



SACU INFLATION REPORT

March 2012

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Selected Global Inflation Rates

The Food and Agricultural Organisation (FAO) Food Price Index¹ remained nearly unchanged from 215 points in February to 216 points in March 2012. Oils prices registered an increase, while the indices of cereals, sugar and meat remained unchanged.

The FAO Cereal Price Index averaged 227 points in March, up 1.0 point from February. Maize prices rose in March 2012, supported by low inventories, while wheat prices registered a marginal change as supplies remained stable.

The FAO Oils/Fats Price Index registered another gain in March to 245 points, or 2.5 percent higher than in February, as markets reacted to the proposed growing tightness in the 2011/12 supply and demand balance of oils.

The FAO Meat Price Index averaged 178 points in March, marginally up from the previous month's level, mainly due to a rise of bovine meat prices. While, prices of pig and sheep meat only changed marginally in March.

The FAO Dairy Price Index averaged 197 points in March, down 5 points from February. The decline was caused by falling prices in all the dairy products.

The FAO Sugar Price Index rose to 342 points in March, unchanged from February, but 8.0 percent (30 points) lower than in March last year. Overall, sugar prices were volatile, as the market looked for direction ahead of the beginning of the new season in Brazil, the world's largest producer and exporter of sugar.

Brent crude oil price closed at USD122.04 per barrel at the end of March 2012, which was 0.6 percent higher than at the end of February 2012, and also higher than the USD111.79 per barrel recorded at the end of March 2011. The natural gas prices closed at USD 2.25 at the end of March 2012, which was 18.5 percent lower than at the end of February 2012. RBOB gasoline prices closed at USD 3.26 per barrel at the end of March 2012, which was 1.0 percent higher than at the end of February 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 was 2.7 percent in March 2012, unchanged compared with February 2012, and a year earlier, the rate was 2.7 percent. The main components with the highest annual increases were *transport (4.6 percent)*, *alcohol & tobacco (4.4 percent)* and *housing (4.0 percent)*, while the lowest annual increases were observed in *communications (-2.8 percent)*, *recreation & culture (0.7 percent)* and *education (0.9 percent)*. The annual rate recorded for March 2012 was above the European Central Bank inflation target of below but close to 2.0 percent.

Japan

The annual inflation was 0.5 percent in March 2012 compared to 0.3 percent in the previous month. The main components with the highest annual increases were *fuel, light and water charges (4.7 percent)*, *food (1.5 percent)*, and *transport and communication (1.0 percent)*, while the lowest annual rates were observed on *furniture and household utensils (-3.3 percent)*, *culture and recreation (-1.2 percent)*, and *medical care (-0.8 percent)*.

United Kingdom

The annual inflation was 3.5 percent in March 2012, up from 3.4 percent in the preceding month. A year earlier, the rate was 4.0 percent. The main components with the highest annual increases were *alcohol & tobacco (8.0 percent)*, *housing & household services (6.2 percent)*, and *education (5.1 percent)*, while the lowest annual rates were observed on *recreation & culture (-0.6 percent)*, *miscellaneous goods (2.7 percent)*, and *health (2.8 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 2.7 percent during March 2012, down from 2.9 percent in the preceding month. The index for all items less food and energy rose by 2.3 percent in March 2012, compared to 2.2 percent in the preceding month. While, the energy index rose by 4.6 percent in March compared to 7.0 percent in February. Similarly, the food index rose by 3.3 percent in March compared to 3.9 percent in the preceding month. The inflation rate registered during March 2012 was above the Federal Reserve Bank's long term inflation estimate of 2.0 percent.

Developing Economies

Brazil

The annual inflation eased to 5.2 percent in March 2012, from 5.8 percent recorded during the preceding month. A year earlier, the rate was 6.3 percent. The annual rate recorded for March 2012 was within the Brazilian Central Bank inflation target of 4.5 percent with a floating range of 2 percentage points.

