (2.4 percent)*.

The NIR level for February 2012 was E4.0 billion, considered adequate to maintain the peg with the Rand. The discount rate remained at 5.5 percent, while the prime rate remained at 9.0 percent during February 2012.

**Chart 7: Annual Inflation Rate**



Source: Central Statistics Office of Swaziland

## Appendix

### Annual inflation rates by main categories (February 2012)

Main Categories	Botswana	Lesotho	Namibia	South Africa	Swaziland
Food & non-alcoholic beverages	8.9	10.5	9.8	9.6	14.5
Alcoholic beverages & tobacco	5.3	7.6	8.7	6.4	6.9
Clothing & footwear	9.6	1.6	2.1	3.7	5.6
Housing, water, electricity, gas & other fuels	9.7	14.5	5.7	6.6	8.0
Furnishings, household equipment &...	9.1	3.3	4.9	2.3	3.7
Health	6.3	0.6	4.2	5.1	6.8
Transport	11.6	8.6	8.1	6.8	13.0
Communications	-5.4	-0.6	0.6	-1.6	0.0
Recreation & Culture	6.9	2.2	8.9	0.3	-0.4
Education	6.3	0.7	3.6	8.6	7.2
Hotels, cafés & restaurants	8.4	-1.2	4.4	5.6	5.5
Miscellaneous goods & services	4.1	2.5	7.1	5.5	2.4
<b>All Item</b>	<b>8.2</b>	<b>7.2</b>	<b>7.4</b>	<b>6.1</b>	<b>9.4</b>

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
<b>All Item</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Source: SACU Member States Statistics Offices