

**Harmonised Consumer
Price Index:
January to March 2022**



21 February 2023

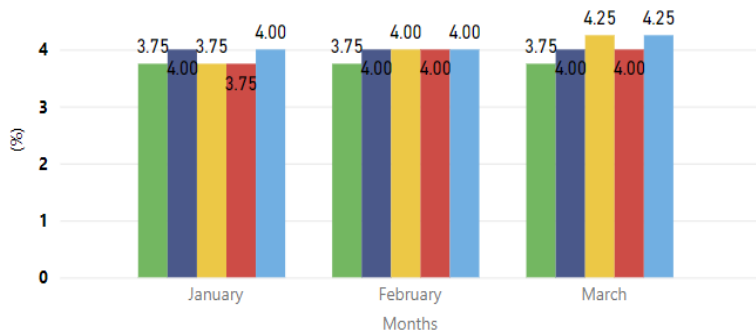
Prepared by

Revenue Management Sub-Directorate

Highlights

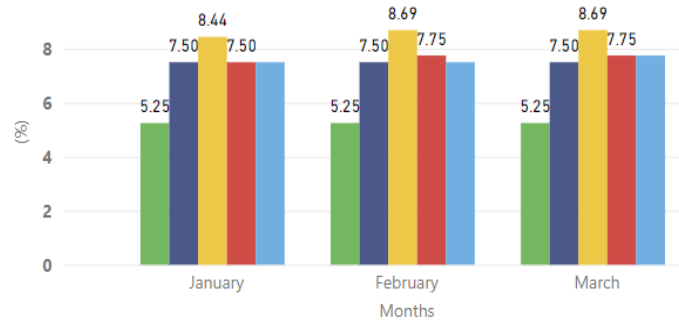
Repo Rates in SACU, Jan-Mar 2022

Member State: ● Botswana ● Eswatini ● Lesotho ● Namibia ● South Africa

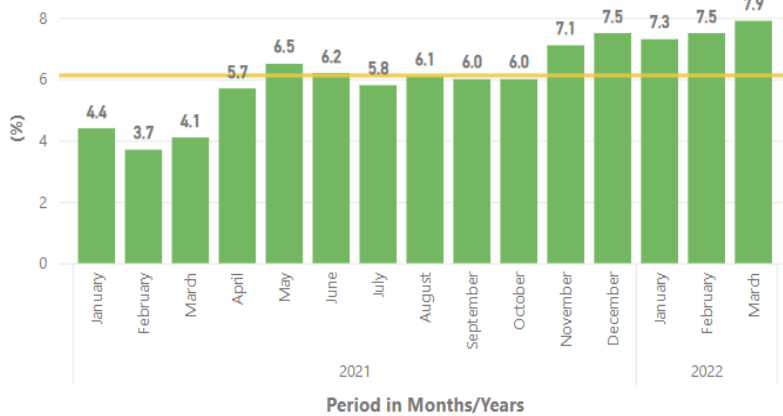


Prime Lending Rates in SACU, Jan-Mar 2022

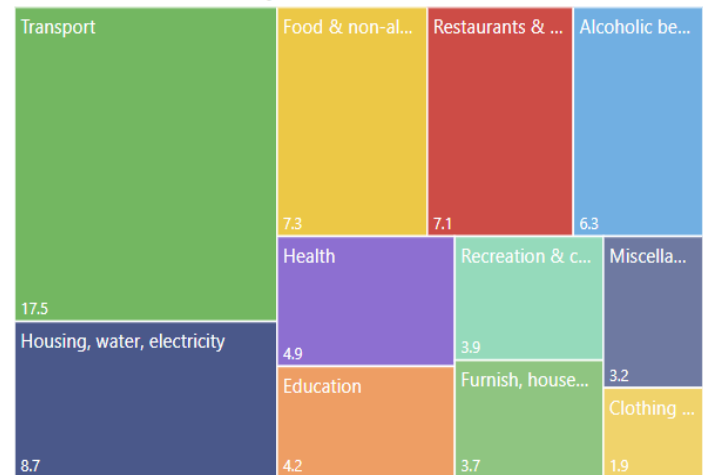
Member State: ● Botswana ● Eswatini ● Lesotho ● Namibia ● South Africa



Annual Inflation Rates (%) in SACU, Jan-2021 to Mar-2022



Annual Inflation Rate (%) by Divisions, March 2022



- Repo Rates between January and March 2022 remained unchanged in Botswana and Eswatini, registering 3.75 percent and 4.00 percent, respectively.
- Prime lending rates:
 - in Lesotho registered 8.44 percent in January 2022, increasing to 8.69 percent in both February and March 2022.
 - in Namibia registered 7.50 percent in January 2022, followed by an increase to 7.75 percent in both February and March 2022.
 - in South Africa were at 7.50 percent between January and February 2022, subsequently increasing to 7.75 percent in March 2022.
- Annual inflation in SACU registered 7.3 percent in January 2022, reaching 7.5 percent in February 2022, and increasing further to 7.9 percent in March 2022
- Transport costs at 17.5 percent in March 2022 accounted for the largest share of monthly Consumer Price Index for all divisions.