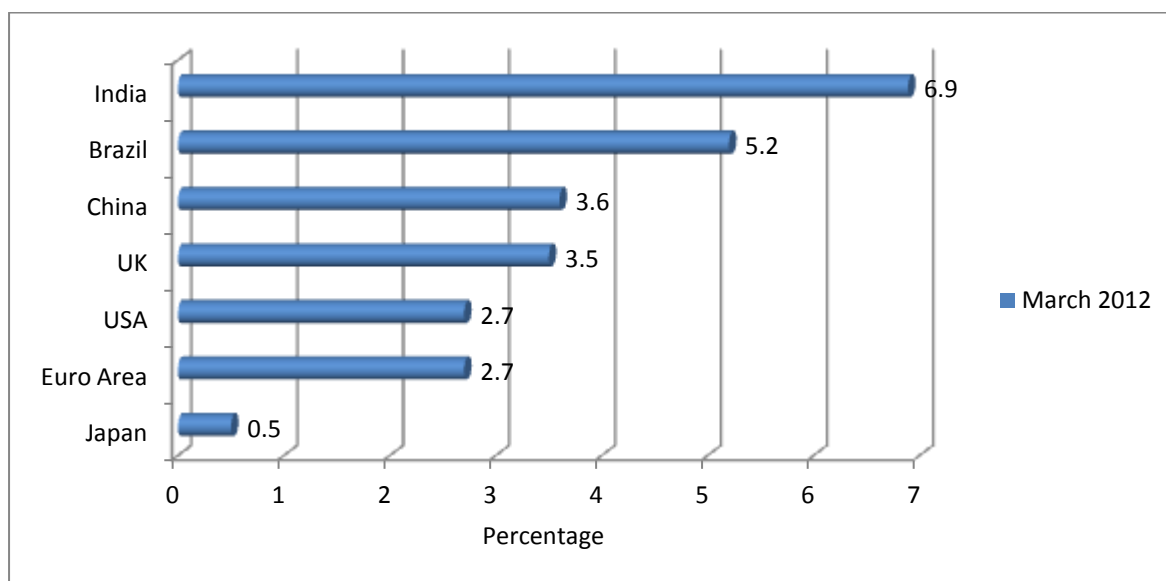
China

The annual inflation rate was 3.6 percent in March 2012, up from 3.2 percent during the preceding month. The main components with the highest annual increases were *food (8.0 percent), tobacco, liquor & articles (3.7 percent), and clothing (3.6 percent)*, while the lowest annual rates were observed on *recreation & services (0.1 percent), transport & communication (0.2 percent), and residence (2.0 percent)*. The annual inflation rate for March 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 6.9 percent in March 2012 as compared to 7.0 percent in the preceding month and 9.68 percent during the corresponding month of the previous year. The main components with the highest annual increases were *primary articles (2.4 percent)*, while the lowest annual rates were observed on *manufactured products (0.4 percent), and fuel & power (0.5 percent)*. The inflation rate registered during March 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 February 2012, annual inflation eased in Botswana, Namibia, South Africa and Swaziland in March 2012, while it remained unchanged in Lesotho. Swaziland registered the highest annual inflation rate among the Member States, at 8.8 percent in March 2012 followed by Botswana at 8.0 percent. The lowest annual inflation was observed in South Africa, recording an inflation rate of 6.0 percent.

All Member States recorded a single digit annual inflation rate during March 2012 as shown in Table 1. Month-on-month inflation rates varied between 0.2 percent and 1.1 percent in Member States between February 2012 and March 2012, as shown in Table 2.

Table 1: Annual Inflation Rates in SACU Member States

	Botswana	Lesotho	Namibia	South Africa	Swaziland
February 2012	8.2	7.2	7.4	6.1	9.4
March 2012	8.0	7.2	6.9	6.0	8.8

