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SOUTHERN AFRICAN CUSTOMS UNION



SACU INFLATION REPORT

November 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.

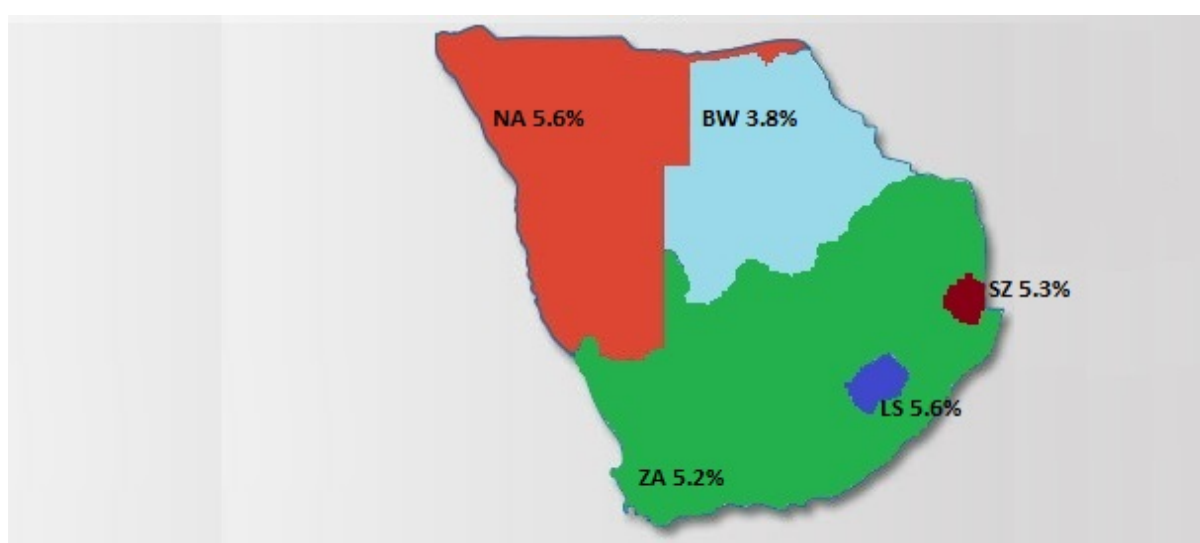
The Consumer Price Index (CPI) is used as the basis to calculate the rate of inflation as experienced by consumers. The inflation rate measures the change in the CPI for the month under review to the previous month (month-on-month change) as well as to the corresponding month in the previous year (year-on-year 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 November 2018 compared to the preceding month, it was observed that prices accelerated in all Member States. Lesotho and Namibia recorded the highest change in consumer prices in November 2018, each recording a rate of 5.6 percent followed by Eswatini at 5.3 percent, South Africa (5.2 percent), and Botswana (3.8 percent). All Member States continued to record a single digit annual inflation rate during the month of November 2018.

Inflation Rate in SACU Member States

Consumer prices continued to advance at a higher rate in November 2018 compared to the preceding month in all Member States. **Map I** shows that Lesotho and Namibia both recorded the highest change in consumer prices in November 2018 of 5.6 percent followed by Eswatini at 5.3 percent, South Africa (5.2 percent), and Botswana (3.8 percent). All Member States continued to record a single digit annual inflation rate during the month of November 2018.

