



# SACU INFLATION REPORT

May 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](mailto: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.

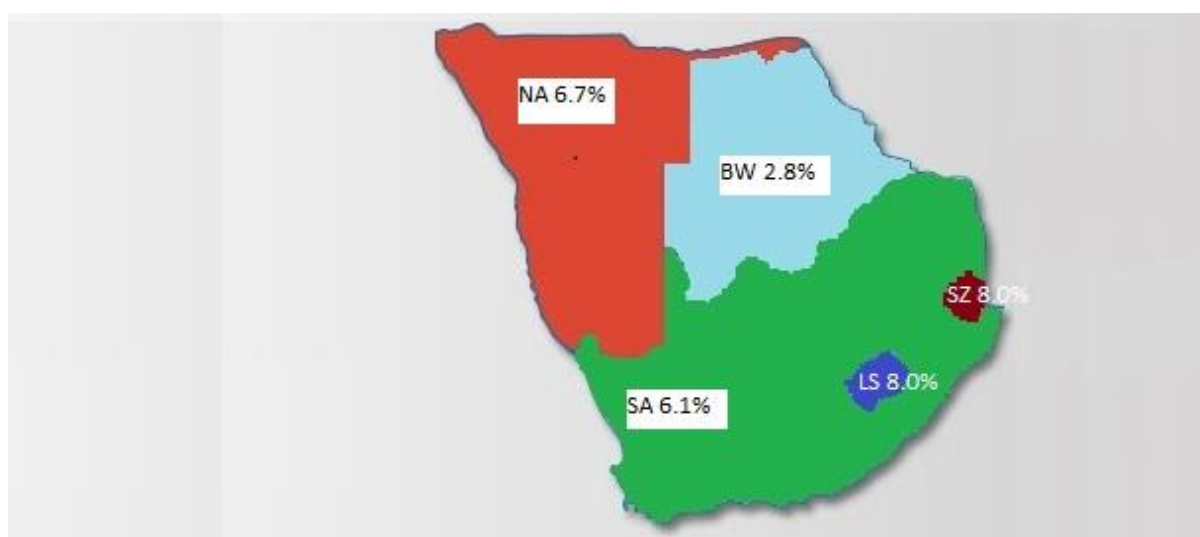
The Consumer Price Index (CPI) is used as the basis to calculate the rate of inflation as experienced by consumers. The inflation rate measures the change in the CPI for the month under review to the previous month (month-on-month change) as well as to the same month in the previous year (year-on-year 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 May 2016 compared to the preceding month, it was observed that consumer prices continued to increase in Lesotho and Namibia, while it remained unchanged in Botswana. South Africa and Swaziland recorded slight decline in prices in May 2016. For the month of May it was further observed that the *food & non-alcoholic beverages* category registered the highest price increases 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. The annual inflation rates in Member States continued to be above the inflation target range of 3 – 6 percent with the exception of Botswana that continued to record inflation rate below the target range.

## Inflation Rate in SACU Member States

During the month of May 2016, inflation rates when compared to April 2016 continued on an upward trend in Lesotho, and Namibia, while it eased in South Africa and Swaziland. Consumer prices in Botswana remained unchanged in May 2016 from April 2016. **Map I** shows that the highest annual inflation rate among the Member States was registered in Lesotho and Swaziland both at 8.0 per cent followed by Namibia at 6.7 per cent, and South Africa at 6.1 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 May 2016. The annual inflation rates in Member States continued to be above the inflation target range of 3 – 6 percent with the exception of Botswana that continued to record inflation rate below the target range.

