



SACU INFLATION REPORT

January 2012

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Selected Global Inflation Rates

Overview

Inflationary dynamics remained relatively contained in developed economies, while inflation in emerging economies that have lately experienced some declines, came under pressure.

The FAO Food Price Index¹ averaged 214 points in January 2012, up by 4.0 points from December but remained 7.0 percent below its corresponding value last year. Prices of all the commodity groups that compose the index registered gains, with oils increasing the most, followed by cereals, sugar, dairy and meat.

Brent crude oil price closed at USD110.69 per barrel at the end of January 2012, which was 4.1 percent higher than at the end of December 2011, and also higher than the USD 101.84 per barrel recorded at the end of January 2011. The natural gas prices closed at USD 2.76 at the end of January 2012, which was 9.5 percent lower than at the end of December 2011. RBOB gasoline prices closed at USD 3.01 per barrel at the end of January 2012, which was 8.7 percent higher than at the end of December 2011.

Developed Economies

Euro Area

The annual inflation was 2.6 percent in January 2012, down from 2.7 percent in December 2011. A year earlier, the rate was 2.3 percent. The main components with the highest annual increases were *housing (4.5 percent), transport (4.4 percent), and alcohol & tobacco (3.8 percent)* while the lowest annual increases were observed on *communications (-2.4 percent), recreation & culture (0.7 percent) and clothing (0.9 percent)*. The annual rate recorded for January 2012 was above the European Central Bank inflation target of below but close to 2.0 percent.

Japan

The annual inflation was 0.1 percent in January 2012 as compared to a deflation of 0.2 percent in the previous month. The main components with the highest annual increases were *fuel, light and water charges (4.7 percent), transport and communication(1.3 percent), and food (1.0 percent)* while the lowest annual increases were observed on *culture and recreation (-4.1 percent), furniture and household utensils (-2.9 percent), and medical care (-1.1 percent)*.

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

United Kingdom

The annual inflation was 3.6 percent in January 2012, down from 4.2 percent in the preceding month. A year earlier, the rate was 4.0 percent. The largest downward pressure to this change came from *fuels and lubricants, restaurants & cafes, transport and alcoholic beverages*. 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 January 2012, a slight decrease from the last month's 3.0 percent figure. The change in the index for all items less food and energy rose to 2.3 percent in January 2012 from 2.2 percent in the preceding month. The energy index rose by 6.1 percent, while the food index rose by 4.4 percent. The inflation rate registered during January 2012 was above the Federal Reserve Bank's long term inflation estimate of 2.0 percent.

Developing Economies

Brazil

The annual inflation eased to 6.2 percent in January 2012, from 6.5 percent recorded during the preceding month. The annual rate recorded for January 2012 was above the Brazilian Central Bank inflation target of 4.5 percent with a floating range of 2 percentage points.