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

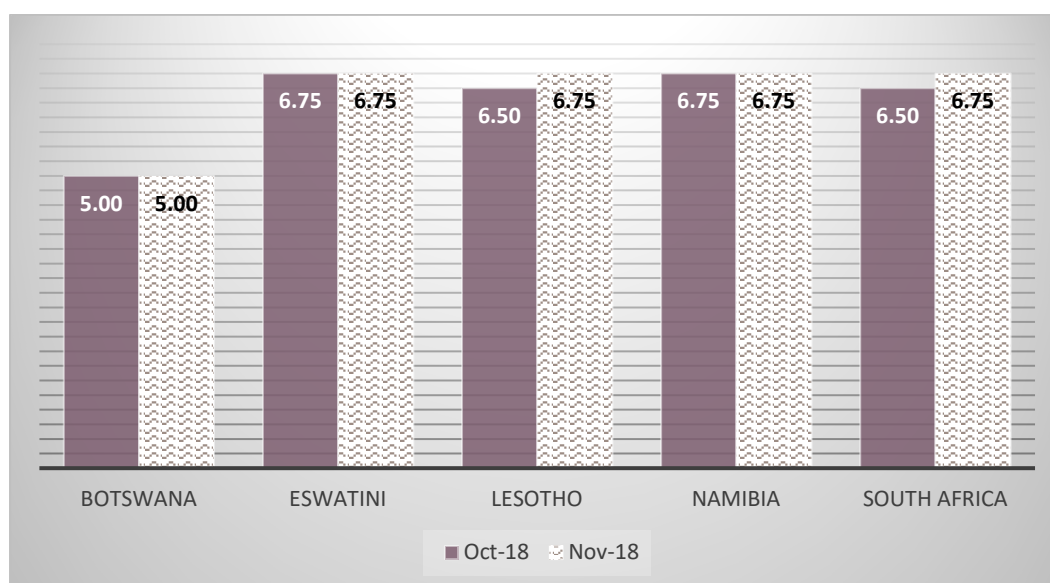


Source: Member States Statistics Offices; (BW-Botswana; LS –Lesotho; NA-Namibia; ZA-South Africa; SZ- Eswatini)

By the end of November 2018, monetary policy stance in Member States continued to remain accommodative with the repo rate / bank rate¹ ranging between 5.00 percent and 6.75 percent, as depicted in **Chart I**. Monetary stance was unaltered between November 2018 and October 2018 in Botswana, Namibia and Eswatini, while in Lesotho and South Africa the repo rate was increased by 0.25 basis to 6.75 percent. During the month of November 2018, the highest prime lending rate was observed in Lesotho at 11.6 percent, followed by Namibia at 10.50 percent, Eswatini at 10.25 percent, South Africa at 10.25 percent, and Botswana at 6.50 percent.

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

Chart I: Member States' Repo/Bank rates

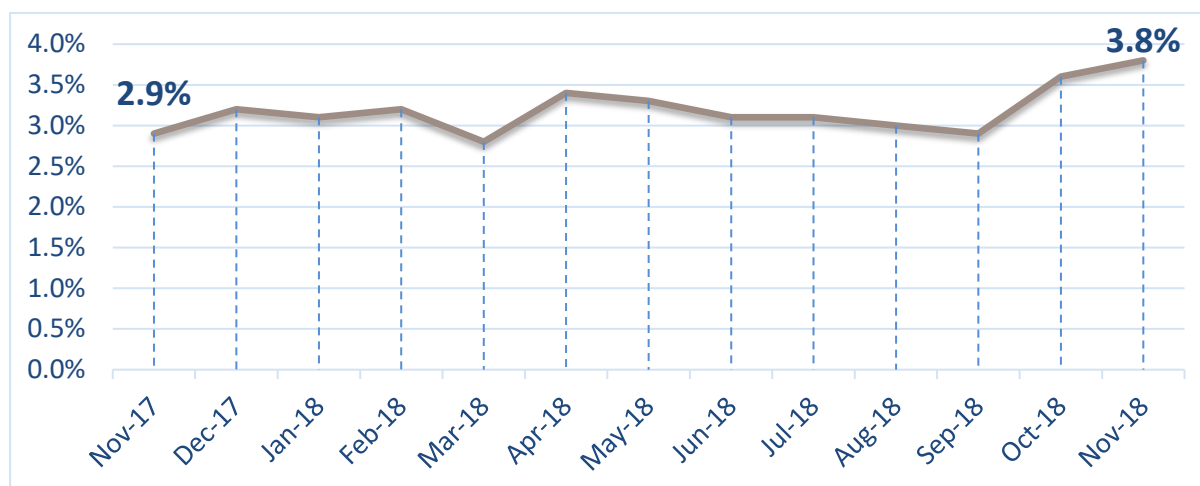


Source: Member States' Central Banks

In **Botswana**, the annual inflation rate accelerated to 3.8 percent in November 2018 compared to 3.6 percent in the preceding month, as reflected in **Chart 2**. The annual rate in November 2018 was higher than the 2.9 percent recorded during a similar month in 2017. The acceleration in the annual inflation rate in November 2018 when compared to November 2017 was mainly driven by the rise of prices in *transport (11.6 percent compared to 2.5 percent in November 2017) and miscellaneous goods & services (6.8 percent compared to 2.4 percent in November 2017)*. The main categories based on the basket weights performed as follows: *food & non-alcoholic beverages (0.8 percent compared to 1.7 percent in November 2017); and housing & utilities (3.7 percent compared to 5.5 percent in November 2017)*.

