



SACU Inflation Report

November 2011

The content of this publication is intended for general information only. While precaution is taken to ensure the accuracy of information, the SACU Secretariat shall not be liable to any person for inaccurate information or opinions contained in this publication. Enquiries related to this publication should be directed to Mr. Abel Sindano, E-mail: abel.sindano@sacu.int

Selected Global Inflation Rates

Overview

Overall annual inflation rates remained relatively contained in advanced economies despite having increased slightly in recent months, while inflationary pressures continue to be more pronounced in emerging economies in November 2011.

The FAO Food Price Index¹ averaged at 215 points in November 2011, down by 1.0 point from October, although it is still some 1 percent higher than its November 2010 value. The decline is reflected in decreases mainly in sugar prices due to expectations of large global production surplus over the next twelve months, while other commodity groups were little changed.

Brent crude oil price closed at USD109.36 per barrel at the end of November 2011, which is 1.3 percent higher than at the end of October 2011, and higher than the USD 87.99 per barrel recorded at the end of November 2010. While, the natural gas prices closed at USD3.64 at the end of November 2011, which is 10.4 percent lower than at the end of October 2011. RBOB gasoline prices closed at USD2.49 per barrel at the end of November 2011, which is 6.1 percent lower than at the end of October 2011.

Developed Economies

Euro Area

The annual inflation was 3.0 percent in November 2011, unchanged compared with October 2011. A year earlier, the rate was 1.9 percent. The biggest upward pressures to the change in inflation came from *transport and housing*, while, *communication, education and recreation & culture* recorded the largest downward pressure. The annual rate recorded for November 2011 was above the European Central Bank inflation target of below but close to 2.0 percent.

Japan

Japan recorded a deflation of 0.5 percent in November 2011. By far the largest downward pressure to the annual inflation came from *furniture and household utensils* which registered a deflation of 6.1 percent. While, the largest offsetting upward pressure to the annual inflation came from the *fuel, light and water charges* category that registered a rate of 4.9 percent.

United Kingdom

The annual inflation was 4.8 percent in November 2011, down from 5.0 percent in the preceding month. A year earlier, the rate was 3.3 percent. By far the main downward pressure to the annual inflation came from the cost of *food, petrol, clothing and furniture, household equipment and maintenance*. Meanwhile, the main

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

upward pressure to the change in annual inflation came from the cost of *domestic heating*. 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 3.4 percent during November 2011, down from 3.5 percent in the preceding month. The change in the index for all items less food and energy rose to 2.2 percent in November 2011 from 2.1 percent in the preceding month. Meantime the energy index rose to 12.4 percent while in contrast, the food index fell to 4.7 percent in November 2011. The inflation rate registered during November 2011 was above the Federal Reserve Bank's long term inflation estimate of 2.0 percent.

Developing Economies

Brazil

The annual inflation slowed to 6.6 percent in November 2011, down from 6.9 percent during the preceding month. The annual rate recorded for November 2011 was above the Brazilian Central Bank inflation target of 4.5 percent with a floating range of 2 percentage points.