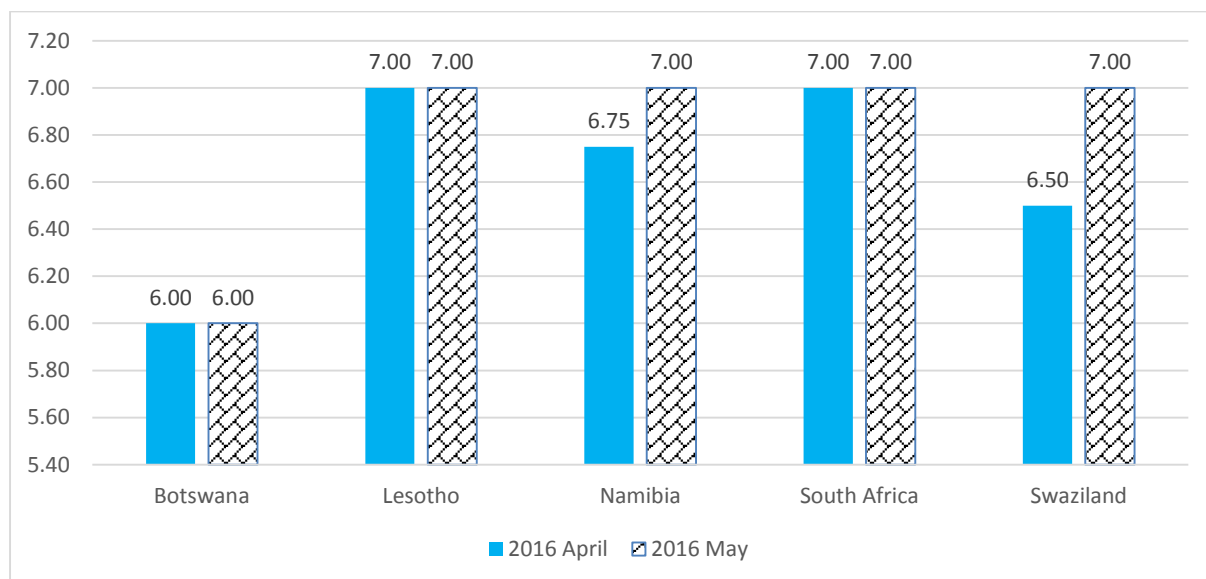
**Map I:** Annual Inflation Rates (%) for May 2016 in SACU Member States



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

By end of May 2016, monetary policy stance in Member States remained generally accommodative with the repo rate / bank rate<sup>1</sup> ranging between 6.00 per cent and 7.00 per cent, as depicted in Chart I. Monetary stance was unaltered between April and May 2016 in Botswana, Lesotho, and South Africa, while changes were effected in Namibia and South Africa during a similar period. During the month of May, the highest prime lending rate was observed in Lesotho at 11.63 per cent, followed by Namibia at 10.75 per cent, South Africa (10.5 per cent), Swaziland (10.5 per cent), and Botswana (7.5 per cent).

