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## **HARMONISED CONSUMER PRICE INDEX: MARCH/APRIL 2020**

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PRESS NOTICE 03/2020

16 October 2020

**Annual inflation in the SACU region was 5.6% and 4.1% in March and April 2020 respectively.**

The SACU annual inflation rate declined slightly from 6.0% in February 2020 to 5.6% in March and 4.1% in April 2020. A year earlier the annual inflation rate was 5.1% and 5.2% respectively (March/April 2019). The highest annual rate was recorded in **South Africa** at (5.8%) followed by **Namibia** (5.2%); and **Lesotho** (4.1%); **Eswatini** 3.1% while **Botswana** recorded the lowest rate at 2.0%, in March 2020. Compared to the SACU regional annual average inflation rate of 5.6% for March 2020, South Africa recorded annual rates slightly higher than the regional average rate. However, in April 2020 **South Africa** and **Namibia** equalled the regional average rate of 4.1% while **Lesotho** reached 3.8%; Eswatini 3.2% and the lowest being **Botswana** at 2.2%.

*Housing & Utilities* recorded the highest annual inflation rate of 8.6% and 8.3% respectively between March/April 2019 and 8.5% and 9.1% March/April 2020, followed by *Education* 6.3% and 6.4% respectively whilst *Transport and Communication* recorded the lowest inflation rate of -0.4% and 0.2% respectively for March and April 2020.

The monthly inflation in March 2020, that is the change in prices between February 2020 and March 2020, was 0.6% while it was -0.7% percent for April 2020.

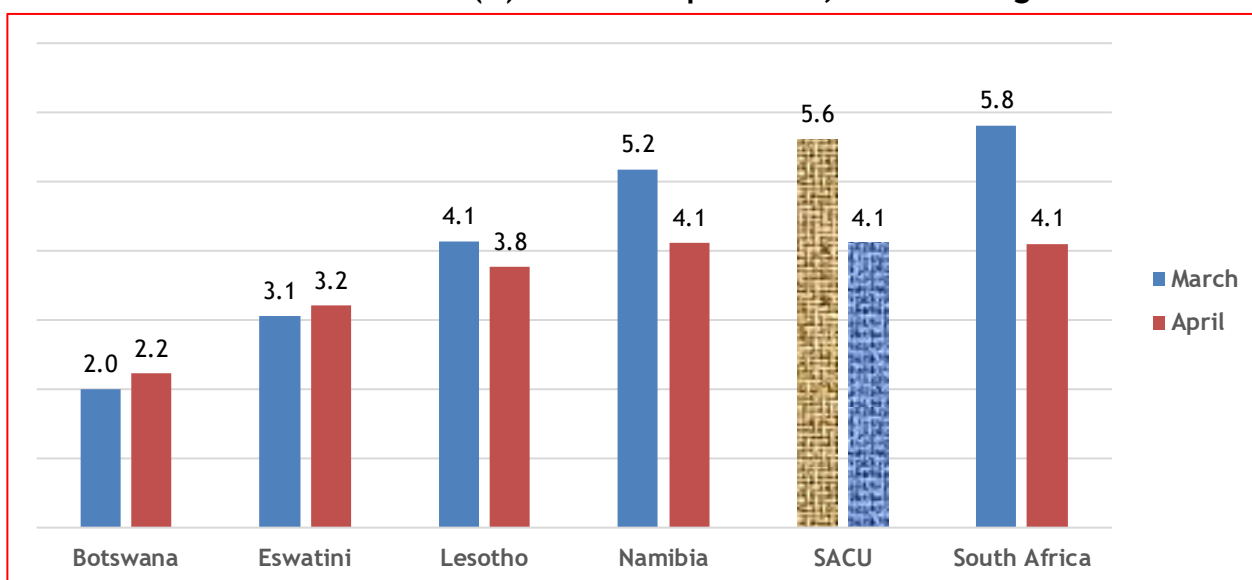
On the monetary policy front, by the end of April 2020, monetary policy stance in the Member States continued to remain accommodative. Monetary policy stance was unaltered in March/April 2020 in some Member States. The repo rate / bank rate<sup>1</sup> was at 4.75% and 4.25% for March and April 2020 respectively in Botswana-changed; and Lesotho 4.25%-unchanged for the two months being reported; while Namibia and South Africa slightly reduced their repo rates to 5.5 and 4.25% respectively for the two months and in Eswatini it was reduced to 5.25% for the two months respectively.

