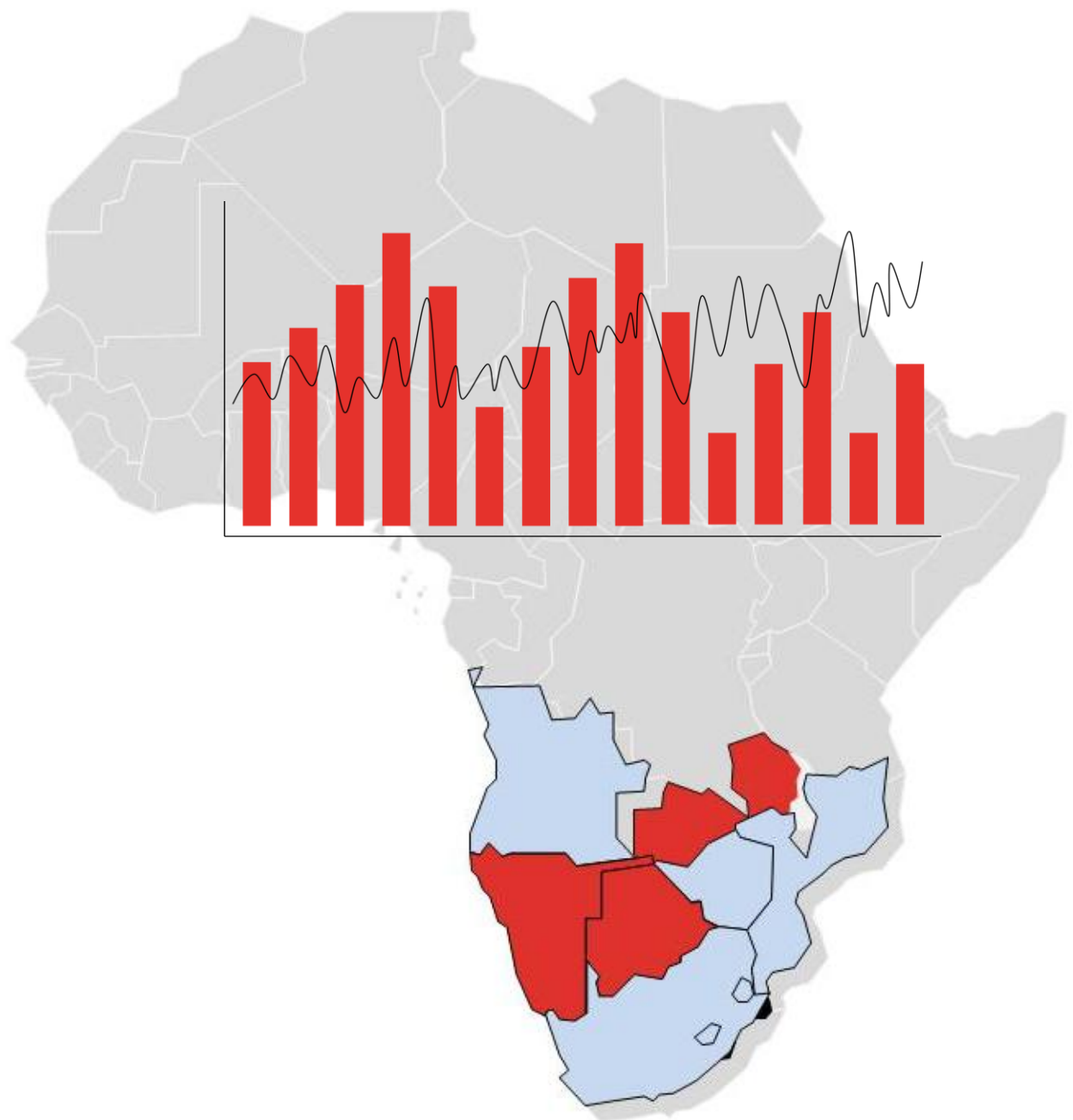