**Chart I: Member States' Repo/Bank rates**

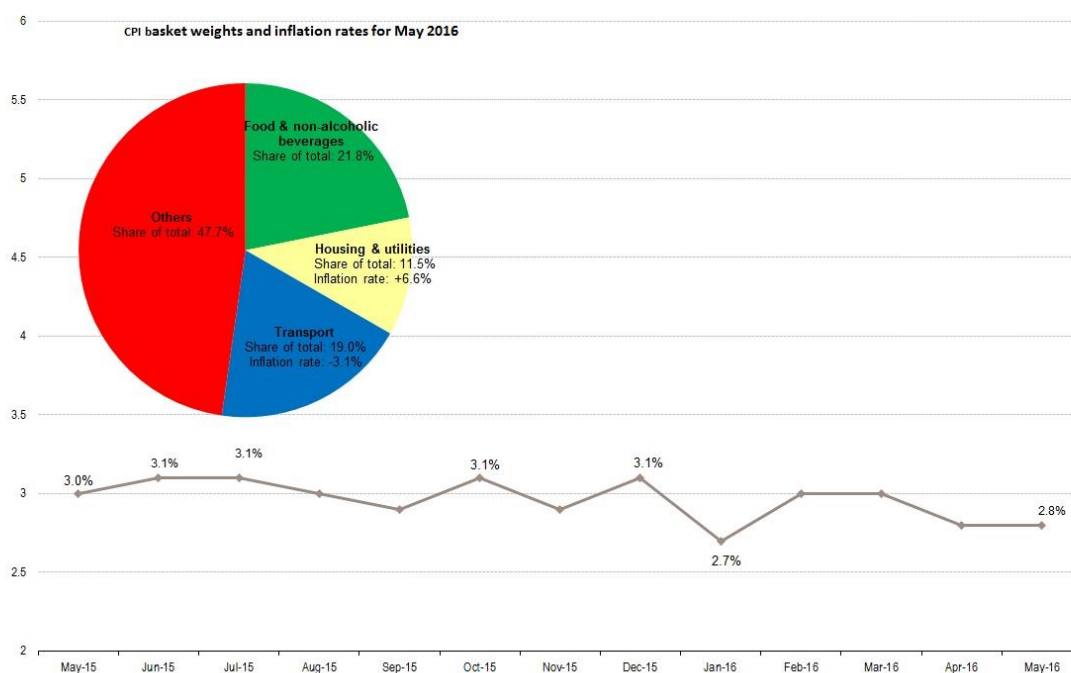


In **Botswana**, the annual inflation rate remained unchanged at 2.8 per cent in May 2016 from the preceding month. The annual rate in May 2016 was higher than the 3.0 per cent recorded during the similar month in 2015. The deceleration in the annual inflation rate between May 2015 and May 2016 was mainly due to the drop in prices of *alcoholic beverages & tobacco* (2.1 per cent down from 6.0 per cent in May 2015) and *furnishing, household equipment & routine maintenance* that accounts for 9.29 per cent and 6.76 per cent of the overall inflation basket. Inflation rates of the main categories based on the basket weights indicate that *food & non-alcoholic beverages* rose by 2.7 per cent in May 2016, unchanged from the preceding month, while the second main category, *transport* recorded a decline of 3.1 per cent compared to a decline of 3.2 per cent in the preceding month. 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 May 2016, unchanged from the preceding month as reflected in **Chart 2**.

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

On average, prices remained stagnant between April 2016 and May 2016. The annual inflation rate recorded in May 2016 was below the inflation target range of 3 – 6 percent set out by the Bank of Botswana.

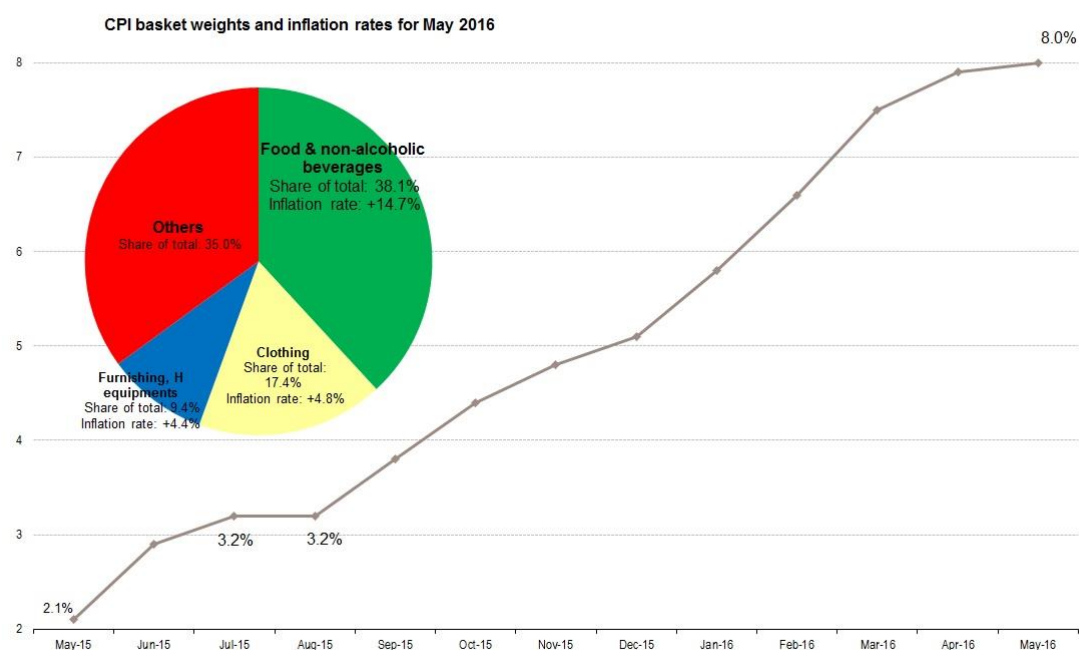
**Chart 2:** Consumer Price Index Basket Weights / Inflation rates for May 2016, and Overall inflation rate



Source: Statistics Botswana

In **Lesotho**, the annual inflation rate continued to be on an upward trend, rising by 8.0 per cent in May 2016 from 7.9 per cent in the preceding month. A year earlier inflation rate was 2.1 per cent during the corresponding month. The acceleration in annual inflation rate between May 2015 and May 2016 was mainly due to price increase in *food & non-alcoholic beverages* (14.7 per cent up from 4.0 per cent in May 2015) that accounts for 38.1 per cent of the overall inflation basket. The other main categories based on the basket weights, the *clothing & footwear* category reflected that prices increased by 4.8 per cent in May 2016, while the prices of the third main category, *furnishings, household equipment* increased by 4.4 per cent as reflected in **Chart 3**. On average, prices increased by 0.6 per cent between April 2016 and May 2016.