On average, consumer prices increased by 0.4 percent between November 2018 and October 2018. The annual inflation rate recorded in November 2018 was within the inflation target range of 3 – 6 percent set out by the Bank of Botswana.

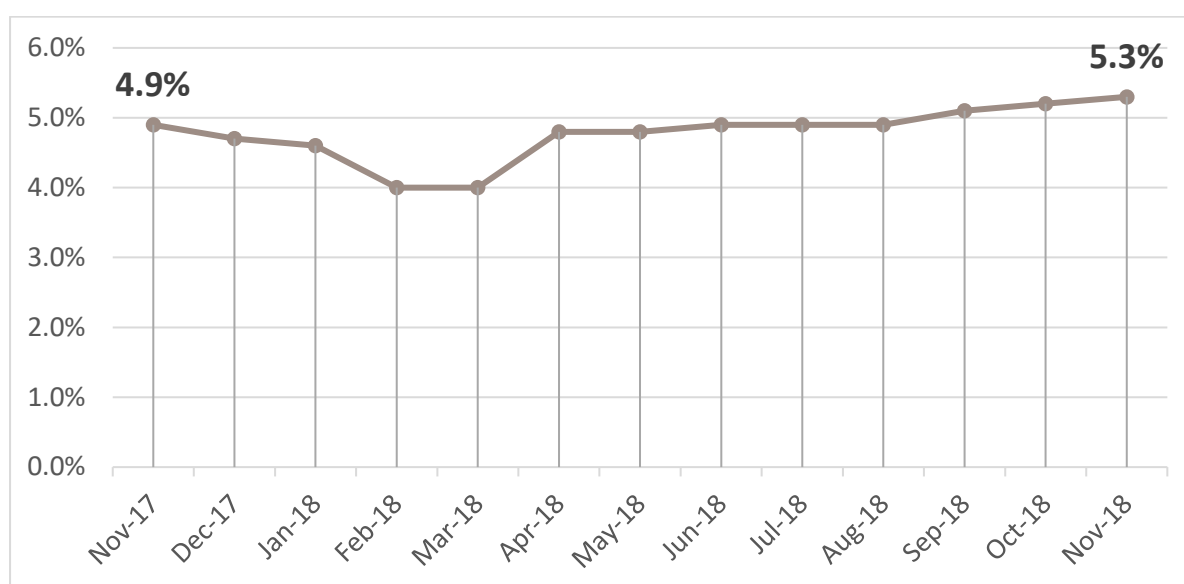
Chart 2: Botswana Annual Inflation Rates



Source: Statistics Botswana

In **Eswatini**, the annual inflation rate increased by 5.3 percent in November 2018 compared to 5.2 percent in the preceding month as indicated in **Chart 3**. Annual inflation rate in November 2018 was higher than the 4.9 percent recorded during a similar month in 2017. The main contributor to the acceleration in prices between November 2018 and November 2017 was mainly due to the increase in prices of *housing & utilities* (14.1 percent up from 8.2 percent in November 2017) which accounts for 29.15 percent of the overall inflation basket. The other main categories in the basket based on the weight, the *food & non-alcoholic beverages* and *transport* increased by 0.3 percent and 3.5 percent, respectively, in November 2018. On average, prices increased by 0.2 percent between November 2018 and October 2018.