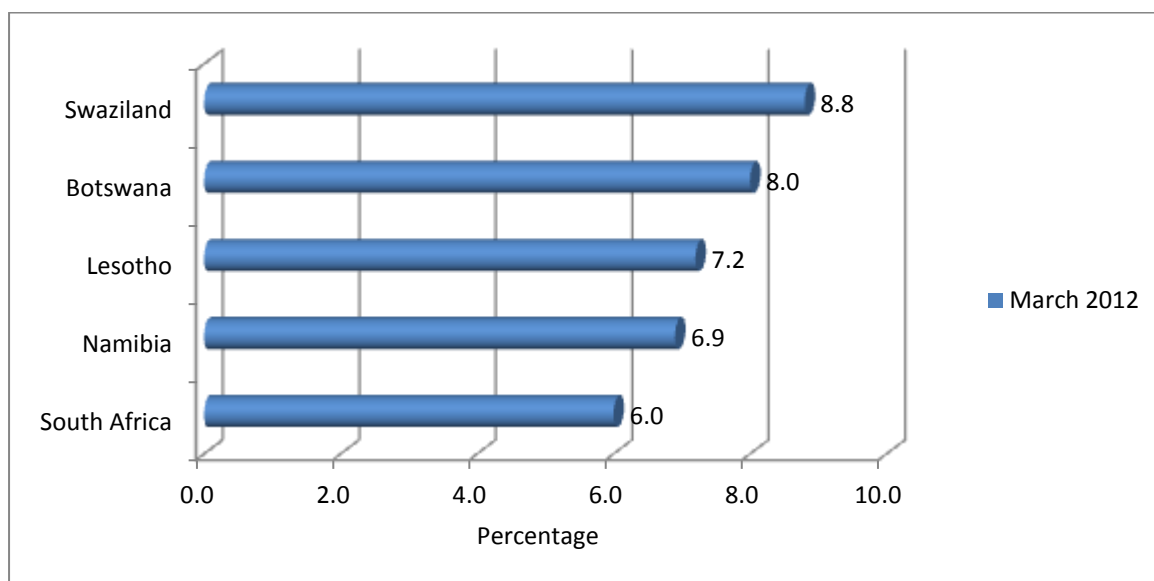
Source: Member States Statistics Offices

Table 2: Monthly Inflation Rates in SACU Member States

	Botswana	Lesotho	Namibia	South Africa	Swaziland
February 2012	0.2	0.2	0.8	0.6	1.2
March 2012	0.5	0.5	0.3	1.1	0.2

Source: Member States Statistics Offices

Chart 2: Annual Inflation Rates in SACU Member States



Source: Member States Statistics Offices

Botswana

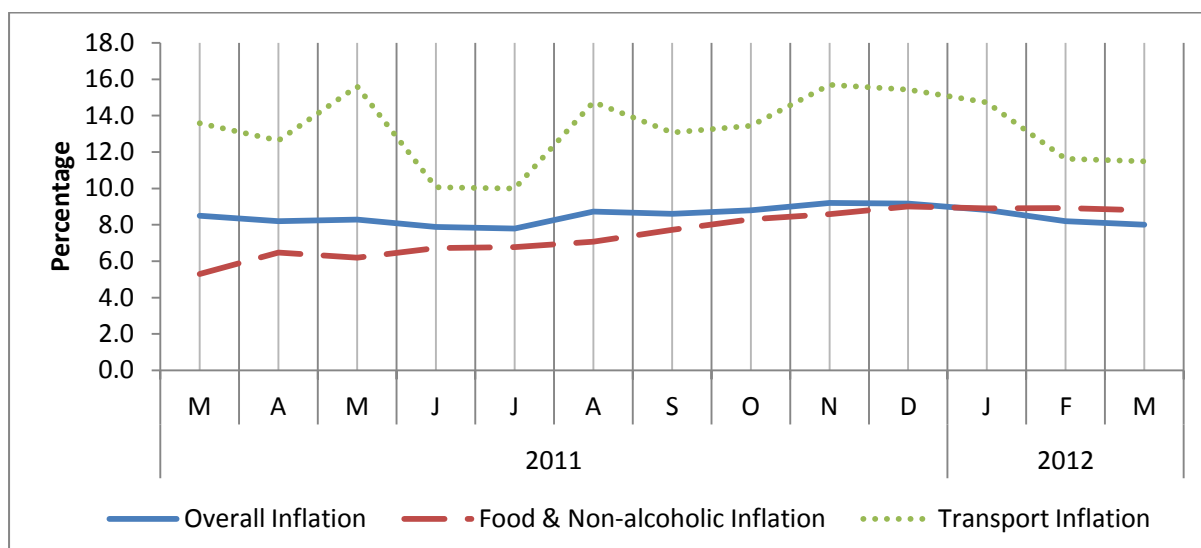
The annual inflation rate eased to 8.0 percent in March 2012 from 8.2 percent in February 2012, lower than the 8.5 percent recorded during the same month in 2011. On average, prices increased by 0.5 percent between February and March 2012.

The main components with the highest annual increases were *transport (11.5 percent)*, *clothing and footwear (9.5 percent)* and *restaurants & hotel (9.1 percent)*, while the lowest annual increases were observed on *communication (-5.5 percent)*.