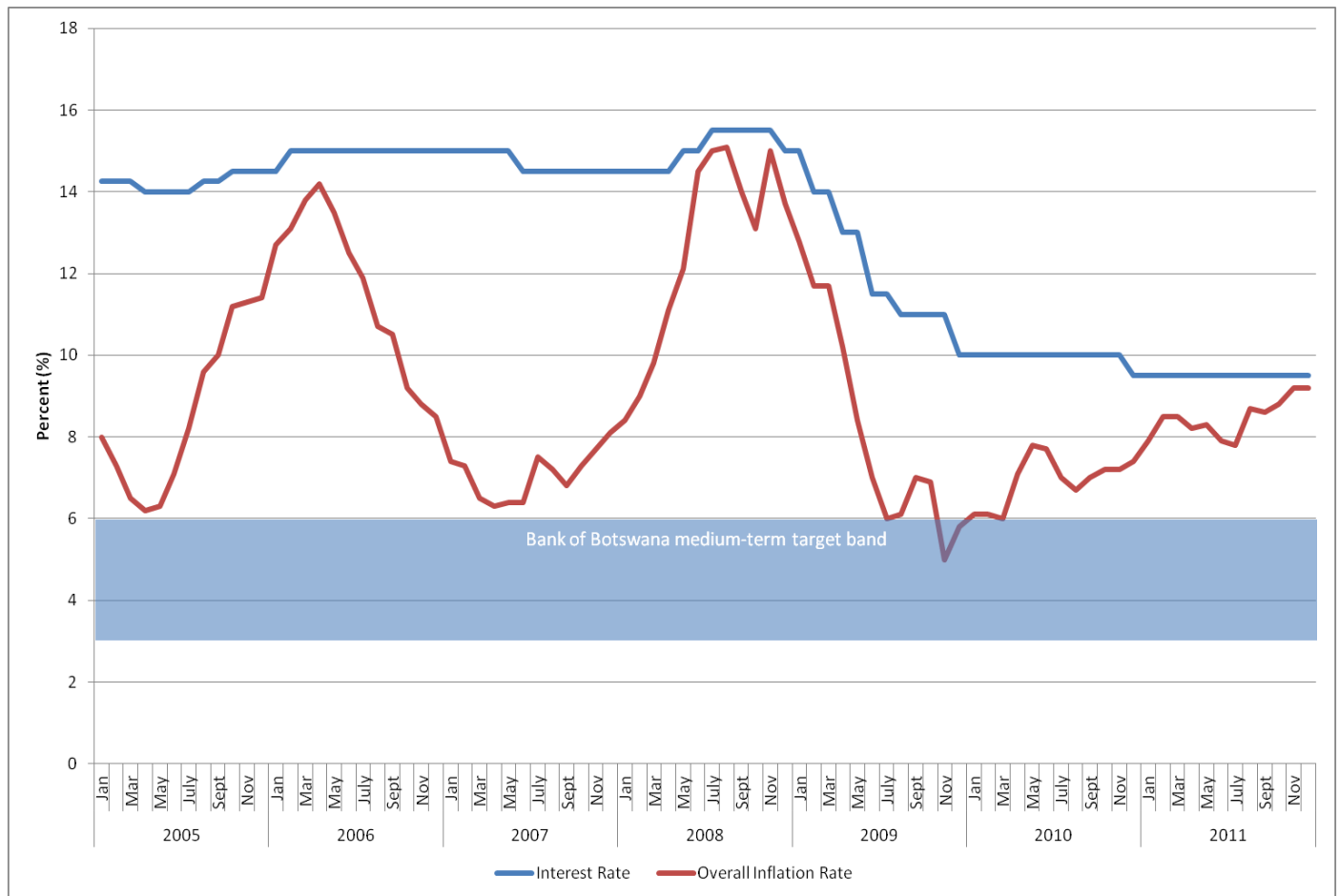