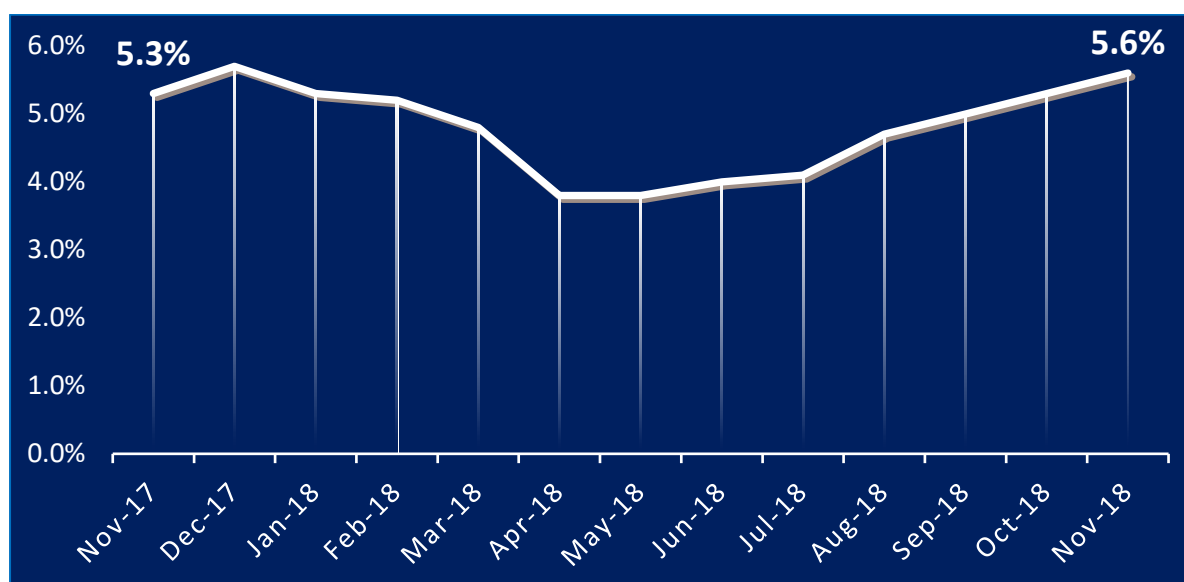
Chart 3: Eswatini Annual Inflation Rates



Source: Central Statistics Office

In **Lesotho**, the annual inflation rate increased by 5.6 percent in November 2018 compared to 5.3 percent in the preceding month as reflected in **Chart 4**. A year earlier inflation rate was 5.3 percent during the corresponding month. The main driver of the acceleration in annual inflation rate between November 2018 and November 2017 was mainly due to the increase in cost of *housing & utilities* category (14.3 percent up from 6.4 percent in November 2017) that accounts for 12.39 percent of the overall inflation basket. The other main categories based on the basket weights, the *clothing & footwear* and *food & non-alcoholic* categories reflected that prices increased by 2.5 percent and 5.2 percent, respectively in November 2018. On average, prices increased by 0.5 percent between November 2018 and October 2018.