Introduction

The Annual inflation in SACU registered 7.3 percent in January 2022, reaching 7.5 percent in February 2022, and increasing further to 7.9 percent in March 2022. A year earlier the annual inflation rate was 4.4 percent, 3.7 percent and 4.1 percent in the first three months of 2021 (January to March, respectively).

Annual Inflation Rates for Member States

The highest annual inflation rates were recorded for Botswana in January 2022 (9.2%), February 2022 (9.3 %) and March 2022 (8.8%). For the three months respectively, Eswatini recorded 7.2 percent, 6.6 percent and 6.1 percent while Lesotho, recorded 8.4 percent, 8.3 percent and 8.0 percent. On the same period, Namibia recorded 7.4 percent, 7.5 percent and 7.4 percent; while South Africa recorded 7.3 percent, 7.5 percent and 7.9 percent.

Rising Transport costs – from 15.7 percent in January 2022, up 17.5 percent in March 2022 accounted for the largest share of monthly Consumer Price Index for months under review. In addition, rising costs for Housing and Utilities, Food & non-alcoholic beverages, and Restaurants & hotels contributed to the acceleration.

Monetary Policy Stance for selected Rates

Regarding the monetary policy, between January and March 2022, repo rates remained unchanged in Botswana and Eswatini, registering 3.75 percent and 4.00 percent, respectively. In contrast, repo rates increased linearly in Lesotho from 3.75 percent in January 2022, 4.00 percent in February 2022 and 4.25 percent in March 2022; while in Namibia, repo rates plateaued to 4.00 percent in February and March 2022 from 3.75 percent registered in January 2022. South Africa maintained repo rates at 4.00 percent in January and February, followed by an increase to 4.25 percent in March 2022.

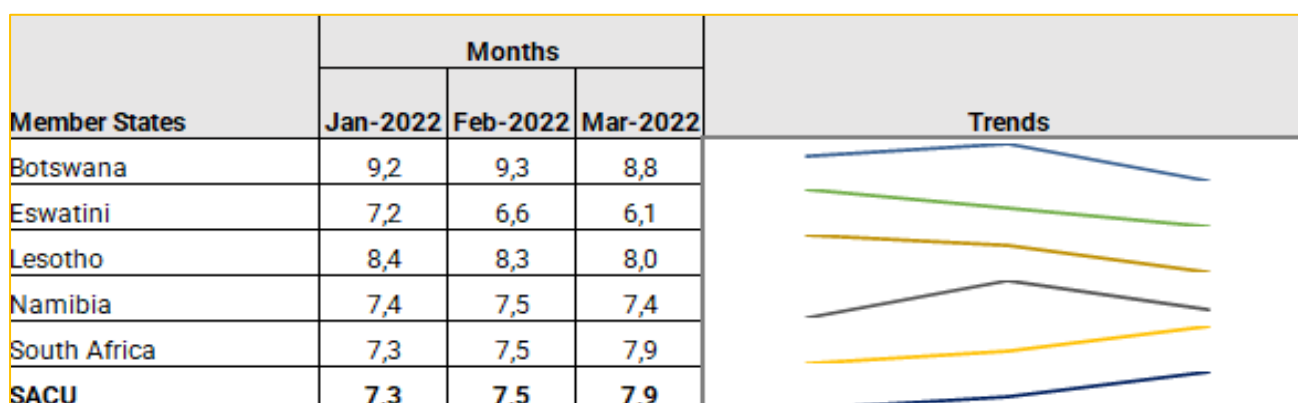
During the same period, prime lending rates in Botswana and Eswatini remained unchanged, at 5.25 percent and 7.50 percent, respectively. In Lesotho, prime lending rates registered 8.44 percent in January 2022, increasing to 8.69 percent in both February and March 2022. In the case of Namibia, prime lending rate registered 7.50 percent in January 2022, followed by an increase to 7.75 percent in both February and March 2022. Prime lending rates remained unchanged in South Africa at 7.50 percent between January and February 2022, followed by a subsequent increase to 7.75 percent in March 2022.

Inflation Rates – January 2022 to March 2022

The Consumer Price Index (CPI) is the most widely used measure of inflation globally. In particular, the inflation rate is the change in the CPI for all items of the relevant month of the current year compared with the CPI for all items of the same month in the previous year expressed as a percentage.