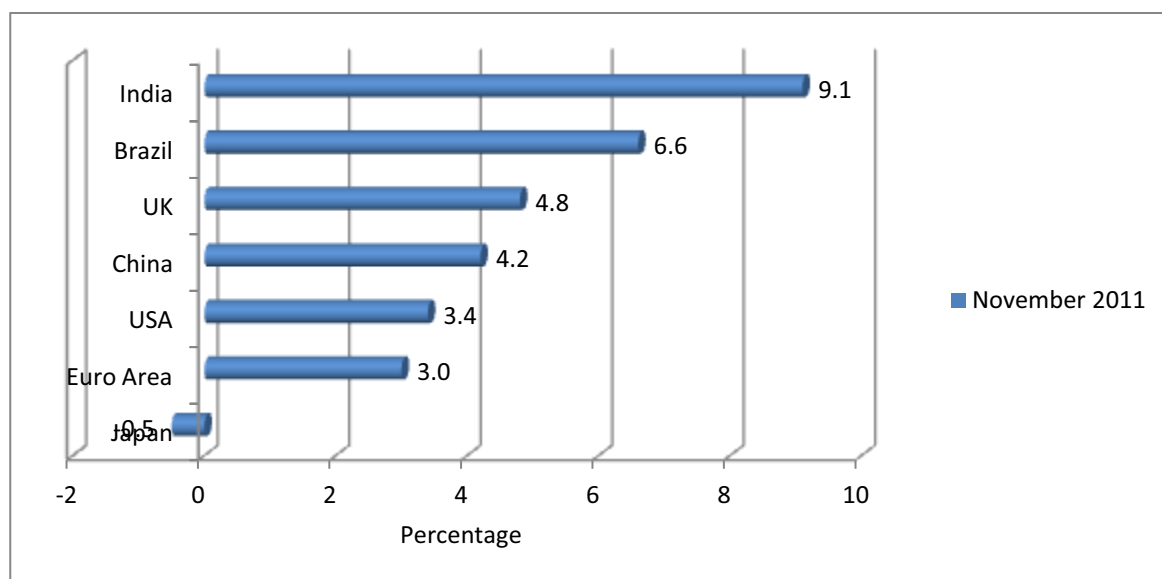
China

The annual inflation rate slowed to 4.2 percent in November 2011 from 5.5 percent during the preceding month. The food prices went up by 8.8 percent compared to 11.9 percent in the preceding month, while the non-food prices increased by 2.2 percent. The annual inflation rate for November 2011 remained above the Government's inflation target of 3.0 percent.

India

Headline annual inflation measured using the Wholesale Price Index slowed to 9.1 percent in November 2011 from 9.7 percent in the preceding month. Although the inflation rate registered during November 2011 was the lowest in a year it remains far 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 October 2011, annual inflation rose in most of the Member States in November 2011. Botswana continued to register the highest annual inflation among the Member States, registering an inflation of 9.2 percent in November 2011 followed by Lesotho at 6.8 percent. The lowest annual inflation was observed in Namibia, recording an inflation rate of 6.0 percent.

All Member States recorded a single digit annual inflation rate during November 2011 as shown in Table 1. Month-on-month inflation rates varied between 0.2 percent and 0.7 percent in Member States between October and November 2011, as shown in Table 2.

Table 1: Annual Inflation Rates in SACU Member States

	Botswana	Lesotho	Namibia	South Africa	Swaziland
October 2011	8.8	6.2	6.1	6.0	6.5
November 2011	9.2	6.8	6.0	6.1	6.5

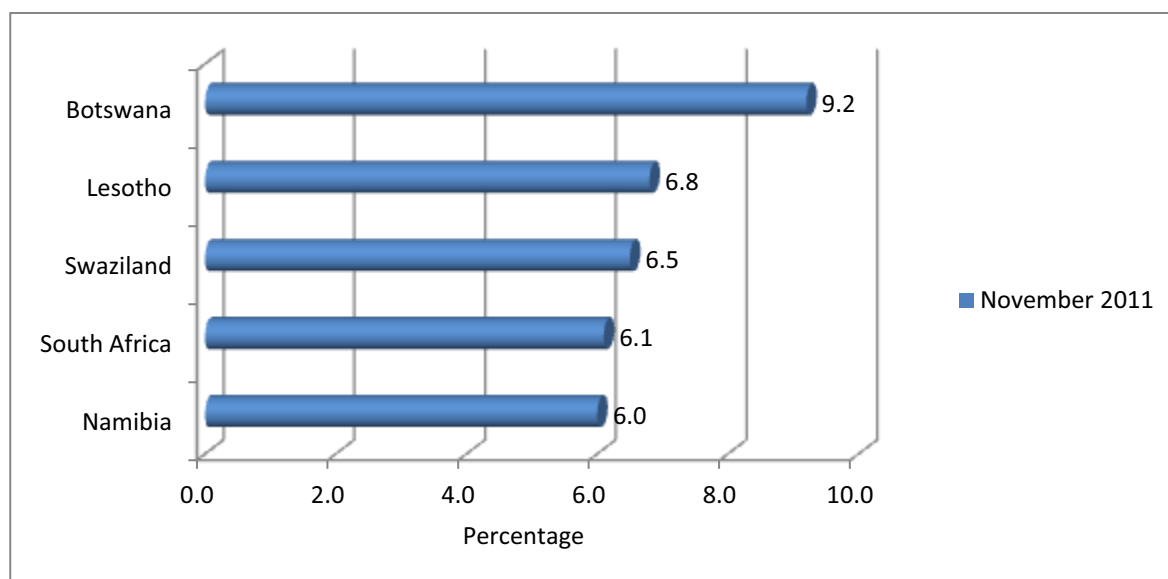
Source: Member States Statistics Offices

Table 2: Monthly Inflation Rates in SACU Member States

	Botswana	Lesotho	Namibia	South Africa	Swaziland
October 2011	0.4	0.7	0.8	0.5	0.6
November 2011	0.6	0.7	0.2	0.3	0.3

