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**SACU**

**SOUTHERN AFRICAN CUSTOMS UNION**



## **SACU INFLATION REPORT**

**April 2018**

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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.

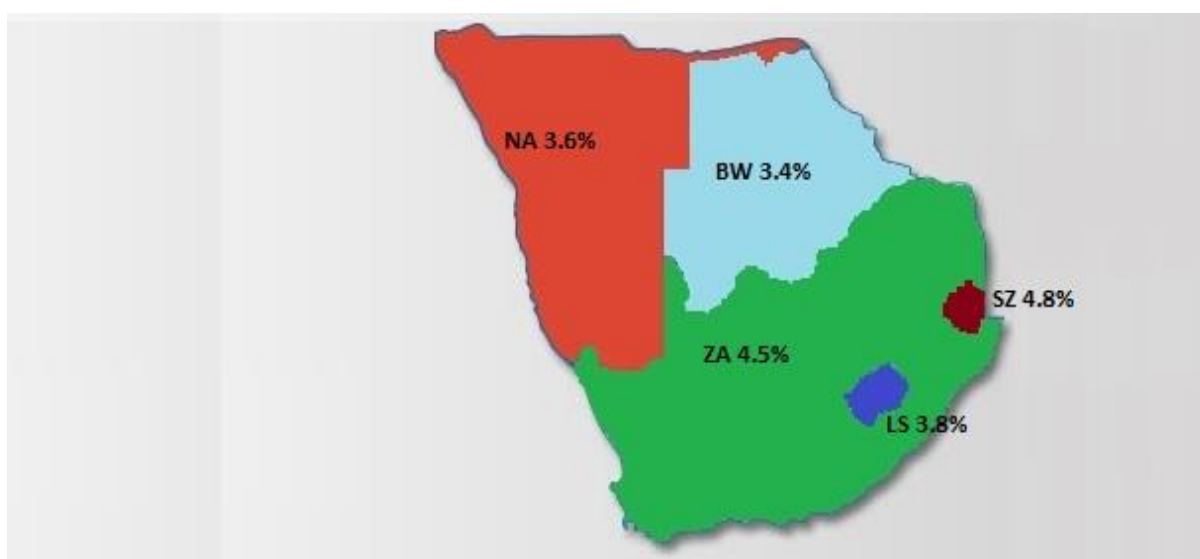
The Consumer Price Index (CPI) is used as the basis to calculate the rate of inflation as experienced by consumers. The inflation rate measures the change in the CPI for the month under review to the previous month (month-on-month change) as well as to the corresponding month in the previous year (year-on-year 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 April 2018 compared to the preceding month, it was observed that prices accelerated in all Member States with exception of Swaziland recorded the highest change in consumer prices in April 2018 recording a rate of 4.8 percent followed by South Africa at 4.5 percent, Lesotho (3.8 percent), Namibia (3.6 percent), and Botswana (3.4 percent). All Member States continued to record a single digit annual inflation rate during the month of April 2018.

## Inflation Rate in SACU Member States

Consumer prices advanced at a higher rate in April 2018 compared to the preceding month in all Member States with exception of Lesotho. **Map I** shows that Swaziland recorded the highest change in consumer prices in April 2018 recording a rate of 4.8 percent followed by South Africa at 4.5 percent, Lesotho (3.8 percent), Namibia (3.6 percent), and Botswana (3.4 percent). All Member States continued to record a single digit annual inflation rate during the month of April 2018.

