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INTRODUCTION

The report examines the monthly inflation rate performance of individual SACU Member States and 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 corresponding 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 and to consumers in general. 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 December 2017 compared to the preceding month, it was observed that prices decelerated in Swaziland while prices remained unchanged in Namibia. In Botswana, Lesotho and South Africa prices increased during the same period. It was further observed that Lesotho recorded the highest change in consumer prices in December 2017 recording a rate of 5.7 per cent followed by Namibia (5.2 per cent), South Africa (4.7 per cent), Swaziland (4.7 per cent), and Botswana (3.2 per cent). All Member States continued to record a single digit annual inflation rate during the month of December 2017.

Overall in 2017, consumer prices decelerated in all Member States with exception of Botswana where prices increased when compared to 2016. Member States recorded the following inflation rates for 2017: Botswana (3.3%); Lesotho (5.2%); Namibia (6.2%); South Africa (5.3%); and Swaziland (6.3%)
Inflation Rate in SACU Member States

Consumer prices in December 2017 compared to November 2017 decelerated in Swaziland while prices remained unchanged in Namibia. In Botswana, Lesotho and South Africa price increased during the same period. Map 1 shows that Lesotho recorded the highest change in consumer prices in December 2017 recording a rate of 5.7 per cent followed by Namibia (5.2 per cent), South Africa (4.7 per cent), Swaziland (4.7 per cent), and Botswana (3.2 per cent). All Member States continued to record a single digit annual inflation rate during the month of December 2017.

Overall in 2017, consumer prices decelerated in all Member States with exception of Botswana where prices increased when compared to 2016. Member States recorded the following inflation rates for 2017: Botswana (3.3% compared to 2.8% in 2016); Lesotho (5.2% compared to 6.6% in 2016); Namibia (6.2% compared to 6.7% in 2016); South Africa (5.3% compared to 6.4% in 2016); and Swaziland (6.3% compared to 6.8% in 2016).

Map 1: Annual Inflation Rates (%) for December 2017 in SACU Member States

![Map showing inflation rates for December 2017 in SACU member states]

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

By the end of December 2017, monetary policy stance in Member States continued to remain accommodative with the repo rate / bank rate\(^1\) ranging between 5.00 per cent and 7.25 per cent, as depicted in Chart 1. Monetary stance was unaltered between December 2017 and

\(^1\) Bank rate is the rate at which the Central Bank lends to Commercial Banks
November 2017 in all Member States. During the month of December 2017, the highest prime lending rate was observed in Lesotho at 11.44 per cent, followed by Swaziland at 10.75 per cent, Namibia at 10.50 per cent, South Africa at 10.25 per cent, and Botswana at 6.50 per cent.

Chart 1: Member States’ Repo/Bank rates

<table>
<thead>
<tr>
<th>Country</th>
<th>Rate Nov-17</th>
<th>Rate Dec-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Botswana</td>
<td>5.00</td>
<td>6.75</td>
</tr>
<tr>
<td>Lesotho</td>
<td>6.75</td>
<td>6.75</td>
</tr>
<tr>
<td>Namibia</td>
<td>6.75</td>
<td>6.75</td>
</tr>
<tr>
<td>South Africa</td>
<td>6.75</td>
<td>7.25</td>
</tr>
<tr>
<td>Swaziland</td>
<td>7.25</td>
<td>7.25</td>
</tr>
</tbody>
</table>

Source: Member States’ Central Banks

In Botswana, the annual inflation rate increased by 3.2 per cent in December 2017 compared to 2.9 per cent in the preceding month, as reflected in Chart 2. The annual rate in December 2017 was higher than the 3.0 per cent recorded during a similar month in 2016. The increase in the annual inflation rate to 3.0 per cent between December 2017 and December 2016 was mainly reflected in the rising prices in transport (4.1 per cent compared to -0.3 per cent in December 2016) which accounts for 20.65 per cent of the overall inflation basket. Inflation rates of the other main categories based on the basket weights shows that food & non-alcoholic beverages rose by 1.1 per cent in December 2017 as opposed to 3.9 per cent during the corresponding month in 2016, while, housing & utilities recorded an increase of 5.8 per cent compared to 3.3 per cent in December 2016.