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<sup>1</sup> Bank rate is the rate at which the Central Bank lends to Commercial Banks

During the months of March/April 2020, the highest prime lending rate was observed in Lesotho at 10.19 and 9.19 respectively%, followed by Namibia and Eswatini slightly down at 9.0% and 8.0% for both months respectively, South Africa at 8.75% and 7.75% respectively, and Botswana at 6.25%-unchanged for March and slightly down to 5.75% for April 2020.

**Chart 1: Annual inflation rates (%) in March/April 2020, in ascending order**



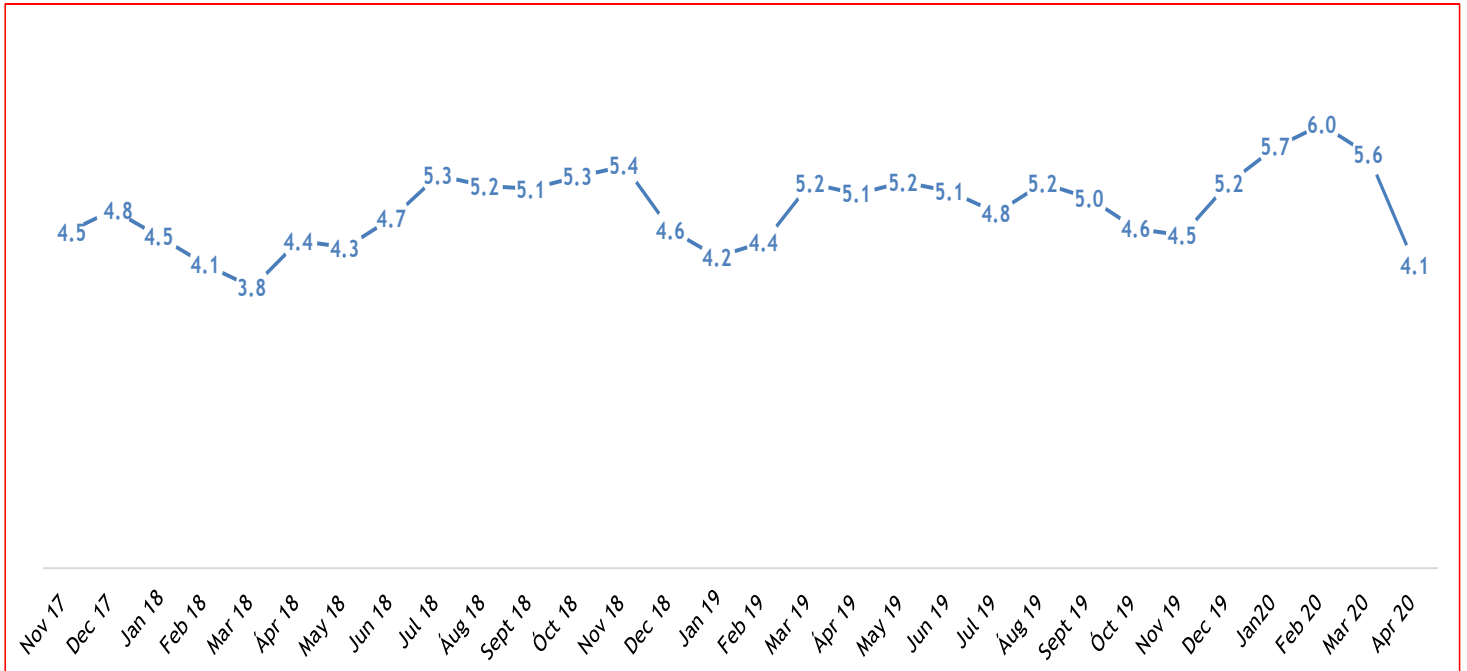
“South Africa recorded the highest annual inflation rate of 5.8% in March 2020, the only Member State slightly above the regional rate of 5.6%”

