



SACU INFLATION REPORT

April 2016

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

INTRODUCTION

The report examines the monthly inflation rate performance of individual SACU Member States and a selected international economies. The report also looks at the trend in oil prices and the world food prices using the Food and Agricultural Organisation (FAO) Food Price Index.

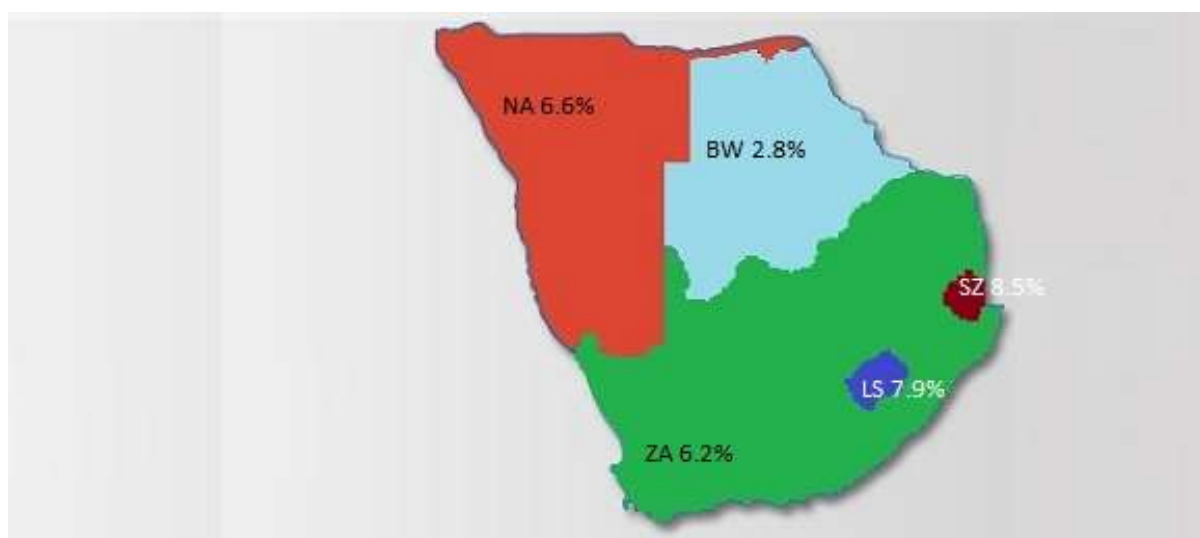
The Consumer Price Index (CPI) is used as the basis to calculate the rate of inflation as experienced by consumers. The inflation rate measures the change in the CPI of the month under review to the previous month (month-on-month change) as well as to the same month in the previous year (year-on-year change). The inflation rate is vital for purposes of economic policy-making, especially the conduct of monetary policy. It is further used in a wide variety of public and private contracts for the purposes of adjusting payments (such as wages, rents, interest and social security benefits).

For the month of April 2016 compared to the preceding month, it was observed that consumer prices continued to increase in most of the SACU Member States with exception of Botswana and South Africa that recorded slight decline in prices. For the month of April it was further observed that the *food & non-alcoholic beverages* category registered the highest price increase in the inflation basket for all Member States with exception of Botswana where the highest price increase was reflected in the *miscellaneous goods & services* category. The inflationary pressures in food prices can be attributed to the prevailing drought in the region.

Inflation Rate in SACU Member States

During the month of April 2016, inflation rates when compared to March 2016 continued to increase in Lesotho, Namibia and Swaziland, while it eased in Botswana and South Africa. **Map I** shows that the highest annual inflation rate among the Member States was registered in Swaziland at 8.5 per cent followed by Lesotho at 7.9 per cent, Namibia at 6.6 per cent, and South Africa at 6.2 per cent. While, Botswana continued to record the lowest inflation rate at 2.8 per cent. All Member States continued to record a single digit annual inflation rate during the month of April 2016.