**Map I:** Annual Inflation Rates (%) for April 2018 in SACU Member States

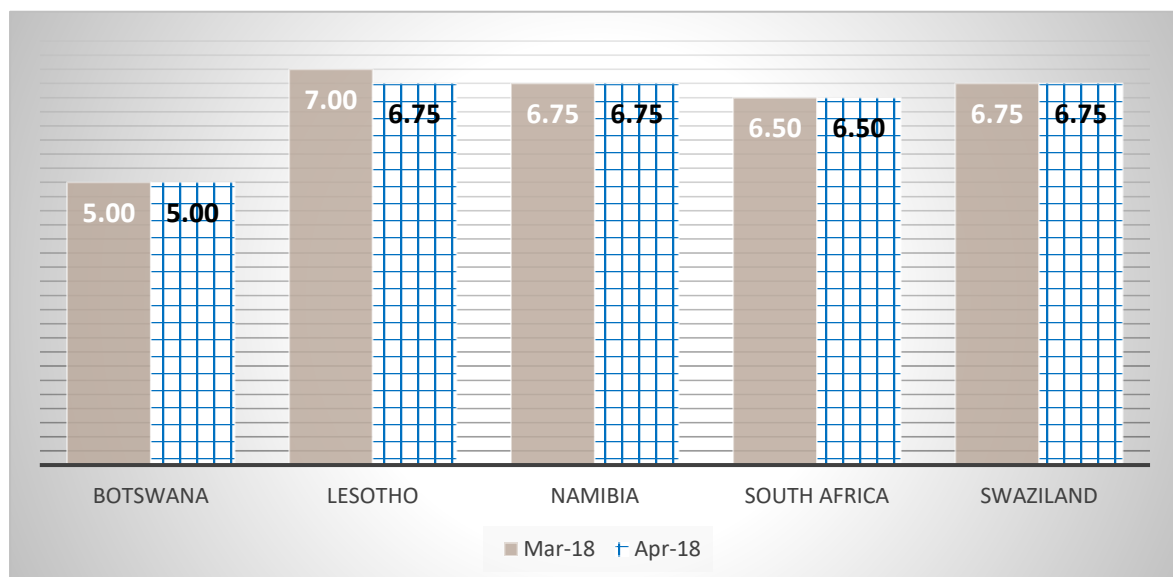


Source: Member States Statistics Offices; (BW-Botswana; LS –Lesotho; NA-Namibia; ZA-South Africa; SZ- Swaziland)

By the end of April 2018, monetary policy stance in Member States continued to remain accommodative with the repo rate / bank rate<sup>1</sup> ranging between 5.00 percent and 6.75 percent, as depicted in **Chart I**. Monetary stance was unaltered between April 2018 and March 2018 in all Member States with exception of Lesotho where the Monetary Policy Consultative Committee lowered the discount rate by 0.25 basis points to 6.75 percent. During the month of April 2018, the highest prime lending rate was observed in Lesotho at 11.56 percent, followed by Namibia at 10.50 percent, Swaziland at 10.25 percent, South Africa at 10.00 percent, and Botswana at 6.50 percent.