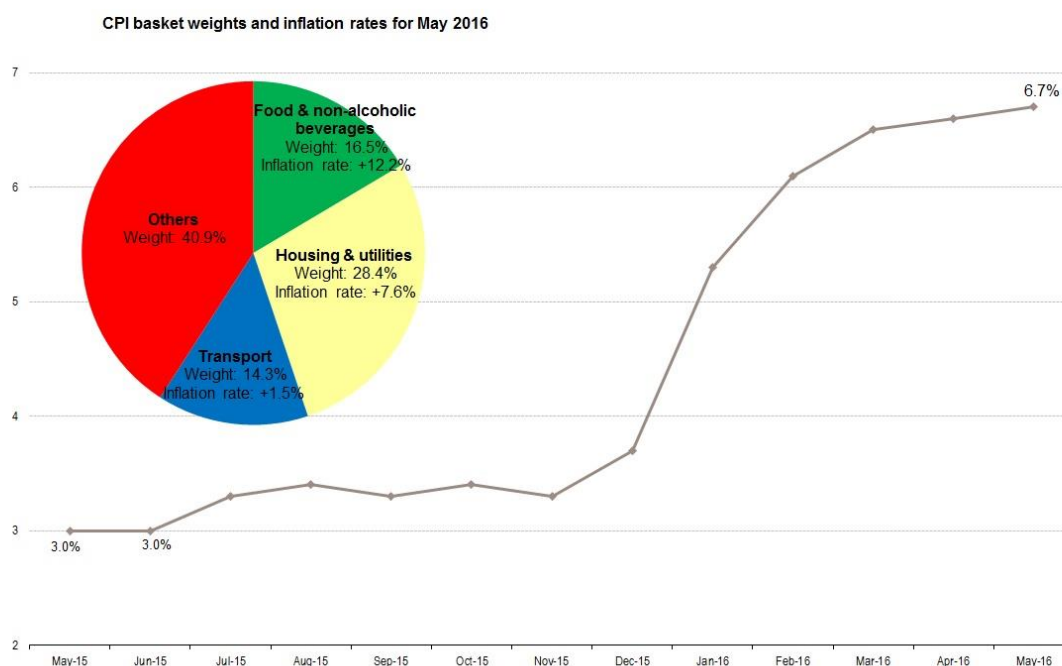
**Chart 3: Consumer Price Index Basket Weights / Inflation rates for May 2016, and Overall inflation rate**



Source: Lesotho Bureau of Statistics

In **Namibia**, the annual inflation rate continued to be on an upward trend since November 2015, recording an increase of 6.7 per cent in May 2016 from 6.6 per cent in the preceding month. A year earlier inflation rate was 3.0 per cent during the corresponding month as reflected in **Chart 4**. The acceleration in annual inflation rate between May 2015 and May 2016 was mainly reflected in *housing & utilities (7.6 per cent up from 2.5 per cent in May 2015)* and *food & non-alcoholic beverages (12.2 per cent up from 4.5 per cent in May 2015)* which accounts for 28.36 per cent and 16.45 per cent respectively, of the overall inflation basket. The other main category based on the basket weight, the *transport* category recorded an increase in prices of 1.5 per cent in May 2016 compared to a decline of 3.3 per cent during the corresponding month of 2015. On average, prices increased by 0.5 per cent between April 2016 and May 2016. During the month of May 2016, the repo rate stood at 6.75 per cent, while the prime rate stood at 10.50 per cent.