In SACU, over the last 12 months, annual inflation rate increased from 7.3 percent in January 2022 to 7.9 percent in March 2022. The indexes for Botswana and Lesotho were the highest for the three months under review; see Figure 1.

Figure 1: Annual inflation rates (%) in January 2022 to March 2022



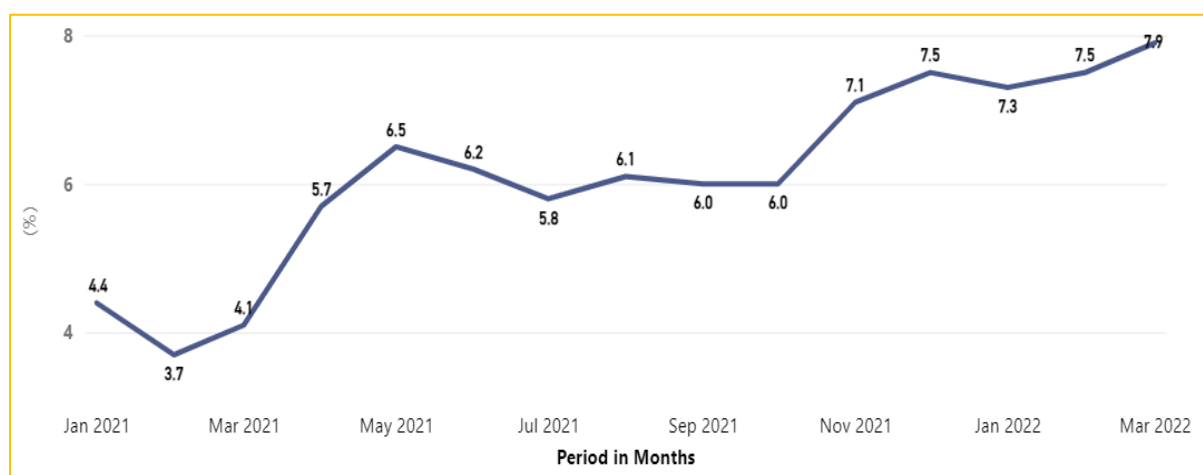
Overall inflation in SACU was high in the months of January 2022 to March 2022 than the previous period in 2021. For instance – compare the annual inflation rates for January 2021 at 4.4 percent against 7.3 percent in registered in January 2022; the same is true for February and March of 2021 against the same reference period in 2022.

Table 1: Inflation rates (%) by Member States for selected months, January 2021 to March 2022

Member States	Weight (%)	Annual rate									Monthly rate		
		Jan-2021	Feb-2021	Mar-2021	Oct-2021	Nov-2021	Dec-2021	Jan-2022	Feb-2022	Mar-2022	Jan-2022	Feb-2022	Mar-2022
Botswana	29.4	2.1	2.2	2.8	8.8	8.8	8.8	9.2	9.3	8.8	0.5	0.5	0.2
Eswatini	16.6	4.3	3.6	5.6	6.5	6.6	6.8	7.2	6.6	6.1	0.6	-0.4	1.8
Lesotho	12.3	4.8	5.0	6.0	6.8	7.3	7.8	8.4	8.3	8.0	1.0	0.4	1.3
Namibia	29.1	4.5	3.6	4.0	5.5	5.4	6.0	7.4	7.5	7.4	2.2	0.4	0.9
South Africa	912.7	4.5	3.8	4.1	6.0	7.1	7.6	7.3	7.5	7.9	0.3	0.8	1.3
SACU	1000.0	4.4	3.7	4.1	6.0	7.1	7.5	7.3	7.5	7.9	0.4	0.8	1.3

In general, SACU annual inflation rates have been on a steady increase since January 2021 despite a decline in February 2021, with annual inflation rate at 3.7 percent. Subsequent months have been characterised by a steady linear increase, reaching a high of 7.9 percent in March 2022.

Figure 2: Annual inflation rates (%) in SACU, January 2021 to March 2022



Across the divisions (in line with COICOP¹ classification), costs incurred for Transport accounted for the recorded the highest annual inflation rates between January 2022 and March 2022, with indexes ranging between 15.7 percent and 17.5 percent for the period in reference. Further price pressures were notable for Housing and Utilities, Food and non-alcoholic beverages, Restaurants and hotels, Alcoholic beverages and tobacco.