The annual inflation rate for March 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

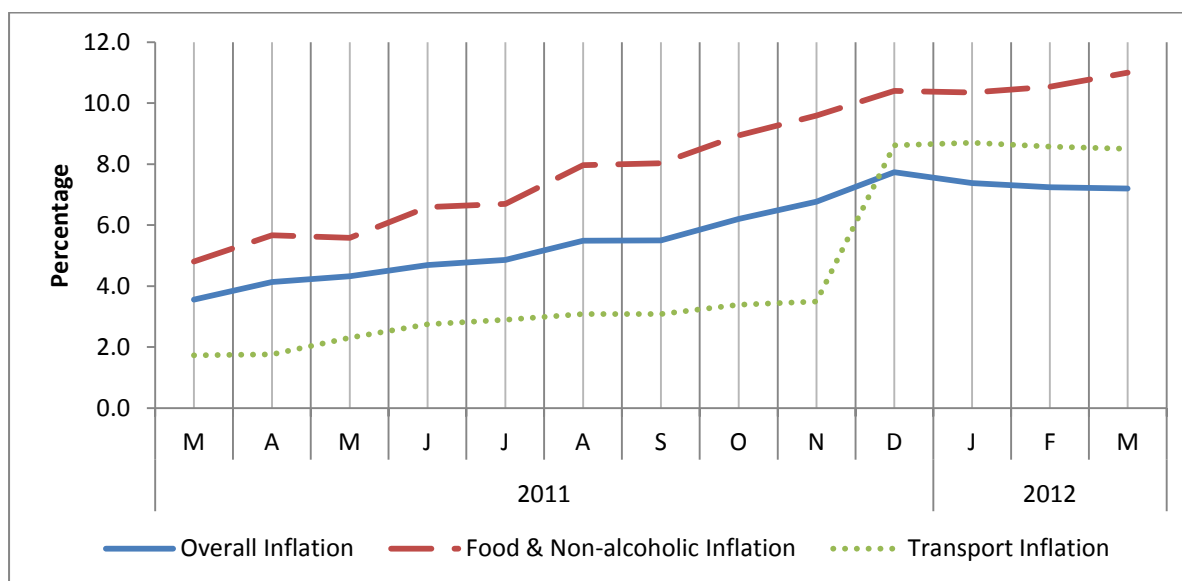
Lesotho

The annual inflation rate remained unchanged at 7.2 percent in March 2012 compared to February 2012. Annual inflation in March 2012 was higher than the 3.6 percent recorded during the corresponding month in 2011. On average, prices increased by 0.5 percent between February and March 2012, mainly due to *alcohol and tobacco* prices that increased by 2.0 percent.

The main components with the highest annual increases were *housing & utilities (13.0 percent)*, *food & non-alcoholic beverages (11.0 percent)* and *transport (8.5 percent)*, while the lowest annual increases were observed on *restaurants and hotels (-1.6 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 was 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 March 2012 the Lombard facility remained at 9.28 percent. Similarly, the prime lending rate also remained at 10.25 percent.