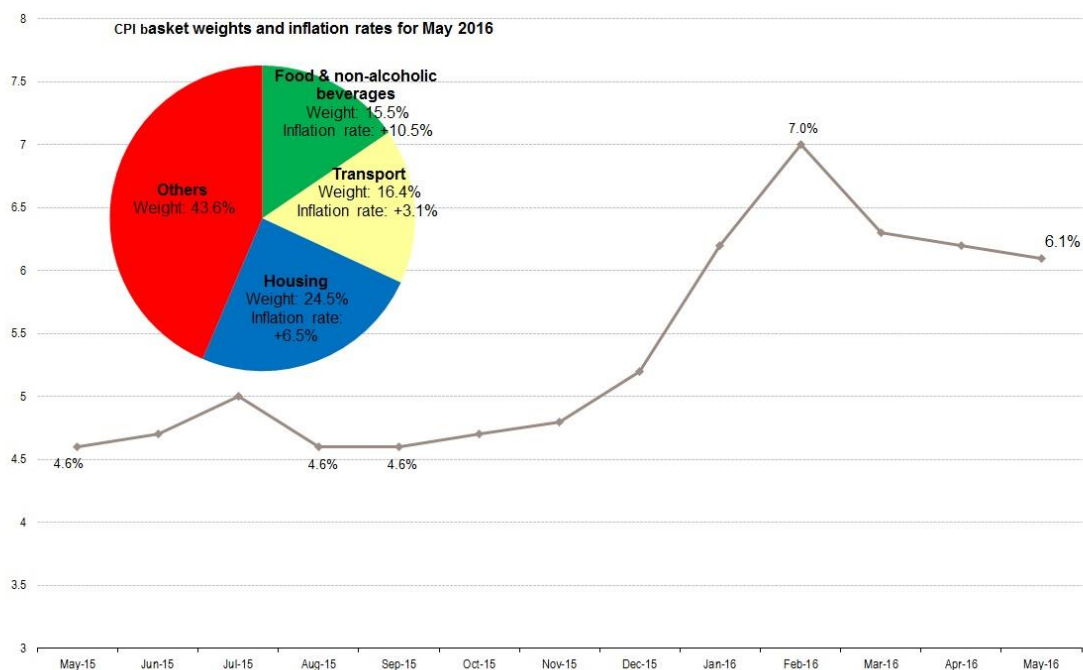
**Chart 4: Consumer Price Index Basket Weights / Inflation rates for May 2016, and Overall inflation rate**



Source: Namibia Statistics Agency

In **South Africa**, the annual inflation rate eased for the third consecutive month to 6.1 per cent in May 2016, down from 6.2 per cent recorded in the previous month as depicted in **Chart 5**. The annual rate in May 2016 was higher than the 4.6 per cent recorded during the similar month in 2015. The main contributors to the annual inflation rate in May 2016 were *food & non-alcoholic beverages (1.6 percentage points)* and *housing & utilities (1.6 percentage points)*. On average, prices increased by 0.2 per cent between April 2016 and May 2016. The annual inflation rate remained above the target range of 3-6 per cent set out by the South African Reserve Bank.

