HARMONISED CONSUMER PRICE INDEX: NOVEMBER 2019

PRESS NOTICE 11/2019

6 JANUARY 2020

Annual inflation in the SACU region was 4.5% in November

The **SACU** annual inflation rate continued a downward trend to 4.5% in November 2019, down from 4.6% in October 2019. A year earlier the annual inflation rate was 5.4%. The highest annual rate was recorded in **South Africa** at (4.7%) followed by **Namibia** (4.1%), **Botswana** (2.7%), and **Lesotho** (2.7%), while **Eswatini** recorded the lowest rate of 2.1%. Compared to the SACU regional annual average inflation rate of 4.5% for November 2019, South Africa continued to be the only Member States with the annual rate above the regional average rate.

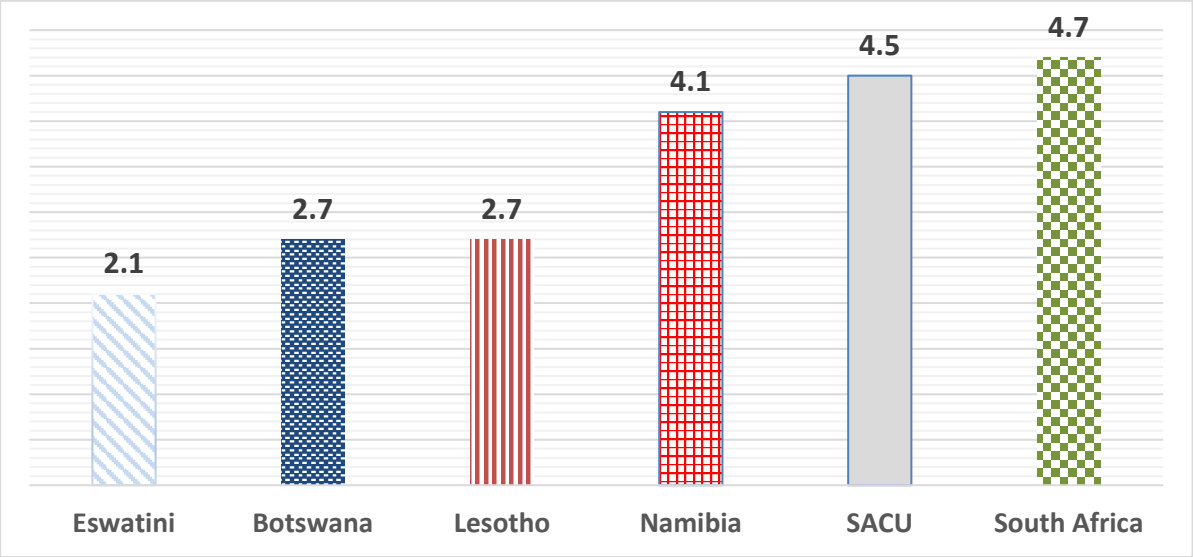
Housing & Utilities recorded the highest rise in annual inflation with a rate of 9.1% between November 2019 and November 2018, followed by *Education* at 6.3%, whilst Communication recorded the lowest inflation rate of 0.2%.

The monthly inflation in November, that is the change in prices between November 2019 and October 2019, was 0.2%. This compares to a rate of 0.1% between October 2019 and September 2019.

On the monetary policy front, by the end of November 2019, monetary policy stance in the Member States continued to remain accommodative. Monetary policy stance was unaltered in November 2019 in all the Member States. The repo rate / bank rate[1] was at 4.75% in Botswana, and at 6.50% in all the other Member States. During the month of November 2019, the highest prime lending rate was observed in Lesotho at 11.19 percent, followed by Namibia at 10.25 percent, Eswatini at 10.00 percent, South Africa at 10.00 percent, and Botswana at 6.25 percent.