**Table 1: Inflation rates (%) measured by HCPI**

|              | Weight (%)    | Annual rate |            |            |            |            |            |            | Monthly rate | Monthly rate |
|--------------|---------------|-------------|------------|------------|------------|------------|------------|------------|--------------|--------------|
|              |               | March 2019  | April 19   | Aug 19     | Sept 19    | Nov 19     | March 2020 | April 2020 | March 2020   | April 2020   |
| Botswana     | 29.4          | 3.2         | 3.1        | 3.5        | 3.6        | 2.7        | 2.0        | 2.2        | 0.1          | 0.6          |
| Eswatini     | 16.6          | 5.0         | 2.0        | 2.2        | 2.1        | 2.1        | 3.1        | 3.2        | 0.9          | 0.4          |
| Lesotho      | 12.3          | 3.3         | 3.7        | 3.3        | 3.2        | 2.7        | 4.1        | 3.8        | 0.2          | 0.1          |
| Namibia      | 29.1          | 4.8         | 4.9        | 4.6        | 4.3        | 4.1        | 5.2        | 4.1        | 0.2          | 0.3          |
| South Africa | 912.7         | 5.3         | 5.2        | 5.3        | 5.2        | 4.7        | 5.8        | 4.1        | 0.6          | -0.8         |
| <b>SACU</b>  | <b>1000.0</b> | <b>5.2</b>  | <b>5.1</b> | <b>5.2</b> | <b>5.0</b> | <b>4.5</b> | <b>5.6</b> | <b>4.1</b> | <b>0.6</b>   | <b>-0.7</b>  |

“SACU inflation rate was 5.6% in March 2020 up from 5.2% the corresponding month (Feb 2019)”

Chart 2: Annual inflation rates (%) in SACU



“The lowest inflation rate recorded between March/April 2018 and March/April 2020 remains the one recorded during March 2018 at 3.8%”.

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

| Divisions                      | Weight (%) | Annual rate |          |         |        |         |        |        | Monthly rate | Monthly rate |
|--------------------------------|------------|-------------|----------|---------|--------|---------|--------|--------|--------------|--------------|
|                                |            | March 19    | April 19 | July 19 | Aug 19 | Sept 19 | Mar 20 | Apr 20 | Mar 20       | Apr 20       |
| All items HCPI                 | 1000.0     | 5.2         | 5.1      | 4.8     | 5.2    | 5.0     | 5.1    | 5.6    | 0.6          | -0.7         |
| Food & non-alcoholic beverages | 220.7      | 3.1         | 3.0      | 3.7     | 4.4    | 4.4     | 4.1    | 4.8    | 0.4          | -0.5         |
| Alcoholic beverages & tobacco  | 68.4       | 6.2         | 5.7      | 5.8     | 6.0    | 6.1     | 2.5    | 3.9    | 1.2          | -0.5         |
| Clothing & footwear            | 46.6       | 2.3         | 2.3      | 2.3     | 2.5    | 2.5     | 1.9    | 2.3    | 0.2          | -0.2         |
| Housing, water, electricity    | 131.2      | 8.6         | 8.3      | 9.0     | 9.4    | 9.3     | 8.5    | 9.1    | 0.5          | -0.1         |
| Furnish, household equip       | 48.9       | 3.8         | 3.6      | 3.4     | 3.6    | 3.6     | 2.8    | 2.9    | 1.0          | -0.1         |
| Health                         | 14.5       | 5.2         | 4.7      | 5.5     | 4.9    | 4.6     | 4.6    | 4.4    | 0.3          | 0.0          |
| Transport                      | 174.9      | 6.5         | 7.5      | 4.0     | 4.3    | 3.6     | -0.4   | 6.2    | 0.4          | -3.8         |
| Communication                  | 29.0       | 1.4         | -0.4     | 0.1     | 0.2    | 0.3     | -0.2   | 0.2    | -0.1         | -0.1         |
| Recreation & culture           | 34.4       | 4.3         | 2.9      | 2.4     | 2.8    | 3.0     | 1.7    | 2.6    | 0.4          | -0.2         |
| Education                      | 28.5       | 6.2         | 6.3      | 6.3     | 6.3    | 6.3     | 6.3    | 6.4    | 5.9          | 0.0          |
| Restaurants & hotels           | 41.8       | 4.5         | 3.0      | 3.2     | 3.4    | 3.6     | 2.1    | 2.6    | 0.2          | -0.5         |
| Miscellaneous goods & services | 161.0      | 5.6         | 5.5      | 5.7     | 5.8    | 5.8     | 6.3    | 6.6    | 0.2          | 0.2          |

## **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 June 2020 is scheduled for 14 November 2020.

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