**Chart 5: Consumer Price Index Basket Weights / Inflation rates for May 2016, and Overall inflation rate**

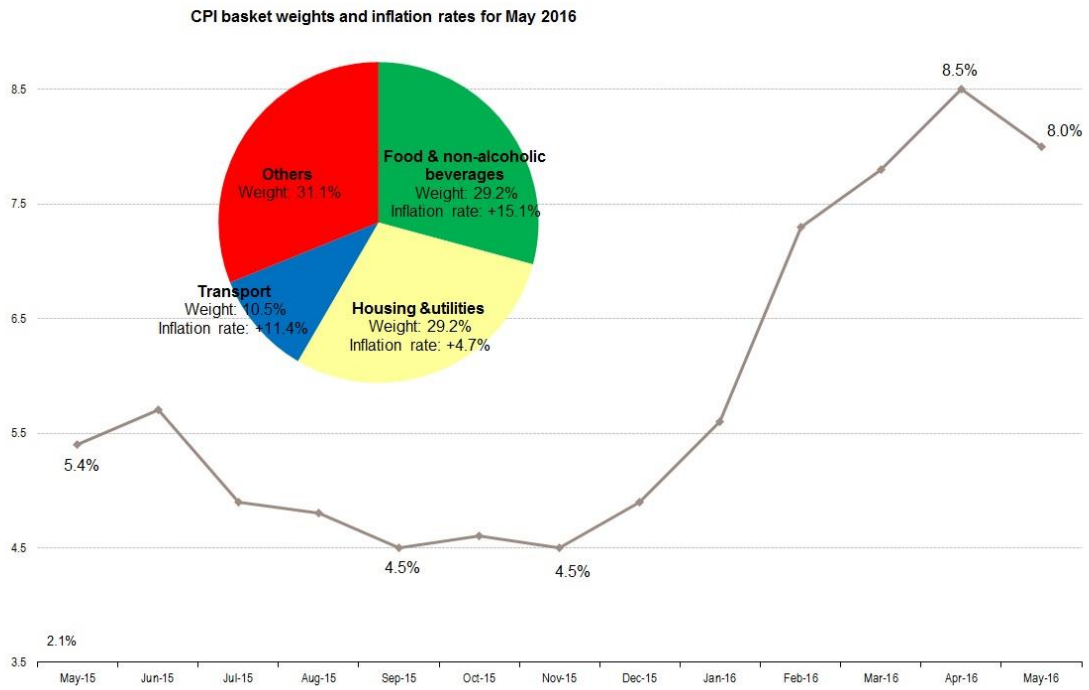


Source: Statistics South Africa

In **Swaziland**, the annual inflation rate eased for the first time since November 2015 to 8.0 per cent in May 2016 compared to 8.5 per cent in the previous month as indicated in **Chart 6**. Annual inflation rate in May 2016 was higher than the 5.4 per cent recorded during the similar month in 2015. The main contributors to the increase in prices between May 2015 and May 2016 was mainly the *food & non-alcoholic beverages* (15.1 per cent compared to 3.4 per cent in May 2015) which accounts for 29.22 per cent of the overall inflation basket. The second main category in the basket based on the weight, the *housing & utilities* category reflected an increase of 4.7 per cent in May 2016 compared to 5.1 per cent in May 2015. The third main category, *transport*, increased by 11.4 per cent in May 2016 compared to 8.2 per cent. On average, prices increased by 0.2 per cent between April 2016 and May 2016.



**Chart 6: Consumer Price Index Basket Weights / Inflation rates for May 2016, and Overall inflation rate**

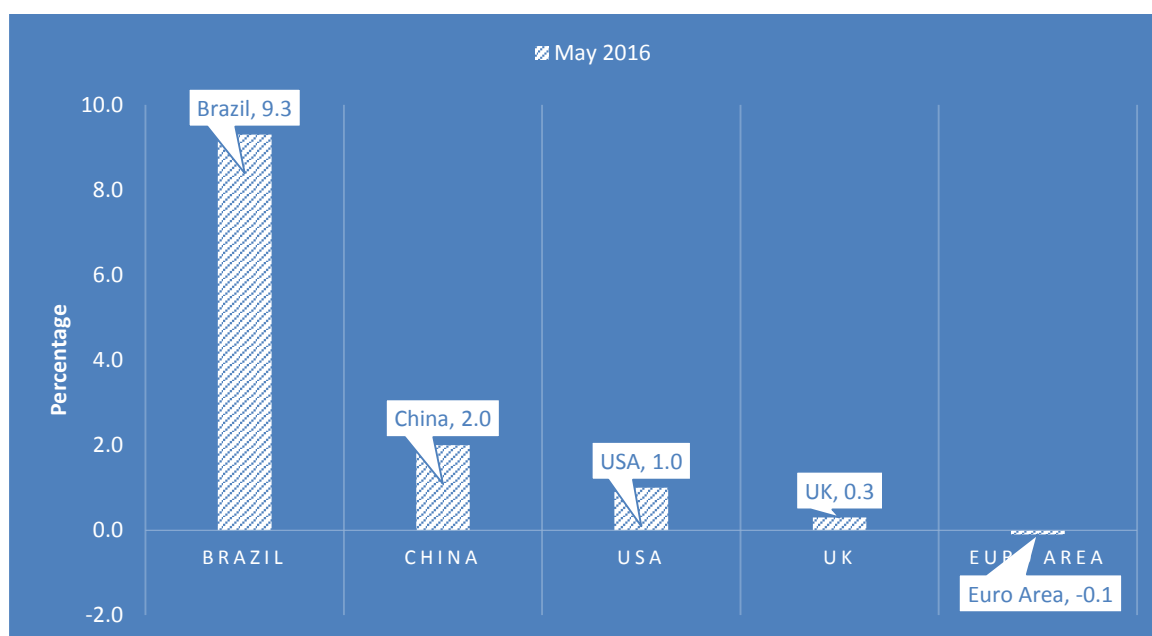


Source: Central Statistics Office

## Inflation Rate for Selected Economies

**Chart 7**, indicates inflation rates in a selected economies for the month of May 2016. Brazil recorded the highest inflation rate at 9.3 per cent in May 2016, unchanged from the preceding month, followed by China with inflation rate of 2.0 per cent compared to 2.3 per cent in the preceding month. In the USA inflation rate rose by 1.0 per cent in May 2016 compared to 0.9 per cent in April 2016, while in the UK, inflation rate rose by 0.3 per cent in May 2016, unchanged from the preceding month. Inflation rate declined by 0.1 per cent in the Euro Area compared to a decline of 0.2 per cent in the preceding month.