Chart 4: Annual Inflation Rate



Source: Bureau of Statistics of Lesotho

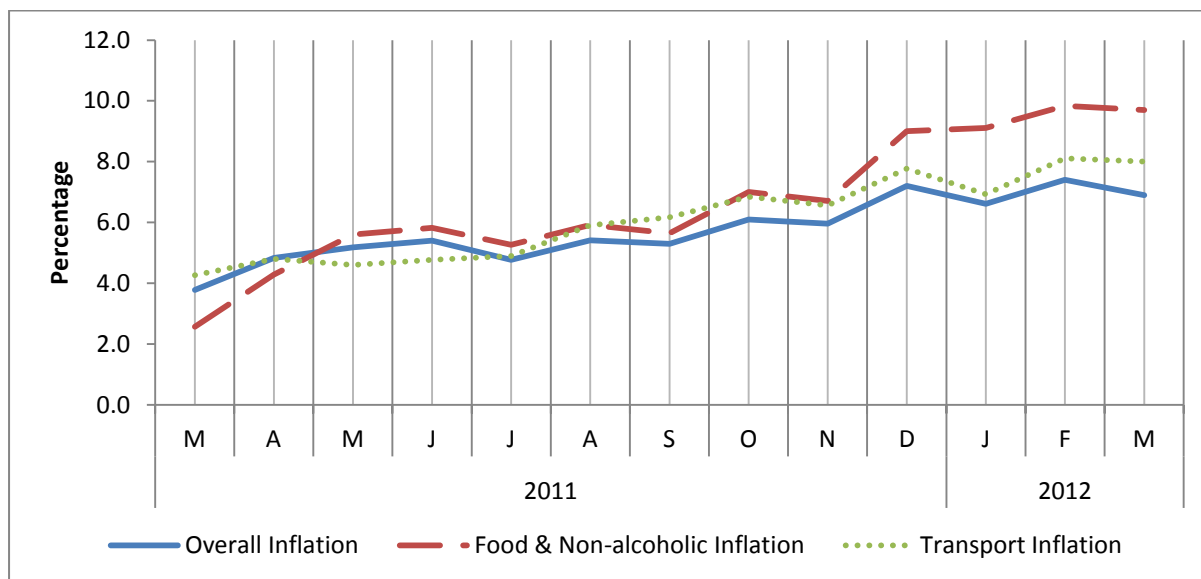
Namibia

The annual inflation rate eased to 6.9 percent in March 2012, from 7.4 percent recorded in the preceding month. Annual inflation in March 2012 was higher than the 3.8 percent recorded during the same month in 2011. On average, prices increased by 0.3 percent between February and March 2012.

The main components with the highest annual increases were *food & non-alcoholic beverages (9.7 percent)*, *alcoholic beverages & tobacco (8.9 percent)* and *transport (8.0 percent)*, while the lowest annual increases were observed on *communication (0.5 percent)*, *restaurants & hotel (1.8 percent)* and *clothing & footwear (2.2 percent)*.

The international reserve level was recorded at N\$12.24 billion in March 2012 compared to N\$13.44 billion recorded in the previous month; sufficient to support the Rand parity. The repo rate remained unchanged at 6.0 percent during March 2012. Similarly, the prime rate also remained unchanged at 9.75 percent.

Chart 5: Annual Inflation Rate



Source: Namibia Statistics Agency

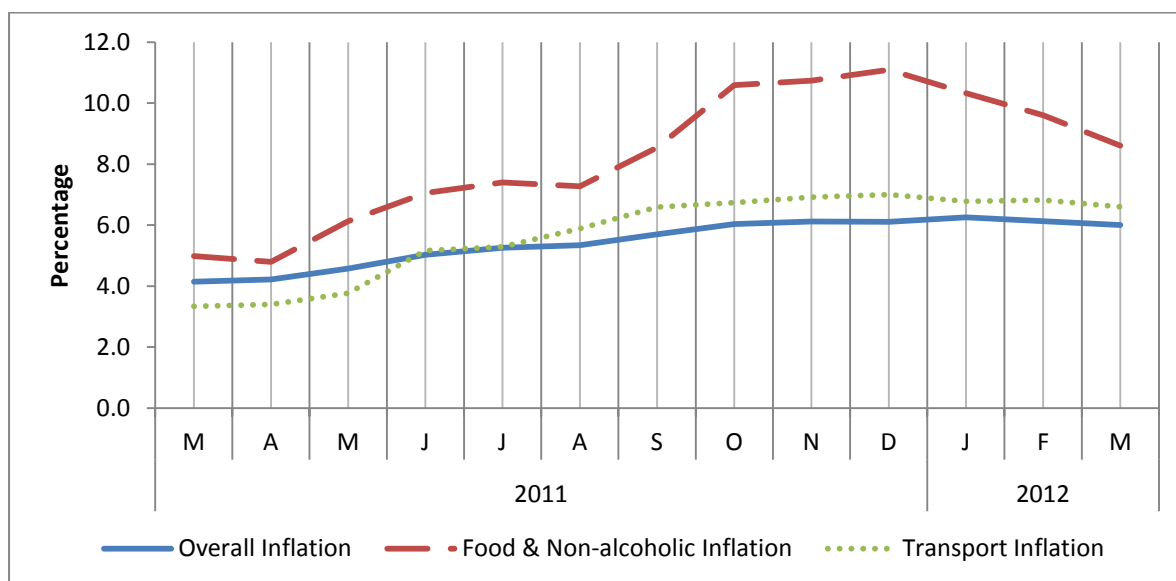
South Africa

The annual inflation rate eased to 6.0 percent in March 2012, from 6.1 percent recorded in the previous month, but higher than the 4.1 percent recorded during the same period in 2011. On average, prices increased by 1.1 percent between February and March 2012.