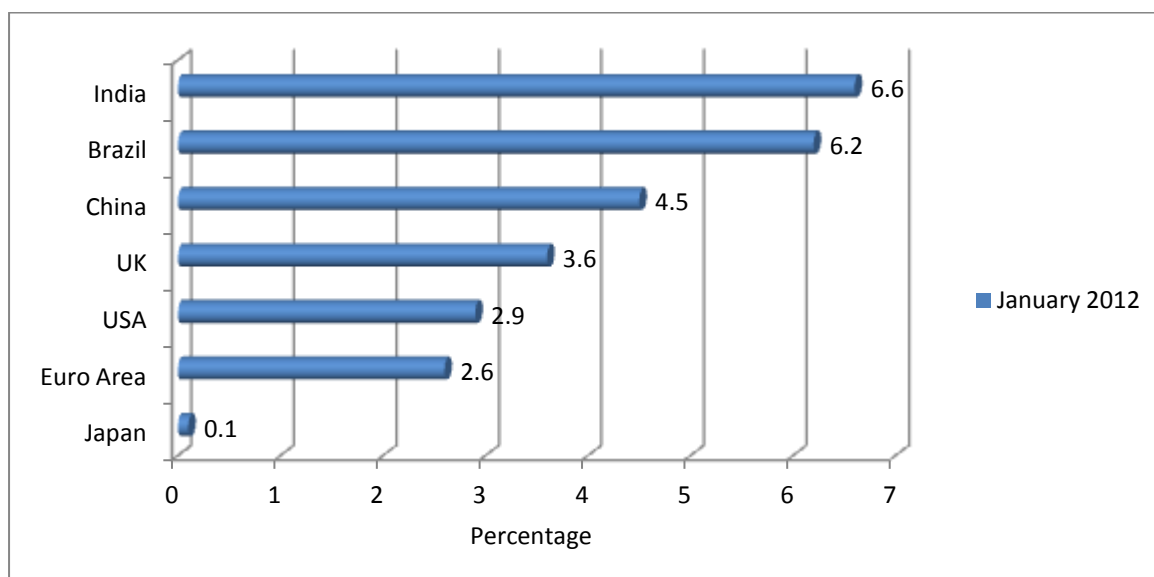
China

The annual inflation rate was 4.5 percent in January 2012, up from 4.1 percent during the preceding month. The food prices went up by 10.5 percent year-on-year, contributing nearly 3.3 percentage points to the overall growth. The annual inflation rate for January 2012 remained above the Government's inflation target of 3.0 percent.

India

Headline annual inflation rate measured using the Wholesale Price Index stood at 6.6 percent in January 2012 as compared to 7.5 percent in the preceding month. The moderation in January was led by a fall in food inflation with prices in the manufacturing and primary segment falling due to good harvest. The inflation rate registered during January 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, eaindustry.nic.in

Inflation Rates in SACU Member States

Compared with December 2011, annual inflation eased in Botswana, Lesotho, and Namibia in January 2012, while it rose in South Africa and Swaziland. Swaziland for the first time registered the highest annual inflation among the Member States, registering an inflation of 9.3 percent in January 2012 followed by Botswana at 8.8 percent. The lowest annual inflation was observed in South Africa, recording an inflation rate of 6.3 percent.

All Member States recorded a single digit annual inflation rate during January 2012 as shown in Table 1. Month-on-month inflation rates varied between 0.3 percent and 1.9 percent in Member States between December 2011 and January 2012, as shown in Table 2.

Table 1: Annual Inflation Rates in SACU Member States

	Botswana	Lesotho	Namibia	South Africa	Swaziland
December 2011	9.2	7.7	7.2	6.1	7.8
January 2012	8.8	7.5	6.6	6.3	9.3

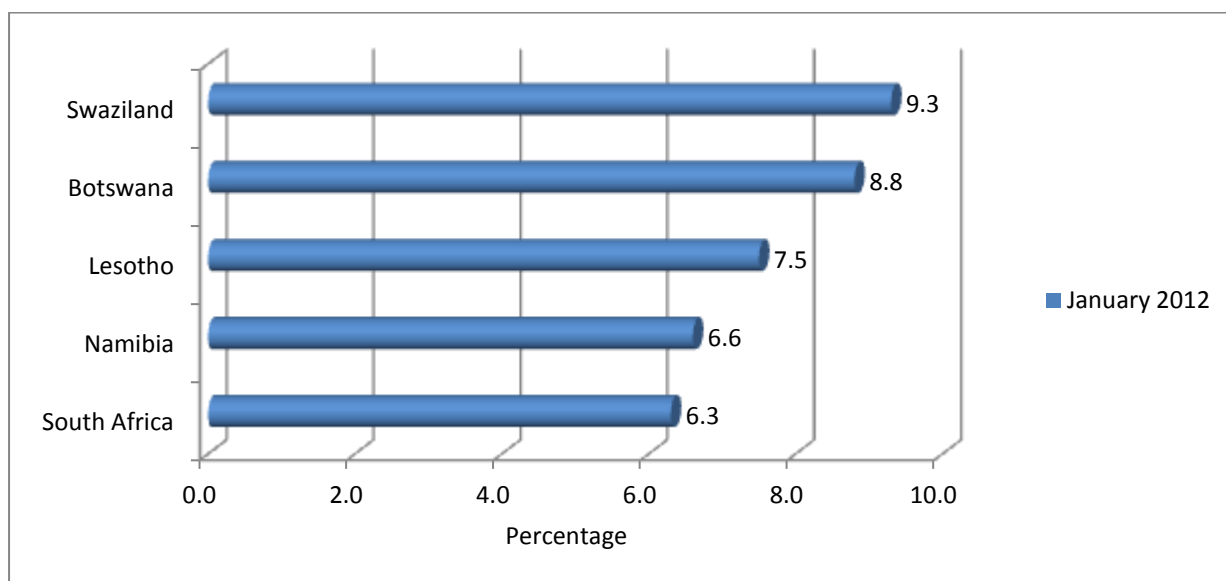
Source: Member States Statistics Offices