On average, consumer prices increased by 0.4 per cent between December 2017 and November 2017. The annual inflation rate recorded in December 2017 fell within the inflation target range of 3 – 6 per cent set out by the Bank of Botswana.
In Lesotho, the annual inflation rate increased by 5.7 per cent in December 2017 compared to 5.3 per cent in the preceding month as reflected in Chart 3. A year earlier inflation rate was 5.3 per cent during the corresponding month. The acceleration in the annual inflation rate between December 2017 and December 2016 was mainly due to the increase in the cost of housing & utilities (8.8 per cent up from 0.0 per cent in December 2016) that accounts for 12.4 per cent of the overall inflation basket. The other main categories based on the basket weights, the food & non-alcoholic beverages category reflected that prices increased by 7.2 per cent in December 2017, while the prices of the third main category, clothing & footwear rose by 1.6 per cent. On average, prices increased by 0.3 per cent between December 2017 and November 2017.
In Namibia, the annual inflation rate increased by 5.2 per cent in December 2017 unchanged for the third consecutive month. A year earlier inflation rate was 7.3 per cent during the corresponding month as reflected in Chart 4. The deceleration in the annual inflation rate between December 2017 and December 2016 was mainly reflected in food & non-alcoholic beverages (2.4 per cent down from 12.5 per cent in December 2016) which accounts for 16.45 per cent of the overall inflation basket. The other main categories based on the basket weight, the housing & utilities and transport categories recorded an increase in prices of 9.2 per cent and 6.7 per cent, respectively in December 2017. On average, prices increased by 0.2 per cent between December 2017 and November 2017.
In **South Africa**, the annual inflation rate increased by 4.7 per cent in December 2017 compared to 4.6 per cent recorded in the previous month as depicted in **Chart 5**. The annual rate in December 2017 was lower than the 6.8 per cent recorded during the similar month in 2016. The main contributors to the annual inflation rate in December 2017 were **housing & utilities (1.1 percentage points)** followed by **miscellaneous goods & services (1.1 percentage points)** and **food & non-alcoholic beverages (0.8 percentage points)**. On average, prices increased by 0.5 per cent between December 2017 and November 2017. The annual inflation rate in December 2017 remained within the target range of 3-6 per cent set out by the South African Reserve Bank.
In Swaziland, the annual inflation rate increased by 4.7 per cent in December 2017 compared to 4.9 per cent in the preceding month as indicated in Chart 6. Annual inflation rate in December 2017 was lower than the 8.7 per cent recorded during a similar month in 2016. The main contributor to the deceleration in prices between December 2017 and December 2016 was mainly the cost of food & non-alcoholic beverages (2.6 per cent down from 19.0 per cent in December 2016) which accounts for 29.22 per cent of the overall inflation basket. The other main categories in the basket based on the weight, the housing & utilities and transport increased by 8.2 per cent and 5.6 per cent, respectively, in December 2017. On average, prices increased by 0.1 per cent between December 2017 and November 2017.
Chart 6: Swaziland Annual Inflation Rates

Source: Central Statistics Office
**Inflation Rate for Selected Economies**

*Chart 7*, indicates inflation rates in selected economies for the month of December 2017. In the **UK** consumer prices rose by 3.0 per cent in December 2017 compared to 3.1 per cent in the preceding month, while the rate was 1.6 per cent in December 2016. While in **Brazil**, inflation rate rose by 3.0 per cent in December 2017 compared to 2.8 per cent in the previous month and the rate was 6.3 per cent in December 2016. In the **USA**, inflation rate rose by 2.1 per cent in December 2017 compared to 2.2 per cent in November 2017, and 2.1 per cent in December 2016. In December 2017 consumer prices in **China** rose by 1.8 per cent compared to 1.7 per cent in the preceding month while the rate was 2.1 per cent during a similar month in 2016. **Euro area** annual inflation was 1.4 per cent in December 2017 compared with 1.5 per cent in November 2017, while the rate was 1.1 per cent in December 2016.

*Chart 7: Annual Inflation Rates for Selected Economies (December 2017)*

![Chart 7: Annual Inflation Rates for Selected Economies (December 2017)](source: inflation.eu)
**FAO Food Price Index**

*Chart 8* shows that the FAO Food Price Index\(^2\) (FFPI) averaged at 169.8 points in December 2017, down by 3.3 per cent from November 2017, mainly due to the declines registered in the prices of dairy, vegetable oils and sugar.