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

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

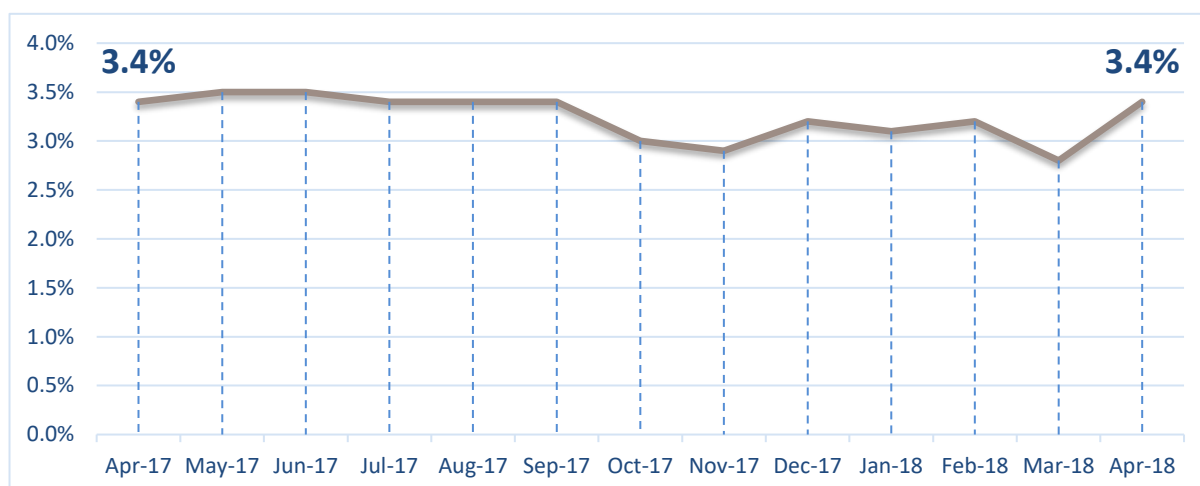


Source: Member States' Central Banks

In **Botswana**, the annual inflation rate increased by 3.4 percent in April 2018 compared to 2.8 percent in the preceding month, making it the highest increase since October 2017, as reflected in **Chart 2**. The annual rate in April 2018 remained unchanged when compared to a similar month in 2017. The annual inflation rate in April 2018 when compared to April 2017 was mainly driven by the increase of prices in *transport* (6.3 percent compared to 1.5 percent in April 2017) which accounts for 20.65 percent of the overall inflation basket. Inflation rates of the other main categories based on the basket weights shows that *food & non-alcoholic beverages* declined by 0.1 percent in April 2018 compared to an increase of 3.8 percent during the corresponding month in 2017, while, the *housing & utilities* recorded an increase of 3.3 percent compared to 6.7 percent in April 2017.

On average, consumer prices increased by 1.3 percent between April 2018 and March 2018. The annual inflation rate recorded in April 2018 was below the inflation target range of 3 – 6 percent set out by the Bank of Botswana.

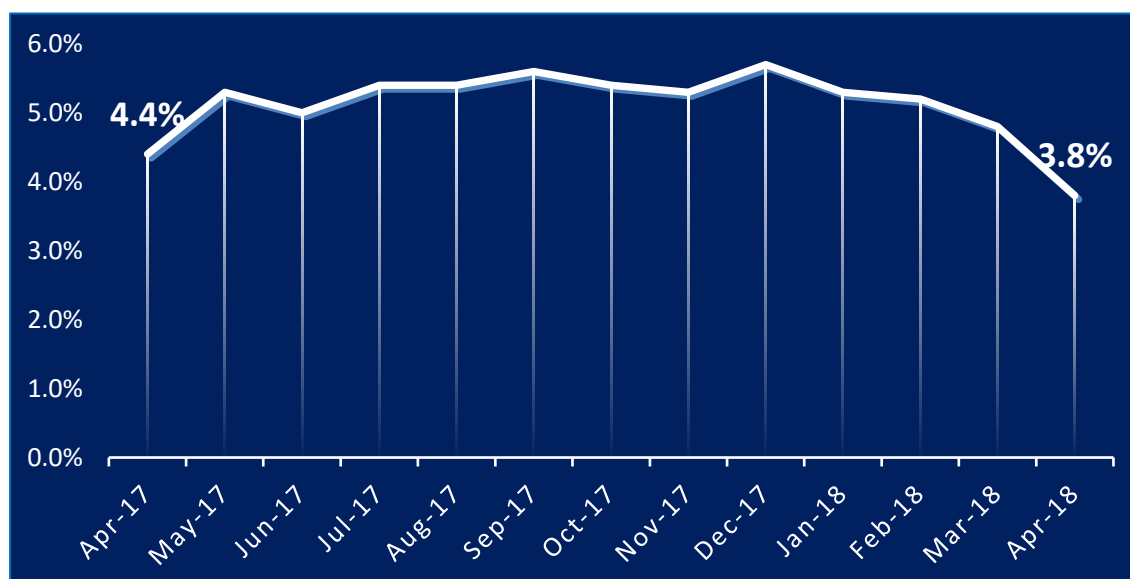
**Chart 2: Botswana Annual Inflation Rates**



Source: Statistics Botswana

In **Lesotho**, the annual inflation rate increased by 3.8 percent in April 2018 compared to 4.8 percent in the preceding month, recording the lowest rate since September 2015 as reflected in **Chart 3**. A year earlier inflation rate was 4.4 percent during the corresponding month. The main driver of the deceleration in annual inflation rate between April 2018 and April 2017 was mainly reflected in the decline in cost of *clothing & footwear* category (1.6 percent down from 2.8 percent in April 2017) and *housing & utilities food & non-alcoholic beverages* category (5.5 percent down from 7.9 percent in April 2017) that accounts for 13.1 percent and 12.4 percent of the overall inflation basket, respectively. The other main categories based on the basket weights, the *food & non-alcoholic beverages* category reflected that prices increased by 4.9 percent in April 2018. On average, prices increased by 0.2 percent between April 2018 and March 2018.