Map I: Annual Inflation Rates (%) for April 2016 in SACU Member States

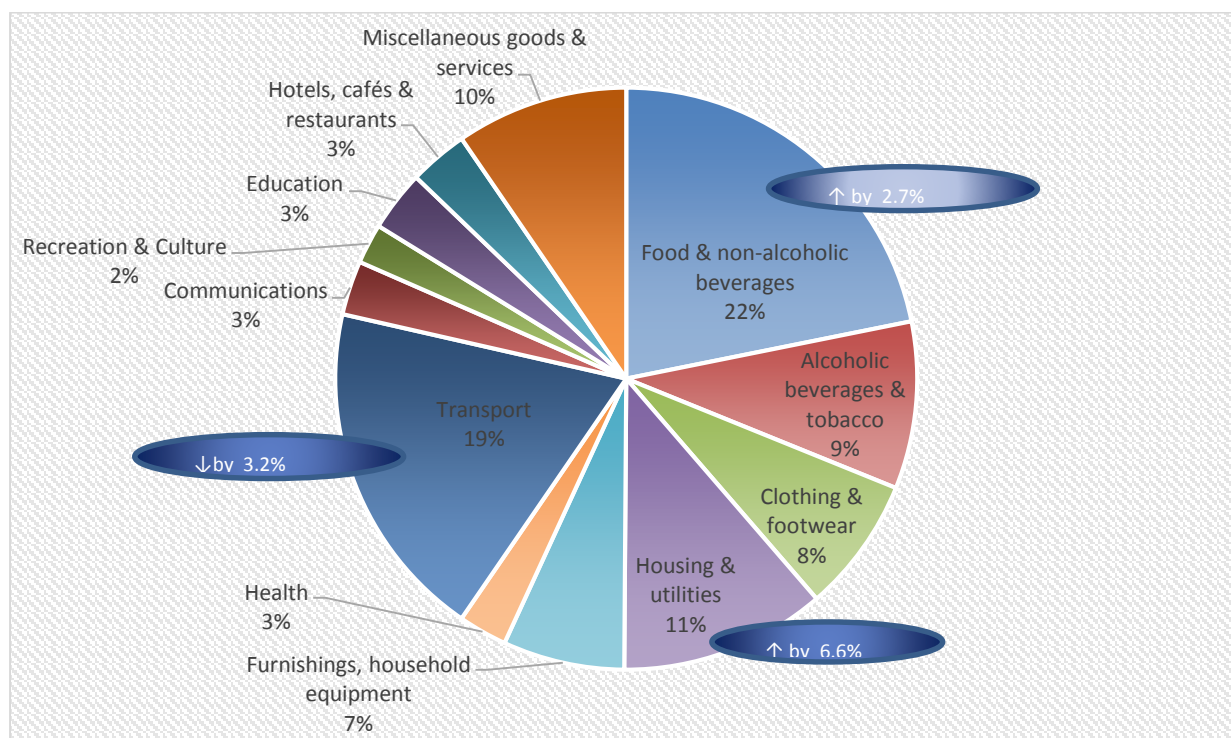


Source: Member States Statistics Offices; (BW-Botswana; LS –Lesotho; NA-Namibia; ZA-South Africa; SZ- Swaziland)

In **Botswana**, the annual inflation rate eased to 2.8 per cent in April 2016 from 3.0 per cent in the preceding month. The annual rate in April 2016 was higher than the 3.1 per cent recorded during the similar month in 2015. The deceleration in the annual inflation rate between April 2015 and April 2016 was mainly due to the drop in prices of *alcoholic beverages & tobacco* (2.1 per cent down from 6.0 per cent in April 2015) which accounts for 9.29 per cent of the overall inflation basket. Inflation rates of the main categories based on the basket weights indicate that *food & non-alcoholic beverages* increased by 2.7 per cent in April 2016, while the second main category, *transport* recorded a decline of 3.2 per cent. Lastly, the third main category in the basket, *housing & utilities*, accounting for 11 per cent of the overall inflation basket increased by 6.6 per cent in April 2016 as reflected in **Chart I**.

On average, prices increased by 0.9 per cent between March 2016 and April 2016. The annual inflation rate recorded in April 2016 was below the inflation target range of 3 – 6 percent set out by the Bank of Botswana. During the month of April 2016 the bank rate¹ stood at 6.0 per cent, while the prime rate was 7.5 per cent.

Chart I: Consumer Price Index Basket Weights and Inflation rates for April 2016 of the top three main categories