**Chart 8: FAO Food Price Index**

\(^2\) 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 USD66.87 per barrel at the end of December 2017, which was 5.2 per cent higher than at the end of November 2017. Year on year, the price level was higher than the USD50.47 per barrel recorded at the end of December 2016 as highlighted in Chart 8.

**Chart 8: Brent Crude Oil**

![Chart showing Brent Crude Oil prices from November 2016 to December 2017](source: www.cnbc.com)

Source: www.cnbc.com
# Appendix

## Annual Inflation Rates by Main Categories (December 2017)

<table>
<thead>
<tr>
<th>Main Categories</th>
<th>Botswana</th>
<th>Lesotho</th>
<th>Namibia</th>
<th>South Africa</th>
<th>Swaziland</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food &amp; non-alcoholic beverages</td>
<td>1.1</td>
<td>7.2</td>
<td>2.4</td>
<td>4.8</td>
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<tr>
<td>Alcoholic beverages &amp; tobacco</td>
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<td>6.9</td>
<td>4.6</td>
<td>4.9</td>
<td>5.9</td>
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<tr>
<td>Clothing &amp; footwear</td>
<td>2.5</td>
<td>1.6</td>
<td>-4.3</td>
<td>1.8</td>
<td>-1.0</td>
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<tr>
<td>Housing, water, electricity, gas &amp; other fuels</td>
<td>5.8</td>
<td>8.8</td>
<td>9.2</td>
<td>4.4</td>
<td>8.2</td>
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<tr>
<td>Furnishings, household equipment &amp;...</td>
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<td>5.6</td>
<td>0.2</td>
<td>1.7</td>
<td>2.4</td>
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<tr>
<td>Communications</td>
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<td>-0.2</td>
<td>-1.7</td>
<td>-1.3</td>
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<tr>
<td>Recreation &amp; Culture</td>
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</tr>
<tr>
<td>Education</td>
<td>4.2</td>
<td>6.9</td>
<td>7.8</td>
<td>7.0</td>
<td>7.4</td>
</tr>
<tr>
<td>Hotels, cafés &amp; restaurants</td>
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<td>1.7</td>
<td>5.5</td>
<td>3.0</td>
<td>6.1</td>
</tr>
<tr>
<td>Miscellaneous goods &amp; services</td>
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<td>1.3</td>
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<td>5.7</td>
<td>5.2</td>
<td>4.7</td>
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</table>

*Source: SACU Member States Statistics Offices*

## Consumer Price Index Basket Weights

<table>
<thead>
<tr>
<th>Main Categories</th>
<th>Botswana</th>
<th>Lesotho</th>
<th>Namibia</th>
<th>South Africa</th>
<th>Swaziland</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food &amp; non-alcoholic beverages</td>
<td>16.51</td>
<td>36.1</td>
<td>16.45</td>
<td>15.41</td>
<td>29.22</td>
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<td>Alcoholic beverages &amp; tobacco</td>
<td>7.83</td>
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<td>12.59</td>
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<td>0.39</td>
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<tr>
<td>Clothing &amp; footwear</td>
<td>6.27</td>
<td>13.1</td>
<td>3.05</td>
<td>4.07</td>
<td>3.42</td>
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<tr>
<td>Housing, water, electricity, gas &amp; other fuels</td>
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<td>29.15</td>
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<td>8.5</td>
<td>5.47</td>
<td>4.79</td>
<td>4.75</td>
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<tr>
<td>Health</td>
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<td>2.01</td>
<td>1.46</td>
<td>3.39</td>
</tr>
<tr>
<td>Transport</td>
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<td>4.8</td>
<td>14.28</td>
<td>16.43</td>
<td>10.50</td>
</tr>
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<td>2.1</td>
<td>3.81</td>
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<tr>
<td>Recreation &amp; Culture</td>
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<td>1.07</td>
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<tr>
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<td>7.3</td>
<td>5.39</td>
<td>14.72</td>
<td>4.47</td>
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<tr>
<td>All Items</td>
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<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
</tr>
</tbody>
</table>

*Source: SACU Member States Statistics Offices*