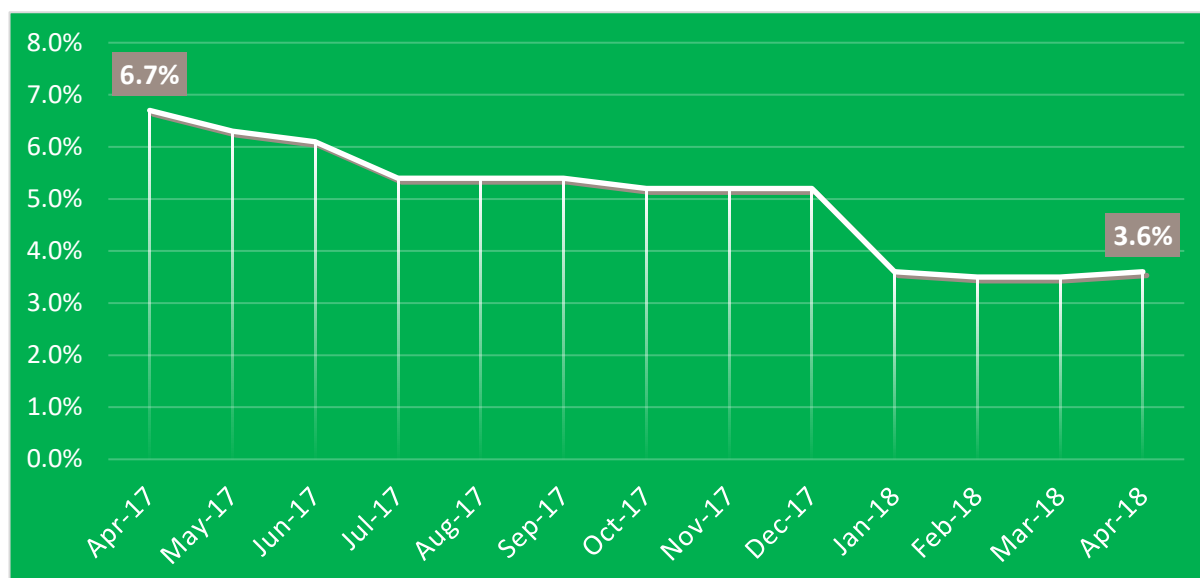
**Chart 3: Lesotho Annual Inflation Rates**



Source: Lesotho Bureau of Statistics

In **Namibia**, the annual inflation rate increased by 3.6 percent in April 2018 compared to 3.5 percent in the previous month. A year earlier inflation rate was 6.7 percent during the corresponding month as reflected in **Chart 4**. The deceleration in the annual inflation rate between April 2018 and April 2017 was mainly reflected in prices of *housing & utilities* (3.4 percent down from 9.4 percent in April 2017) which accounts for 28.36 percent of the overall inflation basket. The other main categories based on the basket weight, the *food & non-alcoholic beverages* and *transport* categories recorded increase in prices of 2.9 percent and 5.8 percent, respectively in April 2018. On average, prices increased by 0.3 percent between April 2018 and March 2018.