Source: Member States Statistics Offices

Chart 2: Annual Inflation Rates in SACU Member States



Source: Member States Statistics Offices

Botswana

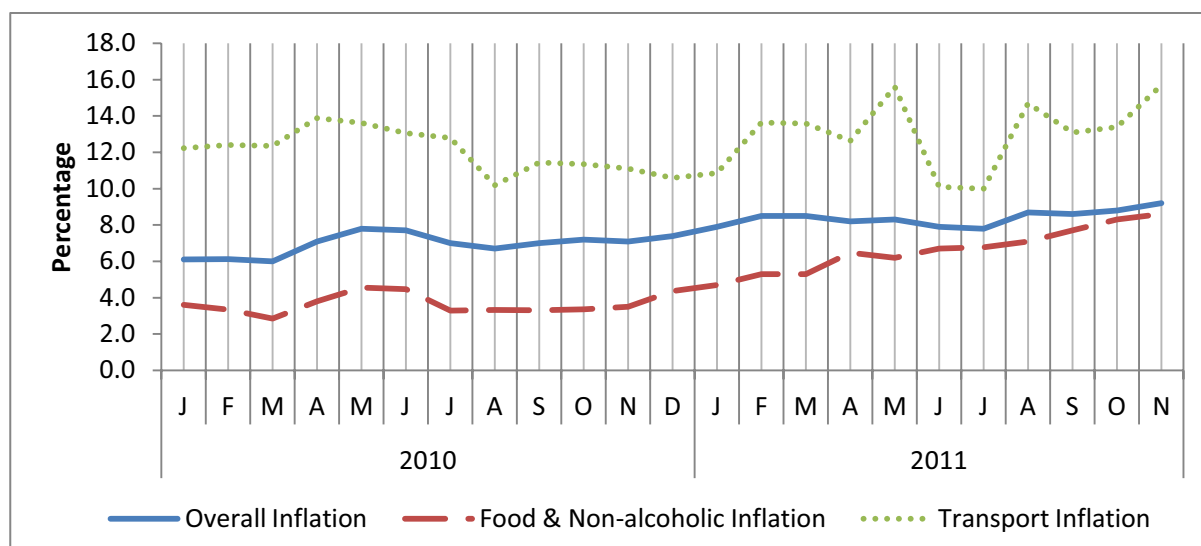
The annual inflation in November 2011 rose to 9.2 percent, up from 8.8 percent recorded a month earlier, and higher than the 7.1 percent recorded during the same month in 2010. On average, prices increased by 0.6 percent between October and November 2011, mainly due to the increase in the cost of *transport* which was attributed to the rise in retail pump prices for both petrol and diesel.

The largest upward pressure to the change in annual inflation was mainly driven by *food and non-alcoholic beverages* which rose by 8.6 percent, compared to 3.5 percent in November 2010. This was attributed to *milk, cheese & cheese products and vegetables* whose prices increased by 17.7 percent and 10.3 percent, respectively.

The largest downward pressure to the change in inflation came from the slow growth (4.7 percent) in the *miscellaneous goods and services* index, which registered 7.2 percent in November 2010. Similarly, downward pressure to the change in inflation also came from *communication*.

The annual inflation rate for November 2011 continued to be above the inflation target range of 3-6 percent set out by the Bank of Botswana. The interest rate policy remains accommodative for growth with the bank rate at 9.5 percent and the prime rate at 11.0 percent.