The main components with the highest annual increases were *education* (9.0 percent), *food & non-alcoholic beverages* (8.6 percent), and *alcohol & beverages* (7.6 percent), while the lowest annual increases were observed on *communication* (-1.4 percent), and *recreation & culture* (-0.8 percent).

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

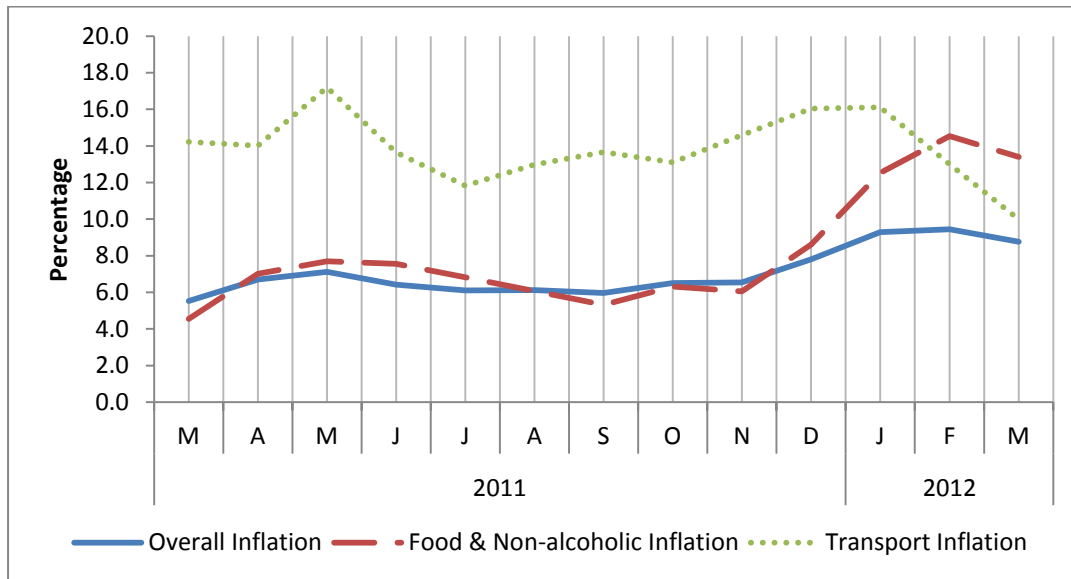
Swaziland

The annual inflation rate eased to 8.8 percent in March 2012 from 9.4 percent in the previous month. The annual inflation rate for March 2012 was higher than the 5.5 percent recorded during the same period in the previous year. On average, prices increased by 0.2 percent between February and March 2012.

The main components with the highest annual increases were *food & non-alcoholic beverages (13.4 percent)*, *transport (10.0 percent)*, and *housing & utilities (7.7 percent)*, while the lowest annual increases were observed on *recreation & culture (-0.8 percent)*, *communications (0.0 percent)*, and *miscellaneous goods & services (2.8 percent)*.

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 March 2012.

Chart 7: Annual Inflation Rate



Source: Central Statistics Office of Swaziland

Appendix

Annual inflation rates by main categories (March 2012)

Main Categories	Botswana	Lesotho	Namibia	South Africa	Swaziland
Food & non-alcoholic beverages	8.8	11.0	9.7	8.6	13.4
Alcoholic beverages & tobacco	5.4	8.0	8.9	7.6	7.2
Clothing & footwear	9.5	1.5	2.2	3.8	6.4
Housing, water, electricity, gas & other fuels	8.8	13.0	4.6	6.6	7.7
Furnishings, household equipment &...	8.3	2.5	6.1	2.2	3.5
Health	6.9	0.6	3.8	5.0	6.6
Transport	11.5	8.5	8.0	6.6	10.0
Communications	-5.5	-0.6	0.5	-1.4	0.0
Recreation & Culture	6.2	2.5	7.7	-0.8	-0.8
Education	6.4	1.0	3.6	9.0	7.2
Hotels, cafés & restaurants	9.1	-1.6	1.8	6.0	5.3
Miscellaneous goods & services	4.0	2.4	6.6	5.5	2.8
All Item	8.0	7.2	6.9	6.0	8.8

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