**Chart 7: Annual Inflation Rates for Selected Economies**

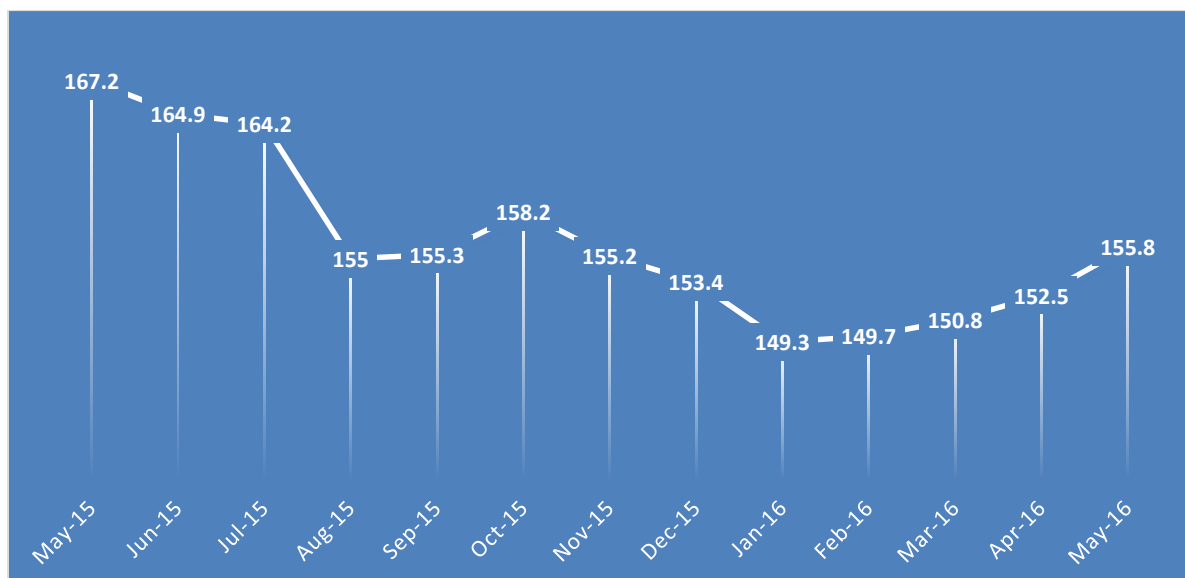


Source: [inflation.eu](http://inflation.eu)

## FAO Food Price Index

**Chart 8** shows that the FAO Food Price Index<sup>2</sup> averaged 155.8 points in May 2016, up by 2.1 per cent from its level in April 2016. The rise was reflected in all sub-indices except for the vegetable oils which dropped.