[1] Bank rate is the rate at which the Central Bank lends to Commercial Banks

Chart 1: Annual inflation rates (%) in November 2019, in ascending order



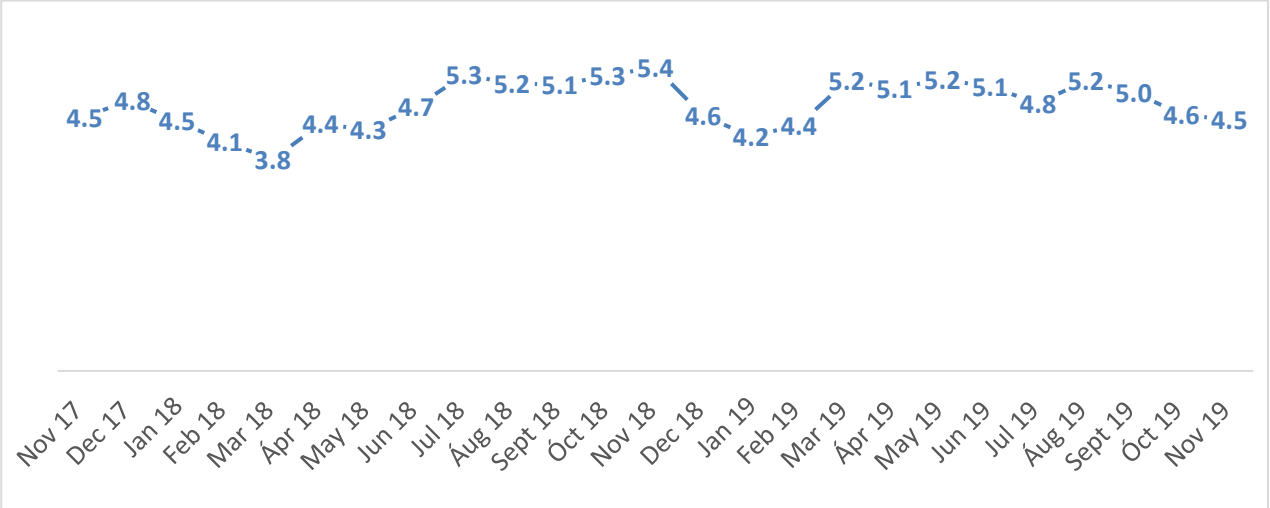
"South Africa recorded the highest annual inflation rate of 4.7% in November 2019 above the regional rate of 4.5%"

Table 1: Inflation rates (%) measured by HCPI

		Annual rate								Monthly rate
	Weight (%)	**Nov 18**	**June 19**	**July 19**	**Aug 19**	**Sept 19**	**Oct 19**	**Nov 19**		**Nov 19**
Botswana	29.4	3.8	3.3	3.4	3.5	3.6	3.0	2.7		0.1
Eswatini	16.6	5.0	1.9	1.9	2.2	2.1	1.9	2.1		0.4
Lesotho	12.3	4.6	3.7	3.5	3.3	3.2	3.0	2.7		0.3
Namibia	29.1	5.2	5.2	4.6	4.6	4.3	4.2	4.1		0.3
South Africa	912.7	5.5	5.2	4.9	5.3	5.2	4.7	4.7		0.2
SACU	**1000.0**	**5.4**	**5.1**	**4.8**	**5.2**	**5.0**	**4.6**	**4.5**		**0.2**

"SACU inflation rate was 4.5% in November 2019 down from the corresponding month in 2018"

Chart 2: **Annual inflation rates (%) in SACU**



"The lowest SACU inflation rate between November 2017 and November 2019 was recorded during March 2018 of 3.8%"