Table 2: Monthly Inflation Rates in SACU Member States

	Botswana	Lesotho	Namibia	South Africa	Swaziland
December 2011	0.4	1.1	0.8	0.2	1.0
January 2012	0.5	0.3	1.3	0.6	1.9

Source: Member States Statistics Offices

Chart 2: Annual Inflation Rates in SACU Member States



Source: Member States Statistics Offices

Botswana

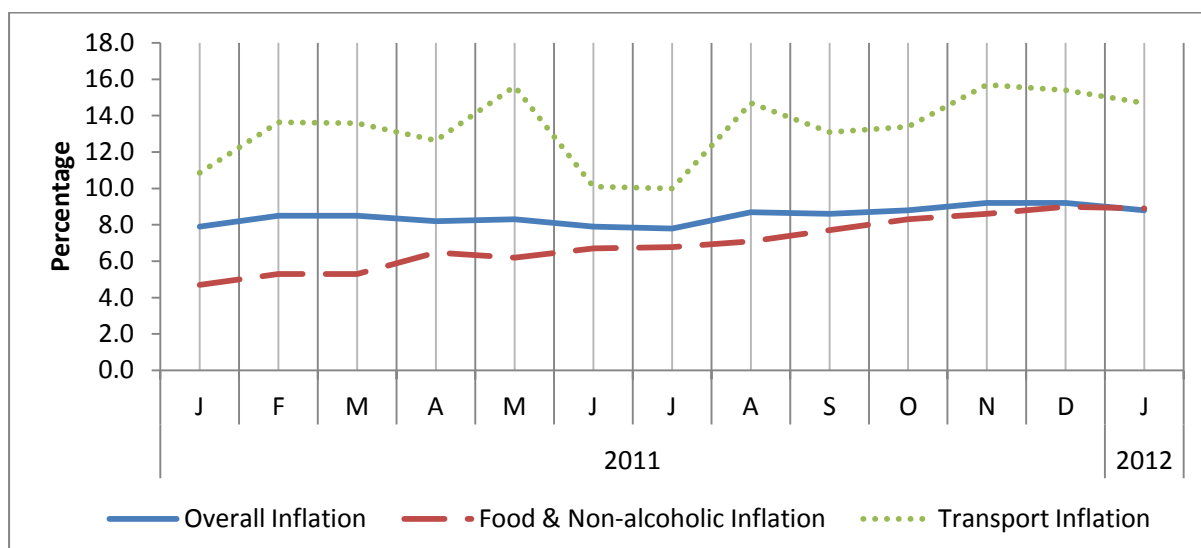
The annual inflation eased to 8.8 percent in January 2012 from 9.2 percent in December 2012, but higher than the 7.9 percent recorded during the same month in 2011. On average, prices increased by 0.5 percent between December 2011 and January 2012.

The main components with the highest annual increases were *transport (14.7 percent)*, *housing & utilities (9.9 percent)* and *clothing and footwear (9.5 percent)* while the lowest annual increases were observed on *communication (-5.4 percent)*.

The annual inflation rate for January 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