Table 2: SACU inflation rates (%) by COICOP categories

Divisions	Weight (%)	Annual rate (%)									Trends	Monthly rate (%)		
		Jan-2021	Feb-2021	Mar-2021	Oct-2021	Nov-2021	Dec-2021	Jan-2022	Feb-2022	Mar-2022		Jan-2022	Feb-2022	Mar-2022
All items HCPI	1000.0	4.4	3.7	4.1	6.0	7.1	7.5	7.3	7.5	7.9		0.4	0.8	1.3
Food & non-alcoholic beverages	220.7	4.7	5.0	5.5	6.0	6.9	6.9	7.7	7.6	7.3		1.5	0.8	0.8
Alcoholic beverages & tobacco	68.4	3.5	3.5	3.3	3.8	4.9	5.1	4.9	5.4	6.3		0.1	0.6	1.9
Clothing & footwear	46.6	0.8	1.0	1.2	2.4	2.2	2.3	2.3	2.0	1.9		0.3	0.2	0.3
Housing, water, electricity	131.2	5.8	5.7	5.3	7.7	8.0	8.6	8.6	8.5	8.7		0.2	0.1	0.4
Furnish, household equip	48.9	2.0	2.4	1.5	2.9	3.2	3.4	3.6	3.3	3.7		0.5	0.0	0.4
Health	14.5	4.8	2.1	2.4	2.6	2.9	2.8	2.6	5.0	4.9		0.2	2.7	0.4
Transport	174.9	3.2	4.1	5.9	12.7	16.6	18.5	15.7	15.8	17.5		-1.0	1.7	3.5
Communication	29	-0.4	-0.4	-0.3	-0.5	-0.5	-0.5	-0.5	-0.5	-0.6		0.0	0.0	0.0
Recreation & culture	34.4	2.4	1.5	1.8	1.7	2.4	2.4	3.5	4.1	3.9		0.5	0.2	0.4
Education	28.5	6.1	5.6	3.5	3.8	3.8	3.5	3.6	3.9	4.2		0.1	0.0	4.0
Restaurants & hotels	41.8	1.0	1.0	1.3	5.1	5.3	5.9	6.8	6.8	7.1		1.3	0.6	0.8
Miscellaneous goods & services	161	6.4	1.9	2.1	2.5	2.7	2.6	2.6	3.3	3.2		0.5	0.9	0.3

¹ Classification of Individual Consumption according to Purpose -International Comparison Programme

METHODOLOGICAL NOTE

Both Harmonised Consumer Price Index (HCPIs) and Consumer Price Index (CPIs) measure inflation faced by consumers, i.e., the changes in the prices over time of buying goods and services. Both HCPIs and CPIs are for the most part based on the same data sources, but they measure inflation with different aims and therefore sometimes use different concepts or methods. The main use of the HCPI is for monetary policy purposes and is used as one of the convergence criteria to assess compliance of Member States to economic unions and to monitor progress towards integration. Member States of economic unions agree on target inflation levels to achieve, in specified period to be considered for some preferential treatments within the integration. This requires a harmonised conceptual framework and comparable results.

The CPIs play a role in the monetary policy and for economic analysis in general, but also have a wide range of other uses, such as for the indexation of commercial contracts, wages, social protection benefits and financial instruments. The range of uses made of CPIs varies across countries, and as a result the CPI calculation methods vary. This lack of standardisation means that it is not possible to make cross-country comparisons of inflation rates on a like-for-like basis using the national indices.

It is against this background that COMESA and SADC jointly developed a harmonised measure of consumer inflation, the Harmonised Consumer Price Index or HCPI. The HCPI for the SACU region builds on the HCPIs of the individual Member States, the latter following the harmonised rules agreed by COMESA and SADC. The HCPI for the SACU region is a weighted average of the HCPIs for the individual SACU Member States.

Harmonisation covers detailed methodological issues which enhance the statistical integrity of indices and which, if not harmonised, could lead to misleading comparisons. Some of the HCPI compilation rules relate to conceptual issues e.g., this applies to the use of the geometric mean in the compilation of the elementary aggregates (where un-weighted prices are combined to produce detailed sub-indices which are then combined using expenditure weights to produce the all-items HCPI). These rules define the HCPI and are based on recognised best international practice. Other rules relating to the compilation of the HCPI relate to good statistical practice which if not followed could lead to unreliable price indices or indices which have the potential to be biased.

The **annual rate** measures the change of the Harmonised Consumer Price Indices (HCPIs) between a month and the same month of the previous year, and the **monthly rate** compares the indices between the two latest months.

Aggregation to the SACU total

National HCPIs are compiled by the aggregation of sub-indices starting at the level of elementary aggregate indices. These are aggregated using appropriate national weights. Likewise, the aggregation of national HCPIs to the SACU total is calculated using appropriate national weights of each Member States total household real consumption expenditure converted to a common currency using the purchasing power parities derived from the results of the 2011 International Comparison Program. The Member States' HCPIs are produced by the respective Member States using the agreed harmonised methodologies, while the SACU HCPI is compiled by the SACU Secretariat.

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