Table 2: SACU inflation rates (%) by COICOP categories

		Annual rate								Monthly rate
Divisions	**Weight (%)**	**Nov 18**	**June 19**	**July 19**	**Aug 19**	**Sept 19**	**Oct 19**	**Nov 19**		**Nov 19**
All items HCPI	1000.0	5.4	5.1	4.8	5.2	5.0	4.6	4.5		0.2
Food & non-alcoholic beverages	220.7	2.6	3.8	3.7	4.4	4.4	4.1	4.1		0.4
Alcoholic beverages & tobacco	68.4	4.6	5.9	5.8	6.0	6.1	5.7	5.2		0.0
Clothing & footwear	46.6	2.2	2.4	2.3	2.5	2.5	2.6	2.7		0.1
Housing, water, electricity	131.2	8.4	8.4	9.0	9.4	9.3	9.3	9.1		0.3
Furnish, household equip	48.9	3.4	3.3	3.4	3.6	3.6	3.4	3.4		0.2
Health	14.5	4.8	5.3	5.5	4.9	4.6	4.9	4.9		0.1
Transport	174.9	9.4	6.1	4.0	4.3	3.6	1.8	1.6		0.3
Communication	29.0	1.3	-0.1	0.1	0.2	0.3	0.2	0.2		0.0
Recreation & culture	34.4	3.7	2.3	2.4	2.8	3.0	2.5	3.0		0.6
Education	28.5	6.2	6.3	6.3	6.3	6.3	6.3	6.3		0.0
Restaurants & hotels	41.8	3.5	3.8	3.2	3.4	3.6	3.5	3.9		0.8
Miscellaneous goods & services	161.0	5.5	5.5	5.7	5.8	5.8	5.8	5.8		0.0

METHODOLOGICAL NOTE

Both Harmonised Consumer Price Index (HCPIs) and Consumer Price Indices (CPIs) measure inflation faced by consumers, i.e. the changes in the prices over time of buying goods and services. HCPIs and CPIs are for the most part based on the same data sources, but they measure inflation with different aims and therefore sometimes use different concepts or methods.

The main use of the HCPI is for monetary policy purposes and is used as one of the convergence criteria to assess compliance of Member States to economic unions and to monitor progress towards integration. Member states of economic unions are given target inflation levels to achieve, in specified period to be considered for some preferential treatments within the integration. This requires a harmonised conceptual framework and comparable results.

The CPIs play a role in Member States for monetary policy and for economic analysis in general, but also have a wide range of other uses, such as for the indexation of commercial contracts, wages, social protection benefits, financial instruments. The range of uses made of CPIs varies across countries, and as result CPI calculation methods vary. This lack of standardisation means that it is not possible to make cross-country comparisons of inflation rates on a like-for-like basis using the national indices.

It is against this background that COMESA and SADC jointly developed a harmonised measure of consumer inflation, the Harmonised Consumer Price Index or HCPI. The HCPI for the SACU region builds on the HCPIs of the individual Member States, the latter following the harmonised rules agreed by COMESA and SADC. The HCPI for the SACU region is a weighted average of the HCPIs for the individual SACU Member States.

Harmonisation covers detailed methodological issues which enhance the statistical integrity of indices and which, if not harmonised, could lead to misleading comparisons. Some of the HCPI compilation rules relate to conceptual issues e.g. this applies to the use of the geometric mean in the compilation of the elementary aggregates (where un-weighted prices are combined to produce detailed sub-indices which are then combined using expenditure weights to produce the all-items HCPI). These rules define the HCPI and are based on recognised best international practice. Other rules relating to the compilation of the HCPI relate to good statistical practice which if not followed could lead to unreliable price indices or indices which have the potential to be biased.

The **annual rate** measures the change of the Harmonised Consumer Price Indices (HCPIs) between a month and the same month of the previous year, and the **monthly rate** compares the indices between the two latest months.

Aggregation to the SACU total

National HCPIs are compiled by the aggregation of sub-indices starting at the level of elementary aggregate indices. These are aggregated using appropriate national weights.

Likewise, the aggregation of national HCPIs to the SACU total is calculated using appropriate national weights of each Member States total household real consumption expenditure converted to a common currency using the purchasing power parities derived from the results of the 2011 International Comparison Program.

The Member States HCPIs are produced by the respective Member States using the agreed harmonised methodologies, while the SACU HCPI is compiled by the SACU Secretariat.

Release timetable

The next press notice on the SACU region inflation with data for December 2019 is scheduled for February 2020.

Issued by:
SACU Secretariat
Tel: +264 61 295 8000
Email: info@sacu.int

For further information on methodology:
Mr. Abel Sindano
Tel: +264 61 295 8005
Email: abel.sindano@sacu.int