**Chart 8:** FAO Food Price Index



Source: Food and Agriculture Organization of the United Nations

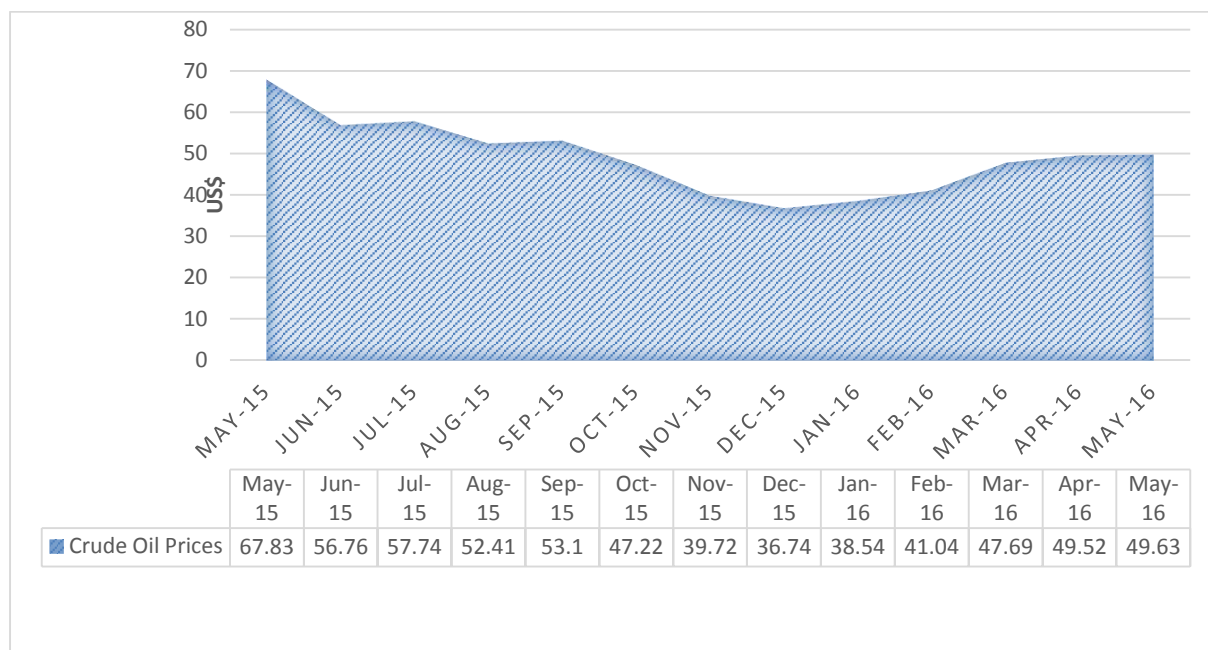
The FAO Cereal Price Index averaged 152.3 points in May 2016, up by 2.5 points from April 2016, mainly reflected in the maize prices which was influenced by tight export supplies until the harvesting of new crops in the northern hemisphere later in the year. The FAO Vegetable Oil Price Index averaged 163.3 points in May 2016, down by 3.1 points from April 2016, the decline was mainly driven by palm oil prices of which fell due to weaker than anticipated import demand. The FAO Dairy Price Index averaged 128.0 points in May 2016, up by 0.4 per cent from its level in April 2016, the rise in prices was mostly due to the improved internal prices within the EU and sustained international import demand. The FAO Meat Price Index averaged 151.8 points in May 2016, up by 3.0 points from April 2016, and the increase was reflected in all the categories of meat. The FAO Sugar Price Index averaged 240.4 points in May 2016, up by 25.1 points from April 2016. The sharp increase was driven mostly by deteriorating production prospects in India, the world's second largest sugar producer.

<sup>2</sup> 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 May 2016, which was 0.2 percent higher than at the end of April 2016. However, the price level was lower than the USD67.83 per barrel recorded at the end of May 2015 as highlighted in **Chart 8**.

**Chart 8: Brent Crude Oil**



Source: [www.cnn.com](http://www.cnn.com)

## Appendix

### Annual inflation rates by main categories (May 2016)

Main Categories	Botswana	Lesotho	Namibia	South Africa	Swaziland
Food & non-alcoholic beverages	2.7	14.7	12.2	10.5	14.7
Alcoholic beverages & tobacco	2.0	4.5	7.3	5.4	4.5
Clothing & footwear	7.1	4.8	-2.1	4.9	4.8
Housing, water, electricity, gas & other fuels	6.6	1.0	7.6	6.5	1.0
Furnishings, household equipment &...	3.0	4.5	5.5	3.8	4.4
Health	3.2	2.0	7.4	4.9	2.0
Transport	-3.1	1.3	1.5	3.1	1.3
Communications	0.0	0.0	2.2	-0.4	0.0
Recreation & Culture	1.8	2.1	6.4	6.2	2.1
Education	3.8	4.9	7.6	4.6	4.9
Hotels, cafés & restaurants	4.3	2.3	9.1	5.6	2.3
Miscellaneous goods & services	7.7	4.8	4.7	7.0	4.8
<b>All Items</b>	<b>2.8</b>	<b>8.0</b>	<b>6.7</b>	<b>6.1</b>	<b>8.0</b>

Source: SACU Member States Statistics Offices

### Consumer Price Index Basket Weights

Main Categories	Botswana	Lesotho	Namibia	South Africa	Swaziland
<i>Food &amp; non-alcoholic beverages</i>	21.84	38.14	16.45	15.41	29.22
<i>Alcoholic beverages &amp; tobacco</i>	9.29	1.22	12.59	5.43	0.39
<i>Clothing &amp; footwear</i>	7.52	17.43	3.05	4.07	3.42
<i>Housing, water, electricity, gas &amp; other fuels</i>	11.46	10.60	28.36	24.52	29.15
<i>Furnishings, household equipment &amp;...</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 &amp; 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 &amp; restaurants</i>	3.27	0.66	1.39	3.50	1.79
<i>Miscellaneous goods &amp; services</i>	9.57	5.81	5.39	14.72	4.47
<b>All Items</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Source: SACU Member States Statistics Offices