Chart 3: Annual Inflation Rate



Source: Central Statistics Office of Botswana

Lesotho

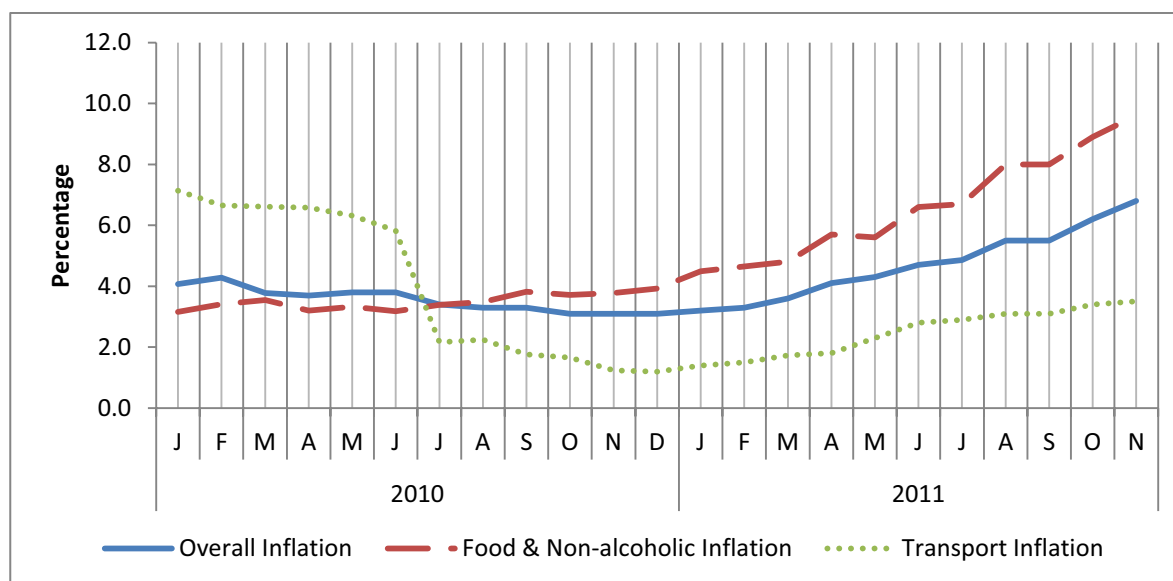
The annual inflation in November 2011 rose to 6.8 percent from 6.2 percent in October 2011. Annual inflation in November 2011 was higher than the 3.1 percent recorded during the corresponding month in 2010. On average, prices increased by 0.7 percent between October and November 2011.

The largest upward pressure to the change in annual inflation came from the *food and non-alcoholic beverages* category which rose to 9.6 percent compared to 3.8 percent in November 2010. Similarly, upward pressure to the change in annual inflation also came from the *housing, water, electricity, gas and other fuels* category which increased by 17.7 percent compared to 5.0 percent in November 2010.

Meanwhile, the largest downward pressure to the change in inflation came from the *clothing & footwear* category which registered a slow growth of 1.7 percent compared to 2.0 percent in November 2010.

Lesotho’s monetary policy targets the maintenance of adequate net international reserves (NIR). The NIR target for the quarter ending December 2011 was USD825 million, which translate to M6.68 billion; sufficient to support the Rand parity. The prime lending rate remained at 10.50 percent during the month of November 2011.

Chart 4: Annual Inflation Rate



Source: Bureau of Statistics of Lesotho

Namibia

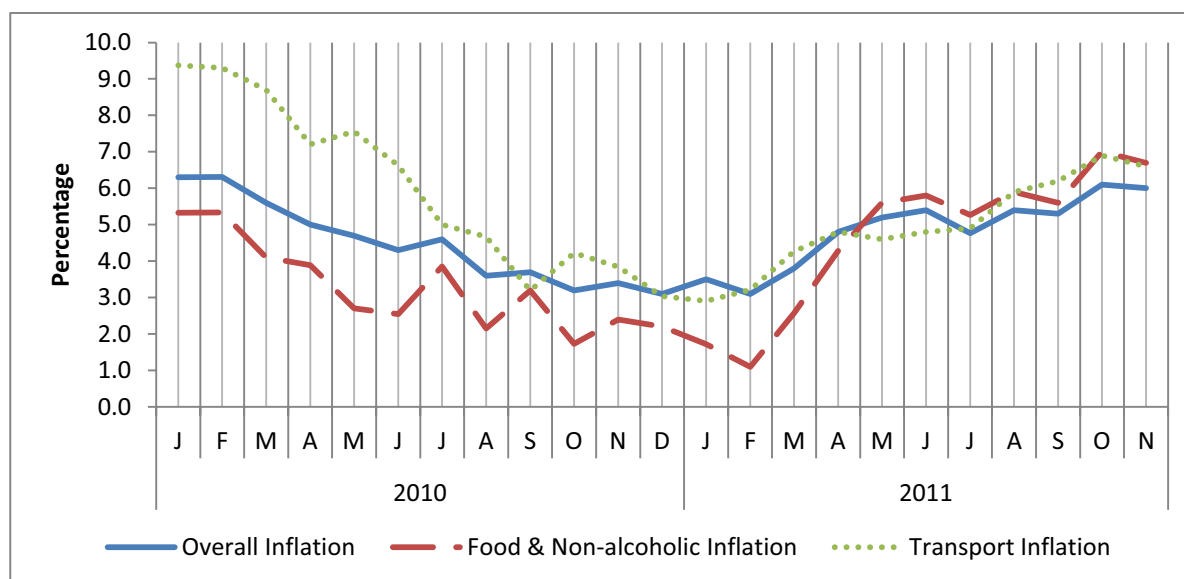
The annual inflation in November 2011 stood at 6.0 percent, down from 6.1 percent recorded in the preceding month. Annual inflation in November 2011 was higher than the 3.4 percent recorded during the same month in 2010. On average, prices increased by 0.2 percent between October and November 2011. This was mainly due to increases recorded in *food and non-alcoholic beverages; alcoholic beverages and tobacco; and clothing and footwear* categories.