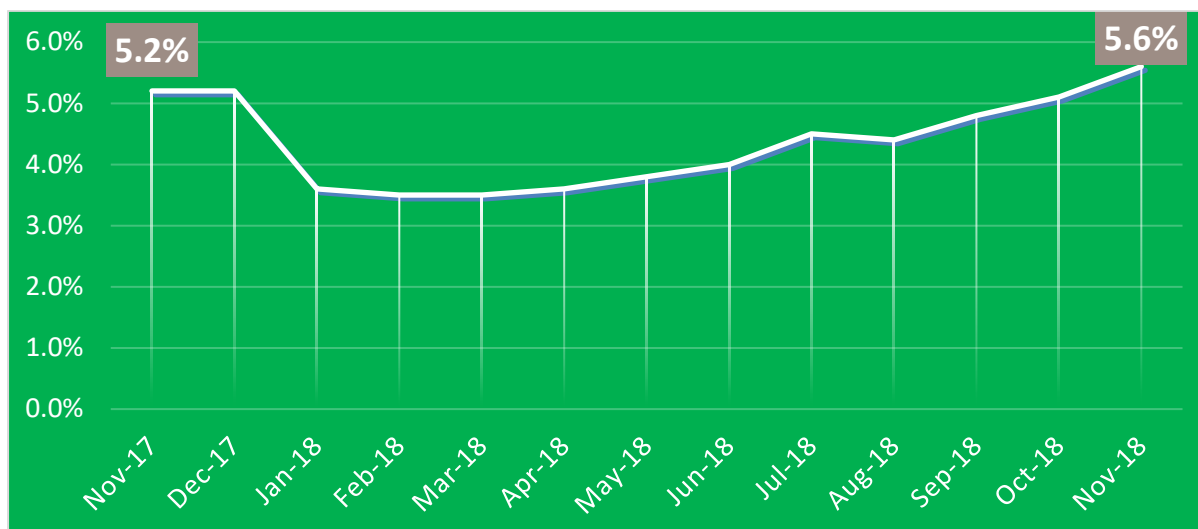
Chart 4: Lesotho Annual Inflation Rates



Source: Lesotho Bureau of Statistics

In **Namibia**, the annual inflation rate increased by 5.6 percent in November 2018 compared to 5.1 percent in the previous month. A year earlier inflation rate was 5.2 percent during the corresponding month as reflected in **Chart 5**. The acceleration in the annual inflation rate between November 2018 and November 2017 was mainly reflected in prices of *transport* (13.8 percent up from 6.1 percent in November 2017) which accounts for 14.28 percent of the overall inflation basket. The other main categories based on the basket weight, the *food & non-alcoholic beverages* recorded increase in prices of 4.7 percent, while *housing & utilities* recorded a contraction of 0.4 percent. On average, prices increased by 0.7 percent between November 2018 and October 2018.

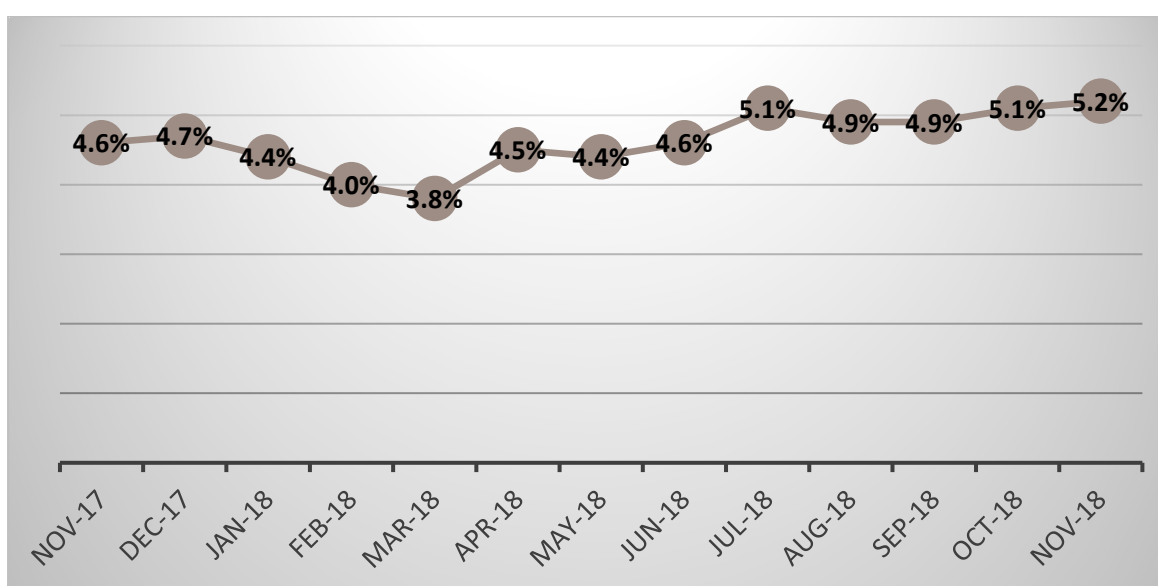
Chart 5: Namibia Annual Inflation Rates



Source: Namibia Statistics Agency

In **South Africa**, the annual inflation rate increased by 5.2 percent in November 2018 compared with 5.1 percent in the previous month as depicted in **Chart 6**. The annual rate in November 2018 was higher than the 4.6 percent recorded during the similar month in 2017. The main contributors to the annual inflation rate in November 2018 were *transport (1.5 percentage points)* followed by *housing & utilities (1.3 percentage points)* and *miscellaneous goods & services (0.9 percentage points)*. On average, prices increased by 0.2 percent between November 2018 and October 2018. The annual inflation rate in November 2018 remained within the target range of 3-6 percent set out by the South African Reserve Bank.