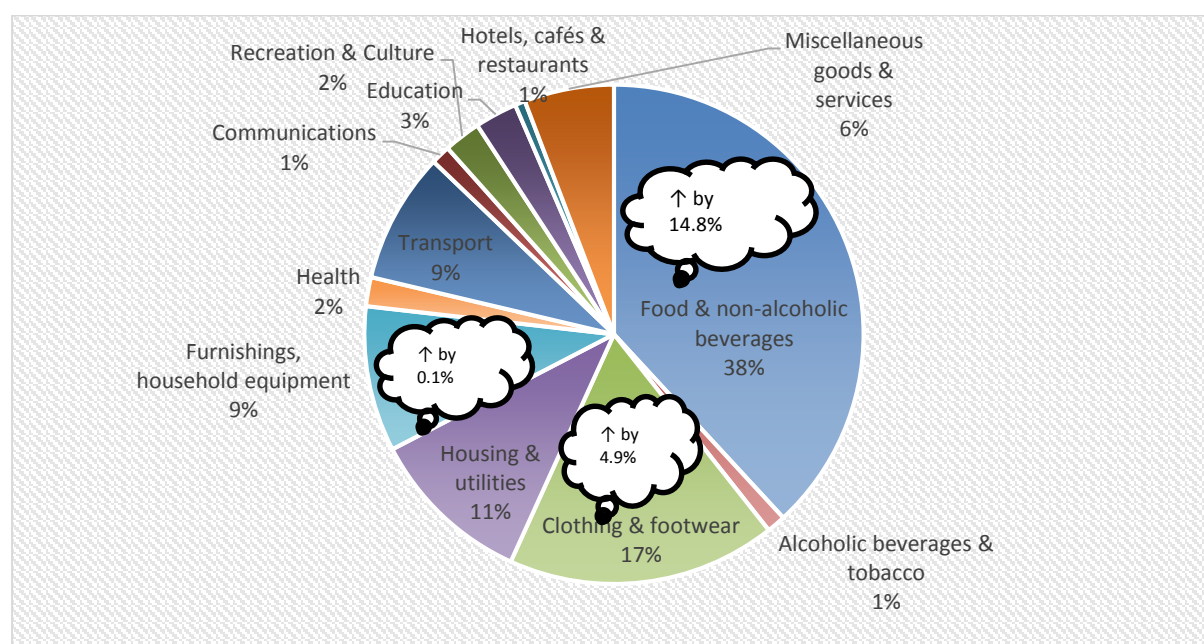
Source: Statistics Botswana

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

In **Lesotho**, the annual inflation rate continued to rise in April 2016, rising by 7.9 per cent from 7.5 per cent in the preceding month. A year earlier inflation rate was 2.0 per cent during the corresponding month. The acceleration in annual inflation rate between April 2015 and April 2016 was mainly due to price increase in *food & non-alcoholic beverages* (14.8 per cent up from 4.2 per cent in April 2015) that accounts for 38.1 per cent of the overall inflation basket. The other main categories based on the basket weights indicated that *clothing & footwear* prices increased by 4.9 per cent in April 2016, while the prices of the third main category, *furnishings, household equipment* increased by 0.1 per cent as reflected in **Chart 2**.

On average, prices increased by 0.2 per cent between March 2016 and April 2016. During the month of April 2016 the Central Bank of Lesotho rate stood at 7.00 per cent, while the prime lending rate stood at 11.63 per cent.

Chart 2: Consumer Price Index Basket Weights and Inflation rates for April 2016 of the top three main categories