The largest downward pressure to the change in annual inflation came from *hotel and restaurants* registering a slow growth of 4.0 percent compared with 7.4 percent in November 2010.

Meanwhile, the largest upward pressure to the change in annual inflation came from *food and non-alcoholic beverages* which increased by 6.7 percent compared with 2.4 percent in November 2010. This was mainly attributed to *bread & cereals, and meat* prices that increased by 5.6 percent and 10.9 percent, respectively.

Namibia also targets the level of NIR in order to maintain the Rand parity. The NIR level stood at N\$14.95 billion in November 2011 compared to N\$11.89 billion recorded in the previous month, sufficient to support the Rand parity. The repo rate remained at 6.0 percent and the prime rate at 9.75 percent during November 2011.

Chart 5: Annual Inflation Rate



Source: Namibia's Central Bureau of Statistics

South Africa

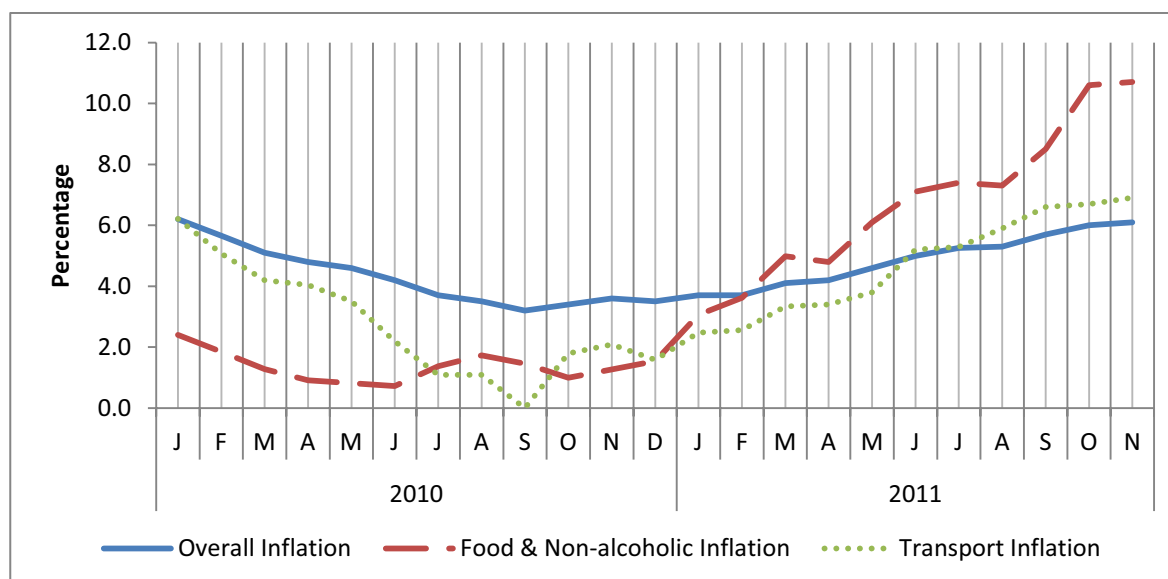
The annual inflation rate rose to 6.1 percent in November 2011, up from 6.0 percent in the previous month. The annual inflation rate for November 2011 was higher than the 3.6 percent recorded during the same period in 2010. On average, prices increased by 0.3 percent between October and November 2011, mainly due to price increases in *food and non-alcoholic beverages, and transport*.

The largest upward pressure to the change in annual inflation came from *food and non-alcoholic beverages* which increased by 10.7 percent and the rise in the cost of *housing, water, electricity, gas and other fuels*.

Meanwhile, the largest downward pressure to the change in inflation came from *health* which registered a slow rate of 5.2 percent compared to 7.3 percent in the same period in 2010.