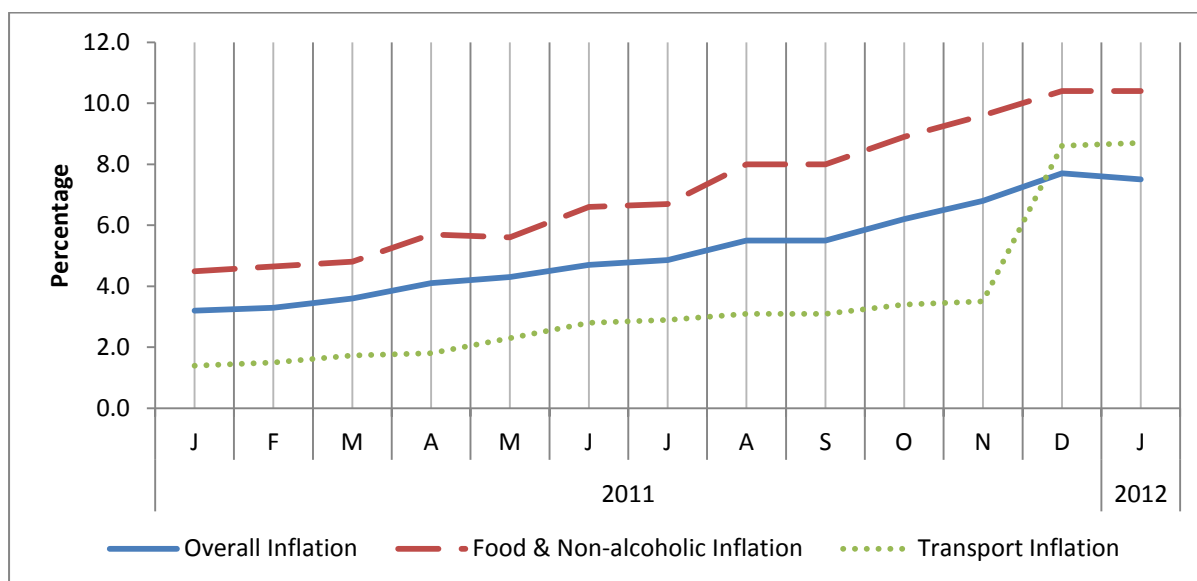
Lesotho

The annual inflation eased to 7.5 percent in January 2012 from 7.7 percent in December 2011. Annual inflation in January 2012 was higher than the 3.6 percent recorded during the corresponding month in 2011. On average, prices increased by 0.3 percent between December and January 2012, mainly due to *food* prices that increased by 0.8 percent.

The main components with the highest annual increases were *housing & utilities* (16.1 percent), *food & non-alcoholic beverages* (10.4 percent) and *transport* (8.7 percent) while the lowest annual increases were observed on *communication* (0.0 percent), and *education* (0.3 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. During the month of January 2012 the Lombard facility and the prime lending rate remained at 9.28 percent and 10.50 percent, respectively.