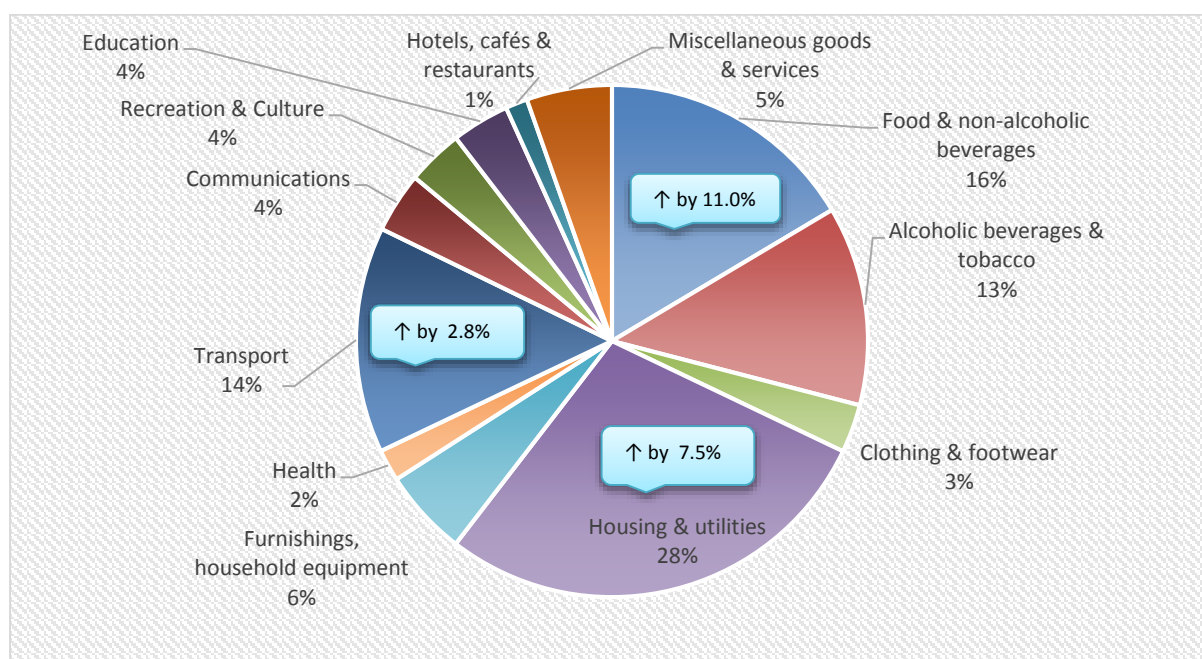


Source: Lesotho Bureau of Statistics

In **Namibia**, the annual inflation rate slightly increased by 6.6 per cent in April 2016, from 6.5 per cent in the preceding month. A year earlier inflation rate was 2.9 per cent during the corresponding month. The acceleration in annual inflation rate between April 2015 and April 2016 was mainly reflected in *housing & utilities* (7.5 per cent up from 2.6 per cent in April 2015) and *food & non-alcoholic beverages* (11.0 per cent up from 5.2 per cent in April 2015) which accounts for 28.36 per cent and 16.45 per cent respectively, of the overall inflation basket. The *food & non-alcoholic beverages* recorded the highest increase in prices among the categories during April 2016 followed by *education* with inflation rate of 7.6 per cent.

On average, prices increased by 0.6 per cent between March 2016 and April 2016. During the month of April 2016, the repo rate stood at 6.75 per cent, while the prime rate stood at 10.50 per cent.

Chart 3: Consumer Price Index Basket Weights and Inflation rates for April 2016 of the top three main categories