Chart 6: South Africa Annual Inflation Rates

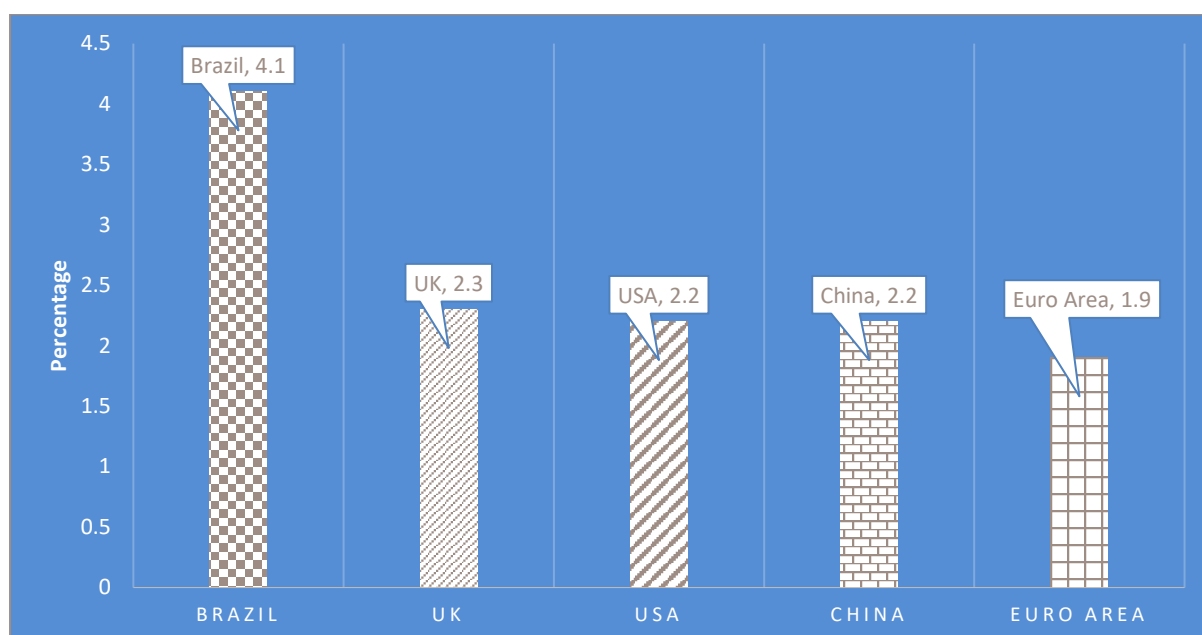


Source: Statistics South Africa

Inflation Rate for Selected Economies

Chart 7, indicates inflation rates in selected economies for the month of November 2018. In **Brazil**, inflation rate rose by 4.1 percent in November 2018 compared to 4.6 percent in the previous month and the rate was 2.8 percent in November 2017. In the **UK**, inflation rate rose by 2.3 percent in November 2018 compared to 2.4 percent in the preceding month, and 3.1 percent in November 2017. While in the **USA**, inflation rate rose by 2.2 percent in November 2018 compared to 2.5 percent in the preceding month, and 2.2 percent in November 2017. In **China** consumer prices rose by 2.2 percent compared to 2.5 percent in the preceding month while the rate was 1.7 percent during a similar month in 2017. In the **Euro area** annual inflation was 1.9 percent in November 2018 compared with 2.2 percent in October 2018, while the rate was 1.5 percent during a similar month in 2017.