The annual inflation rate for November 2011 was above the inflation target range of 3-6 percent. Inflation is expected to start falling gradually after the first quarter of 2012. Interest rate policy remains 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

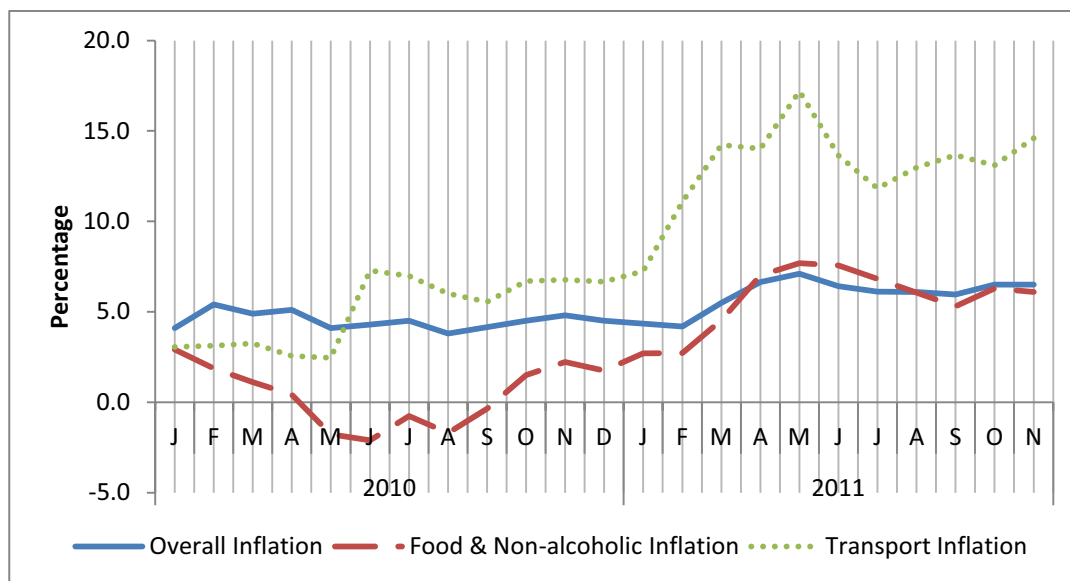
The annual inflation rate rose to 6.54 percent in November 2011, up from 6.45 percent in the previous month. The annual inflation rate for November 2011 was higher than the 4.8 percent recorded during the same period in the previous year. On average, prices increased by 0.3 percent between October and November 2011, mainly driven by *food & non alcoholic beverages* that increased by 0.29 percent.

The largest upward pressure to the change in annual inflation came from *food and non-alcoholic beverages* which increased by 6.0 percent compared to an increase of 2.2 percent in November 2010. This was mainly attributed to a rise in cost of *bread and cereals*; and *fat and oil*.

Meanwhile, the largest downward pressure to the change in annual inflation came from *furnishing and household equipment* which slowed to 3.3 percent from 4.6 percent registered in November 2010. This was mainly attributed to the deflation of 1.7 percent in *furniture and furnishings*.

In terms of the monetary policy framework, the Central Bank of Swaziland targets the level of NIR in order to maintain the Rand parity. The NIR level for November was E4.4 billion, an increase from E4.0 billion in October 2011, enough to cover 2.5 months of imports of goods and services. The discount rate remained at 5.5 percent during November 2011.

Chart 7: Annual Inflation Rate



Source: Central Statistics Office of Swaziland

Appendix

Annual inflation rates by main categories (November 2011)

Main Categories	Botswana	Lesotho	Namibia	South Africa	Swaziland
Food & non-alcoholic beverages	8.6	9.6	6.7	10.7	6.1
Alcoholic beverages & tobacco	6.9	6.9	6.4	6.3	5.1
Clothing & footwear	7.7	1.7	4.6	3.6	4.3
Housing, water, electricity, gas & other fuels	10.2	17.7	9.3	6.6	8.3
Furnishings, household equipment &...	9.9	3.1	3.9	1.9	3.3
Health	6.0	0.6	4.9	5.2	6.2
Transport	15.7	3.5	6.6	6.9	14.6
Communications	-5.4	0.0	1.2	-1.6	0.0
Recreation & Culture	7.4	1.9	4.7	-0.6	-1.6
Education	10.6	0.8	5.1	8.6	12.1
Hotels, cafés & restaurants	7.8	2.0	4.0	5.4	2.6
Miscellaneous goods & services	4.6	2.2	3.7	4.9	4.6
All Item	9.2	6.8	6.0	6.1	6.5

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