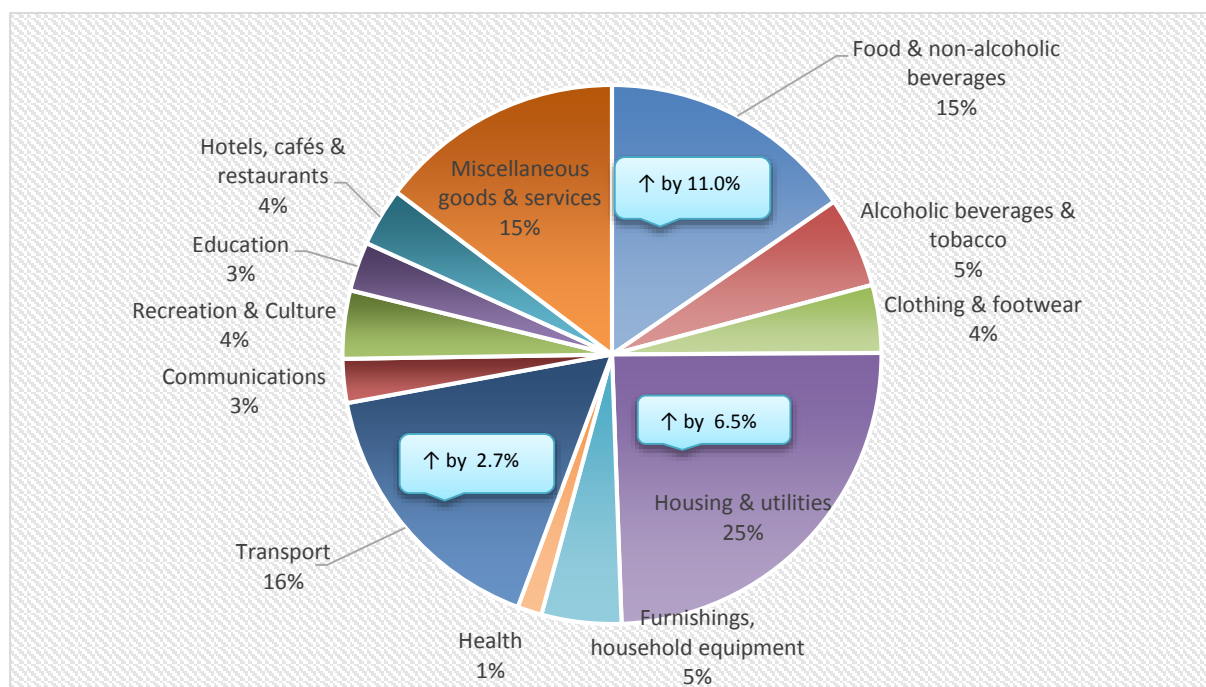


Source: Namibia Statistics Agency

In **South Africa**, the annual inflation rate eased to 6.2 per cent in April 2016, down from 6.3 per cent recorded in the previous month. The annual rate in April 2016 was higher than the 4.5 per cent recorded during the similar month in 2015. The main contributors to the annual inflation rate in April 2016 were *food & non-alcoholic beverages* (1.7 percentage points) and *housing & utilities* (1.6 percentage points). **Chart 4**, shows the contribution of the different categories to the inflation basket and the inflation rates for April 2016 of the main three categories. The *housing & utilities* category that accounts for the biggest weight in the basket of 25.52 per cent increased by 6.5 per cent in April 2016 compared to 5.6 per cent in April 2015. The second main category, transport recorded an inflation rate of 2.7 per cent in April 2016 compared to a decline of 1.1 per cent in April 2015. The third main category, *food & non-alcoholic beverages* increased by 11.0 per cent in April 2016 compared to 5.0 per cent, making it the highest price increase in all categories.

On average, prices increased by 0.8 per cent between March 2016 and April 2016. The annual inflation rate remained above the target range of 3-6 per cent set out by the South African Reserve Bank. Interest rate policy remained accommodative for growth during April 2016 with the repo rate at 7.00 per cent, while the prime rate stood at 10.50 per cent.

Chart 4: Consumer Price Index Basket Weights and Inflation rates for April 2016 of the top three main categories