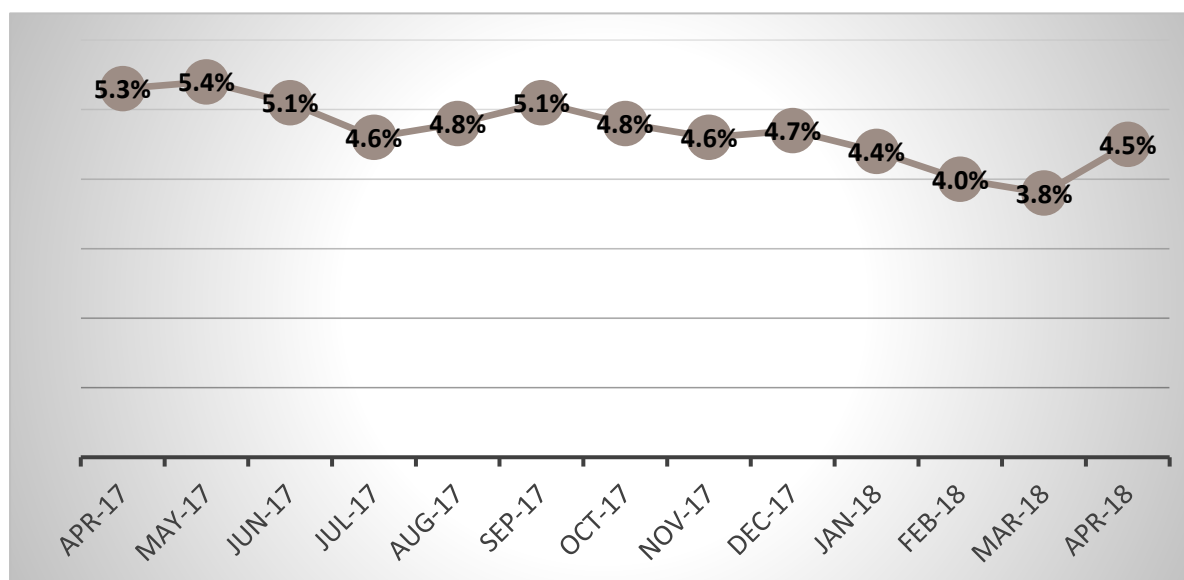
**Chart 4: Namibia Annual Inflation Rates**



Source: Namibia Statistics Agency

In **South Africa**, the annual inflation rate increased by 4.5 percent in April 2018 compared to 3.8 percent recorded in the previous month as depicted in **Chart 5**. The annual rate in April 2018 was lower than the 5.3 percent recorded during the similar month in 2017. The main contributors to the annual inflation rate in April 2018 were *housing & utilities (1.1 percentage points)* followed by *miscellaneous goods & services (1.0 percentage points)* and *food & non-alcoholic beverages (0.7 percentage points)*. On average, prices increased by 0.8 percent between April 2018 and March 2018. The annual inflation rate in April 2018 remained within the target range of 3-6 percent set out by the South African Reserve Bank.