Chart 4: Annual Inflation Rate



Source: Bureau of Statistics of Lesotho

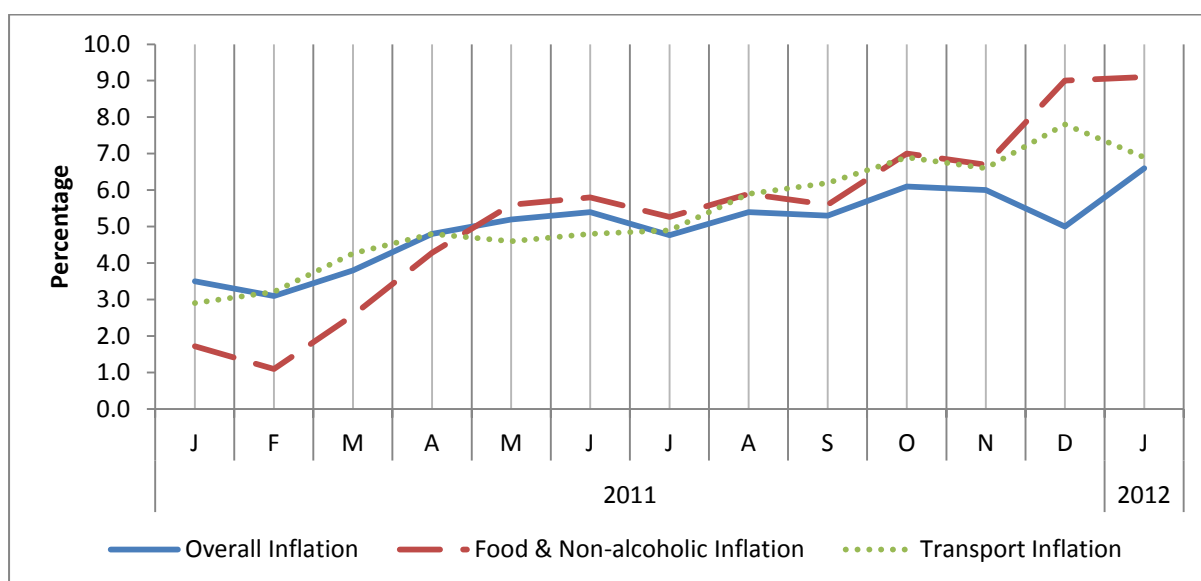
Namibia

The annual inflation eased to 6.6 percent in January 2012, down from 7.2 percent recorded in the preceding month. Annual inflation in January 2012 was higher than the 3.5 percent recorded during the same month in 2011. On average, prices increased by 1.3 percent between December 2011 and January 2012. This was mainly due to increases recorded in all groups with an exception of *clothing & footwear*.

The main components with the highest annual increases were *food & non-alcoholic beverages (9.1 percent)*, *recreation & culture (8.1 percent)* and *transport (6.9 percent)* while the lowest annual increases were observed on *communication (0.6 percent)*, *clothing & footwear (2.6 percent)* and *education (3.6 percent)*.

The international reserve level stood at N\$14.98 billion in January 2012 compared to N\$14.40 billion recorded in the previous month; sufficient to support the Rand parity. The repo rate remained at 6.0 percent during January 2012. Similarly, the prime rate also remained at 9.75 percent.

Chart 5: Annual Inflation Rate



Source: Namibia's Central Bureau of Statistics

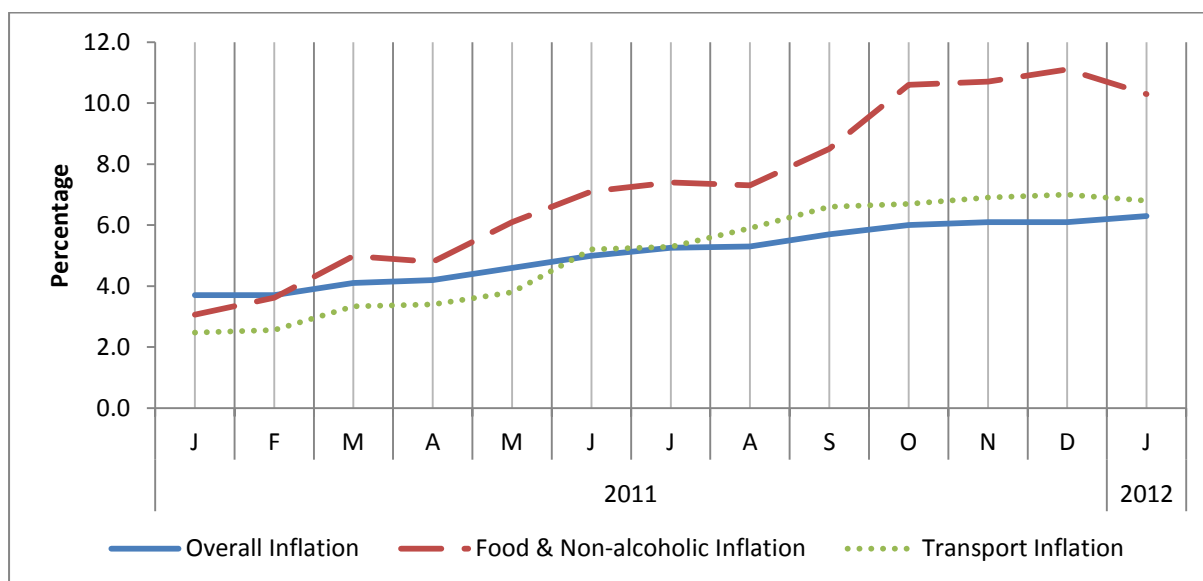
South Africa

The annual inflation rate was 6.3 percent in January 2012, up from 6.1 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 December 2011 and January 2012.

The main components with the highest annual increases were *food & non-alcoholic beverages (10.3 percent)*, *education (8.6 percent)* and *transport (6.8 percent)* while the lowest annual increases were observed on *communication (-1.5 percent)*, *recreation & culture (-0.3 percent)* and *household contents & services (2.2 percent)*.