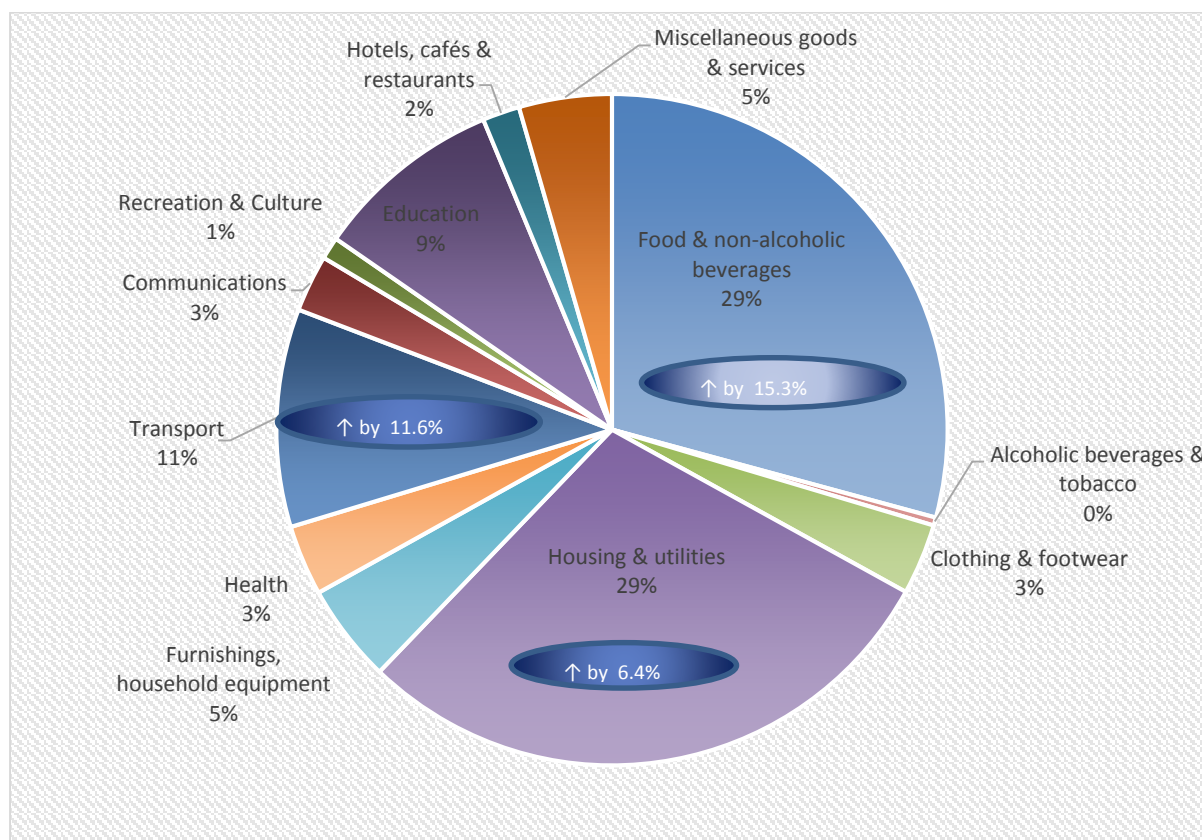


Source: Statistics South Africa

In **Swaziland**, the annual inflation rate increased by 8.5 per cent in April 2016 compared to 7.8 per cent in the previous month, making it the highest inflation rate recorded since December 2012 when inflation rate stood at 8.3 per cent. Annual inflation rate in April 2016 was higher than the 4.9 per cent recorded during the similar month in 2015. The main contributors to the increase in prices between April 2015 and April 2016 were *food & non-alcoholic beverages* (15.3 per cent compared to 3.8 per cent in April 2015) and *housing & utilities* (6.4 per cent compared to 3.2 per cent in April 2015) which accounts for 29.22 and 29.15 per cent of the overall inflation basket, respectively. The third main category, *transport*, increased by 11.6 per cent in April 2016 compared to 8.4 per cent as indicated in **Chart 5**.

On average, prices increased by 1.8 per cent between March 2016 and April 2016. Interest rate policy remained accommodative for growth in April 2016 with the bank rate recorded at 6.50 per cent, and the prime rate at 10.0 per cent.

Chart 5: Consumer Price Index Basket Weights and Inflation rates for April 2016 of the top three main categories

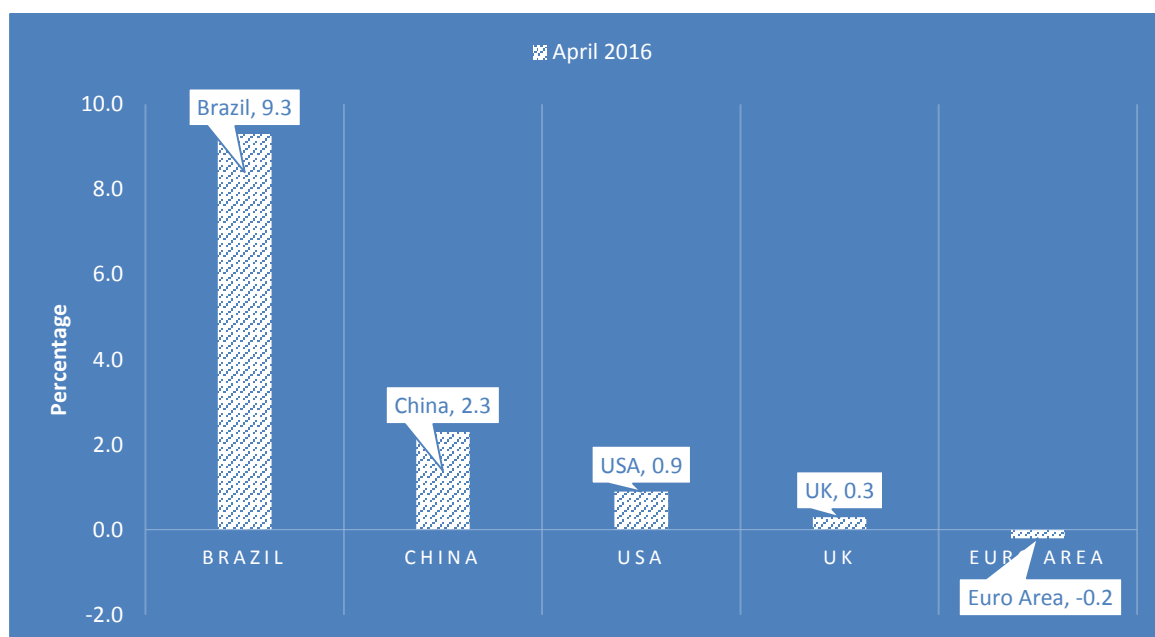


Source: Central Statistics Office

Inflation Rate for Selected Economies

Chart 6, indicates inflation rates in a selected economies for the month of April 2016. Brazil recorded the highest inflation rate at 9.3 per cent in April 2016 compared to 8.2 per cent recorded in April 2015, followed by China with inflation of 2.3 per cent compared to 1.5 per cent in April 2015. In the USA inflation rate rose by 1.1 per cent in April 2016 compared to a decline of 0.2 per cent the previous year, while in the UK, inflation rate rose by 0.3 per cent in April 2016 compared to a decline of 0.1 per cent in April 2015. Inflation rate declined by 0.1 per cent in the Euro Area compared to a stagnant inflation rate a year earlier.