**Chart 5: South Africa Annual Inflation Rates**

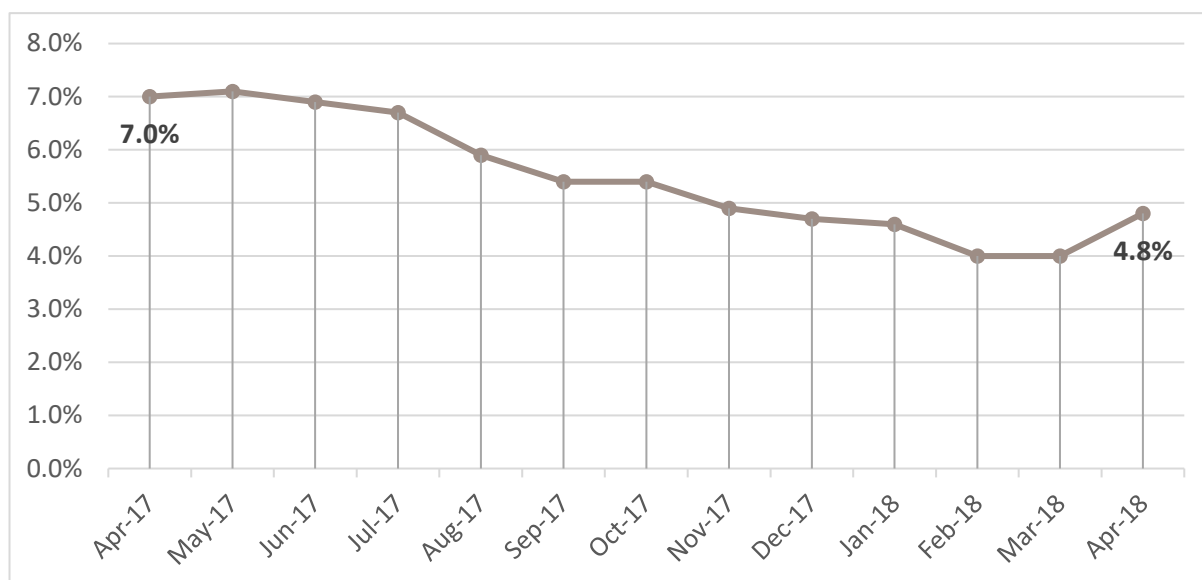


Source: Statistics South Africa

In **Swaziland**, the annual inflation rate increased by 4.8 percent in April 2018 compared to 4.0 percent in the preceding month as indicated in **Chart 6**. Annual inflation rate in April 2018 was lower than the 7.0 percent recorded during a similar month in 2017. The main contributor to the deceleration in prices between April 2018 and April 2017 was mainly the decline in prices of *food & non-alcoholic beverages* (-0.9 percent down from 9.4 percent in April 2017) which accounts for 29.22 percent of the overall inflation basket. The other main categories in the basket based on the weight, the *housing & utilities* and *transport* increased by 13.3 percent and 3.3 percent, respectively, in April 2018. On average, prices increased by 3.6 percent between April 2018 and March 2018.



**Chart 6: Swaziland Annual Inflation Rates**

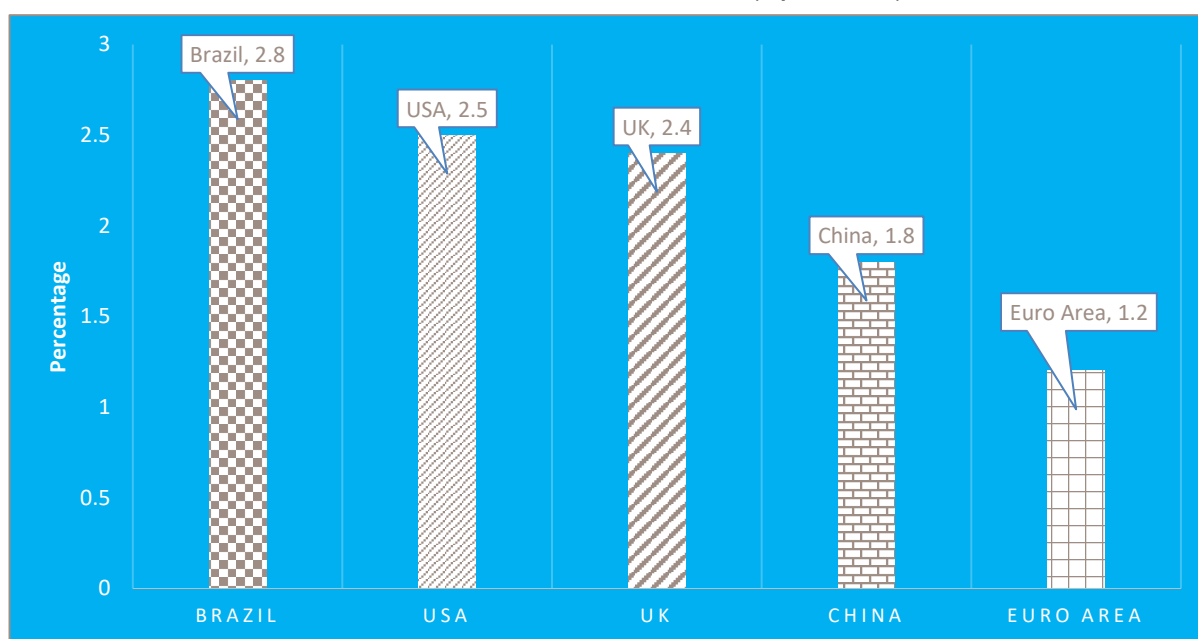


Source: Central Statistics Office

## Inflation Rate for Selected Economies

**Chart 7**, indicates inflation rates in selected economies for the month of April 2018. In **Brazil**, inflation rate rose by 2.8 percent in April 2018 compared to 2.7 percent in the previous month and the rate was 4.1 percent in April 2017. In the **USA**, inflation rate rose by 2.5 percent in April 2018 compared to 2.4 percent recorded in March 2018, and 2.4 percent in April 2017. While in **UK** consumer prices rose by 2.4 percent in April 2018 compared to 2.5 percent in the preceding month, while the rate was 2.7 percent in April 2017. In **China** consumer prices rose by 1.8 percent compared to 2.1 percent in the preceding month while the rate was 1.2 percent during a similar month in 2017. In the **Euro area** annual inflation was 1.2 percent in April 2018 compared with 1.3 percent in March 2018, while the rate was 1.9 percent in April 2017.