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



Source: inflation.eu

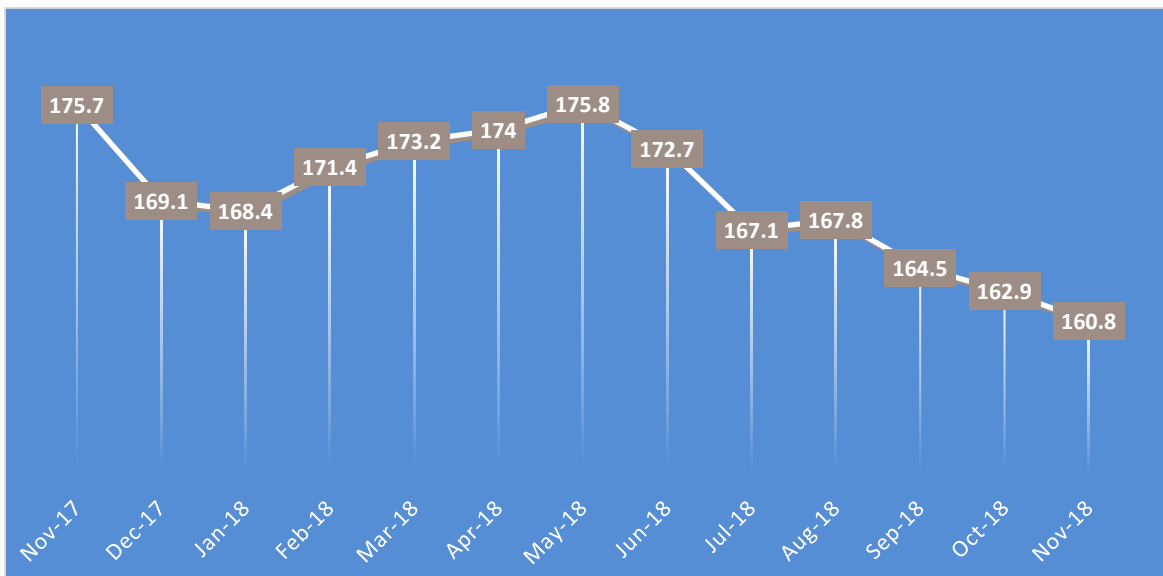
FAO Food Price Index

Chart 8 shows that the FAO **Food Price Index**² (FFPI) averaged at 160.8 points in November 2018, down by 1.3 percent from October 2018, the lowest since May 2016. The decline in November was led by much weaker vegetable oil, dairy and cereal prices, while sugar prices firmed.

The **FAO Cereal Price Index** averaged at 164 points in November 2018, 1.1 percent below October 2018. The decline was mainly reflected in the maize export quotations and wheat prices. The **FAO Vegetable Oil Price Index** averaged at 125.3 points in November 2018, down by 5.7 percent from October 2018, marking the tenth consecutive monthly declines. The decline reflects weakening prices across the vegetable oil sector. The **FAO Dairy Price Index** averaged at 175.8 points in November 2018, down by 3.3 percent from October 2018, continuing the downward trajectory for the sixth consecutive month. The decline was mainly reflected in price quotations of butter, cheese and whole milk powder. The **FAO Meat Price Index** averaged at 160 points in November 2018, marginally lower than its value for October 2018. In November, international price quotations for poultry, pig and ovine meat continued to ease, with ovine meat falling the most, while those of bovine meat marginally recovered. The **FAO Sugar Price Index** averaged at 183.1 points in November 2018, up by 4.4 percent from October 2018, marking the third consecutive monthly gain. The increase in sugar price quotations mostly reflects production developments in Brazil, where according to the latest estimates, sugar output in the Center-South region is heading to a 27 percent decrease from last year.