Chart 6: Annual Inflation Rates for Selected Economies

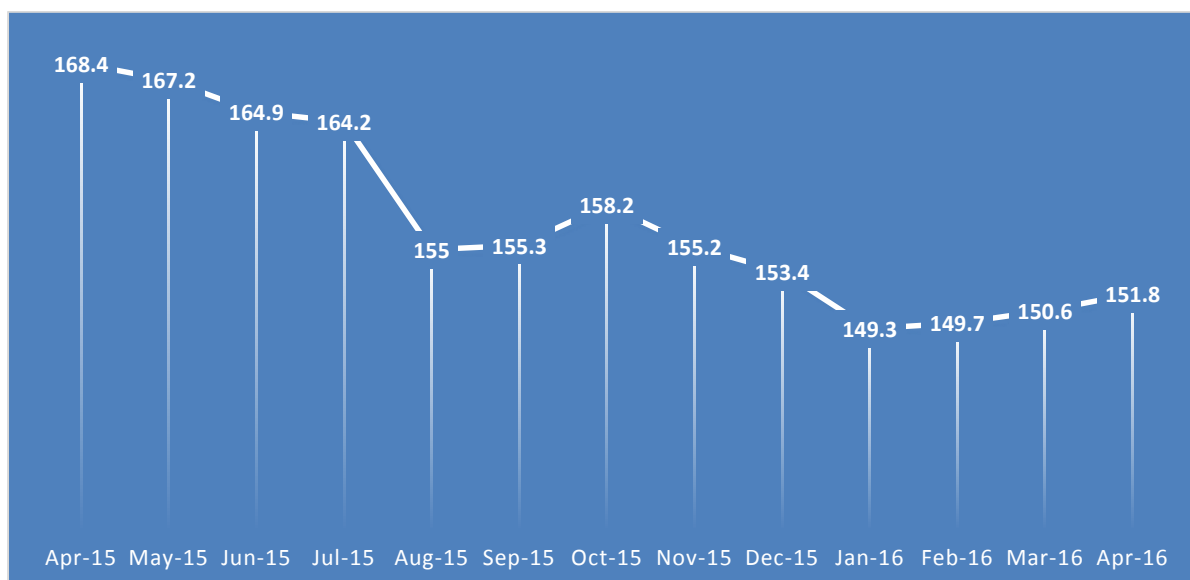


Source: inflation.eu

FAO Food Price Index

Chart 7 shows that the FAO Food Price Index² averaged 151.8 points in April 2016, up by 1.1 per cent from its level in March 2016. A relatively strong rise in prices of vegetable oil coupled with a modest increase in prices of cereals more than offset a decline in dairy and sugar prices.

Chart 7: FAO Food Price Index



Source: Food and Agriculture Organization of the United Nations

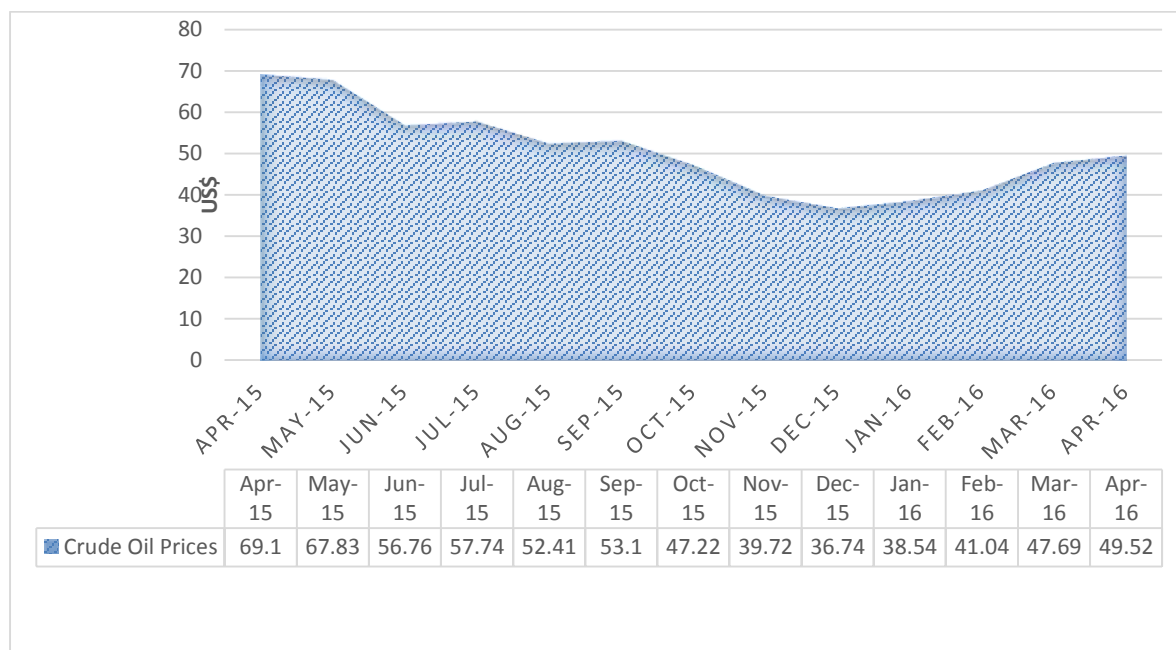
The FAO Cereal Price Index averaged 150.0 points in April 2016, up by 2.2 points from March 2016, mainly reflected in the maize prices which was influenced by weaker US Dollar. The FAO Vegetable Oil Price Index averaged 166.4 points in April 2016, up by 6.6 points from March 2016, the upturn was mainly driven by palm oil prices of which climbed to a 17 month high on concerns over a grim 2016 production outlook and a growing world demand. The FAO Dairy Price Index averaged 127.4 points in April 2016, down by 2.9 points from its level in March 2016, the decline was mostly reflected in butter and cheese. The FAO Meat Price Index averaged 146.6 points in April 2016, up by 1.2 points from March 2016, mainly reflected in the rise of prices for bovine meat. The FAO Sugar Price Index averaged 215 points in April 2016, down by 3.8 points from March 2016. The decline reflects the large export availabilities in Brazil, supported by a bumper crop and expectation of reduced use of sugarcane for the production of ethanol in the country.