**Chart 7: Annual Inflation Rates for Selected Economies (April 2018)**

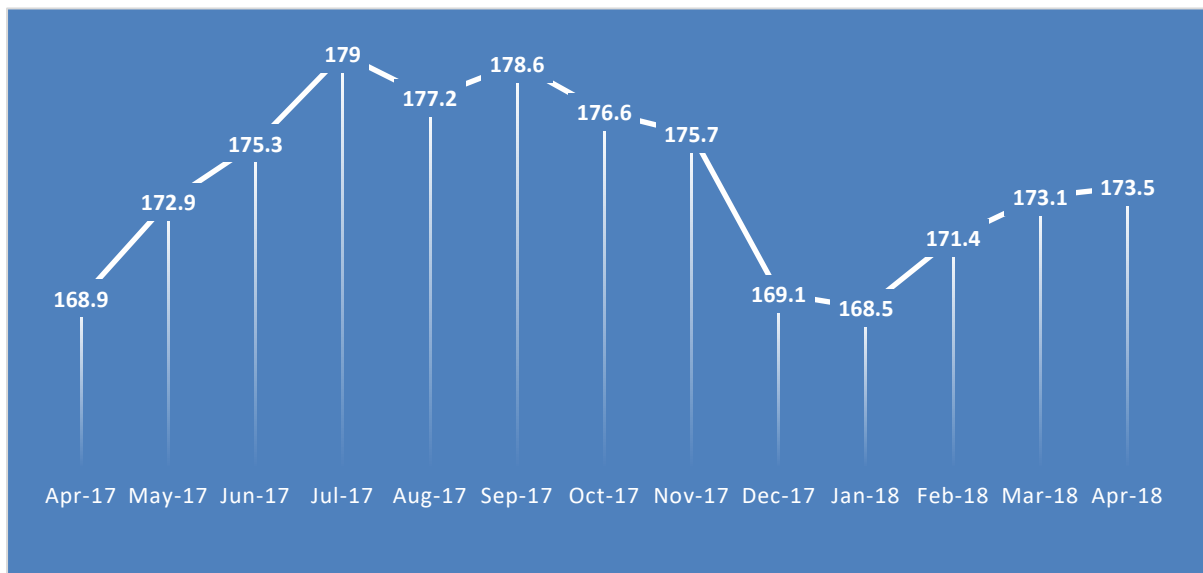


Source: *inflation.eu*

## FAO Food Price Index

**Chart 8** shows that the FAO Food Price Index<sup>2</sup> (FFPI) averaged at 173.5 points in April 2018, up by 0.2 percent from the preceding month, and up by 2.7 percent from the corresponding period last year. While the prices of most of cereals and dairy products continued to increase in April, sugar prices fell further.