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

Chart 8: FAO Food Price Index

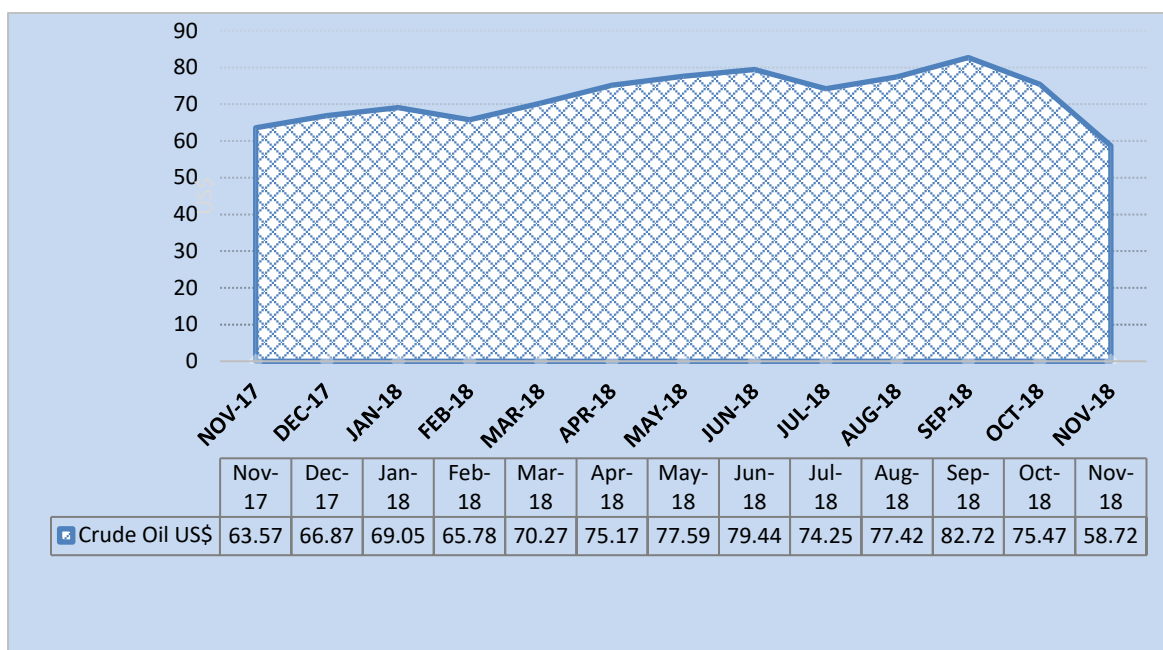


Source: Food and Agriculture Organization of the United Nations

Brent Crude Oil Prices

Brent crude oil price closed at USD58.72 per barrel at the end of November 2018, which was 22.2 percent lower than at the end of October 2018. Year-on-year, the price level was lower than the USD63.57 per barrel recorded at the end of November 2017 as highlighted in **Chart 8**.

Chart 8: Brent Crude Oil



Source: www.cnbc.com

Appendix

Annual Inflation Rates by Main Categories (November 2018)

Main Categories	Botswana	Eswatini	Lesotho	Namibia	South Africa
Food & non-alcoholic beverages	-0.8	0.3	5.2	4.7	3.4
Alcoholic beverages & tobacco	1.3	2.5	5.9	5.7	4.8
Clothing & footwear	1.4	0.2	2.5	-0.4	1.8
Housing, water, electricity, gas & other fuels	3.7	14.1	14.3	3.7	5.2
Furnishings, household equipment &...	2.0	1.7	2.9	2.5	3.4
Health	1.0	0.9	1.0	4.8	5.1
Transport	11.6	3.5	11.3	13.8	10.7
Communications	-9.1	0.0	0.0	1.3	1.4
Recreation & Culture	1.6	3.0	4.9	5.1	0.9
Education	5.4	6.9	1.4	9.9	6.7
Hotels, cafés & restaurants	3.2	1.5	2.3	2.9	4.1
Miscellaneous goods & services	6.8	1.2	3.1	3.6	5.5
All Items	3.8	5.3	5.6	5.6	5.2

Source: SACU Member States Statistics Offices

Consumer Price Index Basket Weights

Main Categories	Botswana	Eswatini	Lesotho	Namibia	South Africa
Food & non-alcoholic beverages	16.51	29.22	36.11	16.45	17.24
Alcoholic beverages & tobacco	7.83	0.39	3.33	12.59	5.82
Clothing & footwear	6.27	3.42	13.05	3.05	3.83
Housing, water, electricity, gas & other fuels	14.90	29.15	12.39	28.36	24.62
Furnishings, household equipment &...	6.39	4.75	8.48	5.47	4.35
Health	3.62	3.39	1.50	2.01	1.40
Transport	20.65	10.50	4.82	14.28	14.28
Communications	4.27	2.74	2.11	3.81	2.63
Recreation & Culture	2.92	1.07	5.71	3.55	5.16
Education	3.34	9.11	4.20	3.65	2.53
Hotels, cafés & restaurants	2.76	1.79	1.03	1.39	3.09
Miscellaneous goods & services	10.55	4.47	7.25	5.39	15.05
All Items	100.00	100.00	100.00	100.00	100.00

Source: SACU Member States Statistics Offices