² 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

Brent Crude Oil Prices

Brent crude oil price closed at USD49.63 per barrel at the end of April 2016, which was 3.8 percent higher than at the end of March 2016. However, the price level was lower than the USD69.10 per barrel recorded at the end of April 2015 as highlighted in **Chart 8**.

Chart 8: Brent Crude Oil



Source: www.cnbc.com

Appendix

Annual inflation rates by main categories (April 2016)

Main Categories	Botswana	Lesotho	Namibia	South Africa	Swaziland
Food & non-alcoholic beverages	2.7	14.8	11.0	11.0	15.3
Alcoholic beverages & tobacco	2.1	4.2	7.1	5.9	3.4
Clothing & footwear	7.3	4.9	0.3	4.9	5.5
Housing, water, electricity, gas & other fuels	6.6	0.1	7.5	6.5	6.4
Furnishings, household equipment &...	3.1	4.5	5.6	3.8	5.9
Health	3.6	1.9	7.4	6.2	0.2
Transport	-3.2	1.2	2.8	2.7	11.6
Communications	0.5	0.0	0.8	0.1	6.0
Recreation & Culture	2.0	2.1	5.3	6.3	3.5
Education	3.8	4.9	7.6	4.6	3.1
Hotels, cafés & restaurants	4.3	2.4	7.4	5.7	2.2
Miscellaneous goods & services	7.6	4.7	3.9	7.1	4.2
All Items	2.8	7.9	6.6	6.2	8.5

Source: SACU Member States Statistics Offices

Consumer Price Index Basket Weights

Main Categories	Botswana	Lesotho	Namibia	South Africa	Swaziland
<i>Food & non-alcoholic beverages</i>	21.84	38.14	16.45	15.41	29.22
<i>Alcoholic beverages & tobacco</i>	9.29	1.22	12.59	5.43	0.39
<i>Clothing & footwear</i>	7.52	17.43	3.05	4.07	3.42
<i>Housing, water, electricity, gas & other fuels</i>	11.46	10.60	28.36	24.52	29.15
<i>Furnishings, household equipment &...</i>	6.76	9.42	5.47	4.79	4.75
<i>Health</i>	2.71	1.88	2.01	1.46	3.39
<i>Transport</i>	18.98	8.47	14.28	16.43	10.50
<i>Communications</i>	3.01	1.24	3.81	2.63	2.74
<i>Recreation & Culture</i>	2.22	2.39	3.55	4.09	1.07
<i>Education</i>	3.37	2.75	3.65	2.95	9.11
<i>Hotels, cafés & restaurants</i>	3.27	0.66	1.39	3.50	1.79
<i>Miscellaneous goods & services</i>	9.57	5.81	5.39	14.72	4.47
All Items	100.00	100.00	100.00	100.00	100.00

Source: SACU Member States Statistics Offices