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

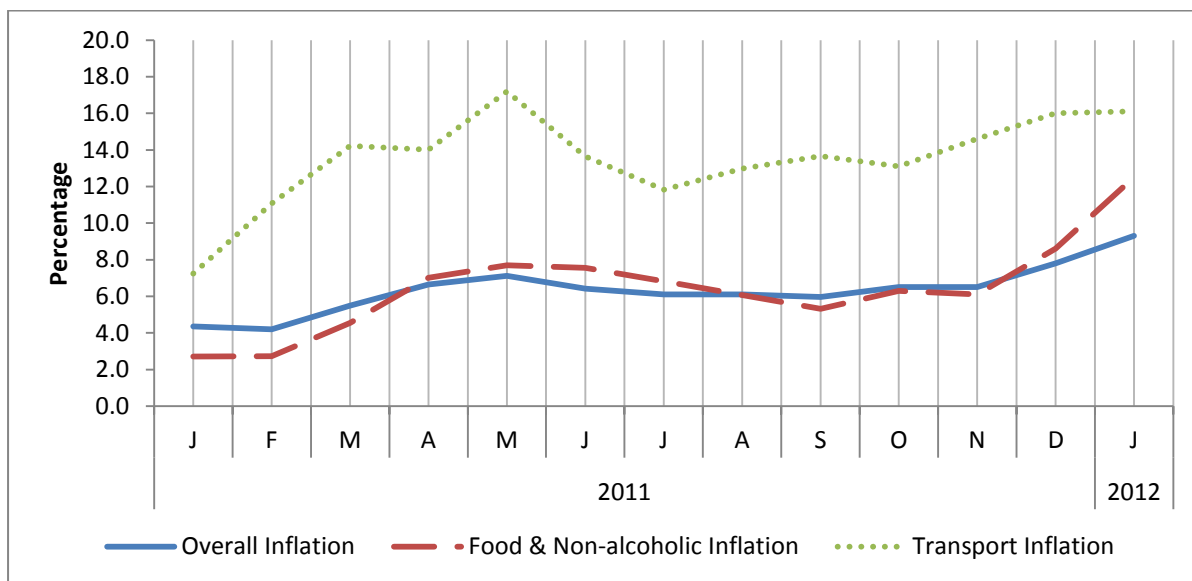
Swaziland

The annual inflation rate rose to 9.3 percent in January 2012, up from 7.8 percent in the previous month. The annual inflation rate for January 2012 was higher than the 4.3 percent recorded during the same period in the previous year. On average, prices increased by 1.9 percent between December 2011 and January 2012, mainly driven by *food & non alcoholic beverages* that increased by 4.5 percent.

The main components with the highest annual increases were *transport* (16.1 percent), *food & non-alcoholic beverages* (12.5 percent), and *education* (12.1 percent) while the lowest annual increases were observed on *communication* (0.0 percent), *recreation & culture* (0.9 percent) and *miscellaneous goods & services* (2.1 percent).

The NIR level for January 2012 was E4.2 billion enough to cover 2.4 months of imports of goods and services. The discount rate remained at 5.5 percent, while the prime rate remained at 9.0 percent during January 2012.

Chart 7: Annual Inflation Rate



Source: Central Statistics Office of Swaziland

Appendix

Annual inflation rates by main categories (January 2012)

Main Categories	Botswana	Lesotho	Namibia	South Africa	Swaziland
Food & non-alcoholic beverages	8.9	10.4	9.1	10.3	12.5
Alcoholic beverages & tobacco	5.5	7.5	6.7	6.3	6.8
Clothing & footwear	9.5	1.8	2.6	3.8	4.9
Housing, water, electricity, gas & other fuels	9.9	16.1	5.4	6.6	8.3
Furnishings, household equipment &...	9.4	3.3	4.9	2.2	3.2
Health	6.1	0.7	4.0	5.2	6.5
Transport	14.7	8.7	6.9	6.8	16.1
Communications	-5.4	0.0	0.6	-1.5	0.0
Recreation & Culture	7.2	1.9	8.1	-0.3	0.9
Education	6.3	0.3	3.6	8.6	12.1
Hotels, cafés & restaurants	8.3	0.4	4.0	5.6	3.8
Miscellaneous goods & services	4.1	2.7	3.2	5.7	2.1
All Item	8.8	7.5	6.6	6.3	9.3

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