**Chart 8:** FAO Food Price Index



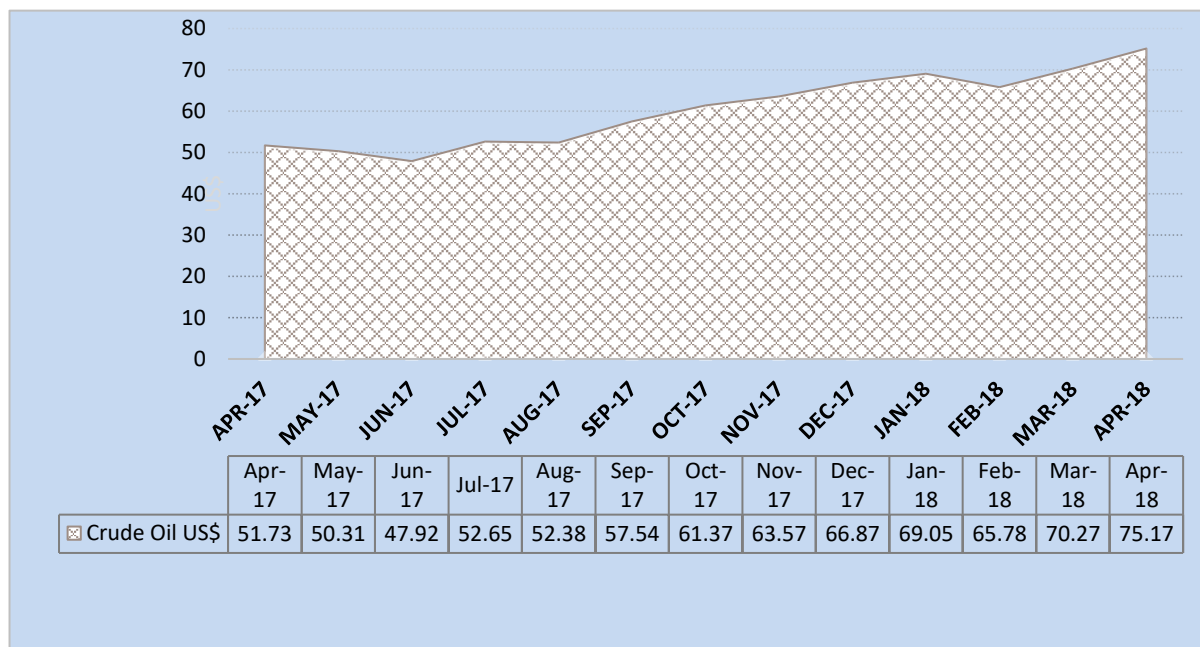
Source: Food and Agriculture Organization of the United Nations

<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 USD75.17 per barrel at the end of April 2018, which was 7.0 percent higher than at the end of March 2018. Year-on-year, the price level was higher than the USD51.73 per barrel recorded at the end of April 2017 as highlighted in **Chart 8**.

**Chart 8: Brent Crude Oil**



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

## Appendix

### Annual Inflation Rates by Main Categories (April 2018)

Main Categories	Botswana	Lesotho	Namibia	South Africa	Swaziland
Food & non-alcoholic beverages	-0.1	4.9	2.9	3.9	-0.9
Alcoholic beverages & tobacco	0.7	5.6	4.7	6.0	4.6
Clothing & footwear	2.1	1.6	-5.8	1.6	-1.9
Housing, water, electricity, gas & other fuels	3.3	5.5	3.4	4.8	13.3
Furnishings, household equipment &...	2.2	3.4	1.1	2.6	3.9
Health	1.3	0.3	5.6	4.8	1.1
Transport	6.3	1.1	5.8	5.0	3.3
Communications	1.3	-0.8	-0.2	1.0	-2.3
Recreation & Culture	2.0	3.8	1.6	1.4	3.6
Education	5.5	3.0	9.9	6.7	7.8
Hotels, cafés & restaurants	3.6	2.6	2.4	4.3	6.2
Miscellaneous goods & services	8.5	3.7	4.4	6.1	1.3
<b>All Items</b>	<b>3.4</b>	<b>3.8</b>	<b>3.6</b>	<b>4.5</b>	<b>4.8</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>	16.51	36.1	16.45	17.24	29.22
<i>Alcoholic beverages &amp; tobacco</i>	7.83	3.3	12.59	5.82	0.39
<i>Clothing &amp; footwear</i>	6.27	13.1	3.05	3.83	3.42
<i>Housing, water, electricity, gas &amp; other fuels</i>	14.90	12.4	28.36	24.62	29.15
<i>Furnishings, household equipment &amp;...</i>	6.39	8.5	5.47	4.35	4.75
<i>Health</i>	3.62	1.5	2.01	1.40	3.39
<i>Transport</i>	20.65	4.8	14.28	14.28	10.50
<i>Communications</i>	4.27	2.1	3.81	2.63	2.74
<i>Recreation &amp; Culture</i>	2.92	5.7	3.55	5.16	1.07
<i>Education</i>	3.34	4.2	3.65	2.53	9.11
<i>Hotels, cafés &amp; restaurants</i>	2.76	1.0	1.39	3.09	1.79
<i>Miscellaneous goods &amp; services</i>	10.55	7.3	5.39	15.05	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