# INFLATION REPORT

ISSUE 002 | JANUARY 2012



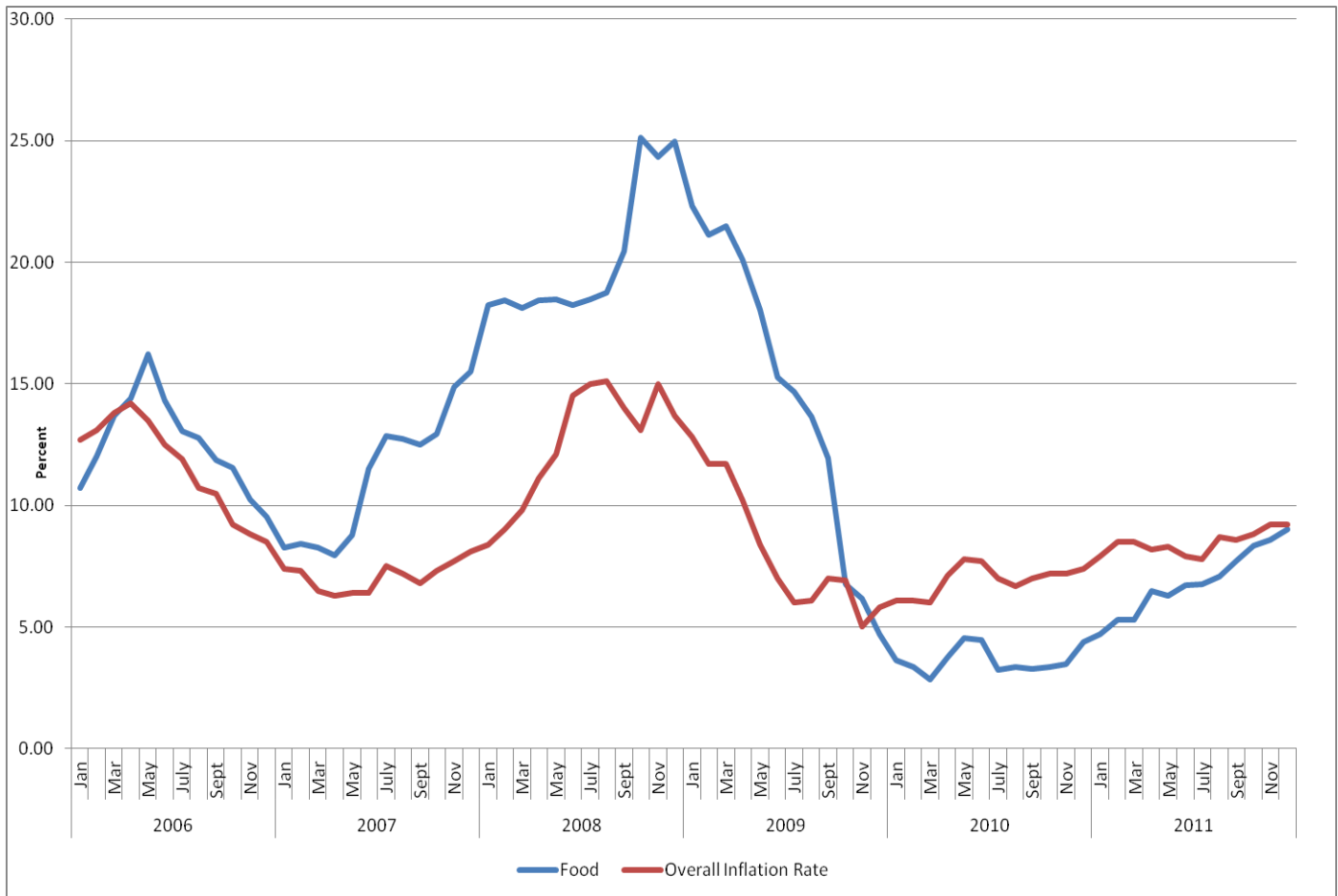
**Chart 1: Overall Inflation and Repo Rate**



Source: Bank of Botswana

- Figures released by the Central Statistics Office show that overall inflation in the month of December was recorded at 9.2 percent (year on year), unchanged from the previous month.
- Although still exceeding the inflation target of 3 to 6 percent set by the Bank of Botswana the unchanged figure is a clear indication of improved price stability towards the latter part of the year.
- The December figure brings the average annual inflation figure for 2011 to 8.5 percent, an increase from the 6.9 percent of 2010.

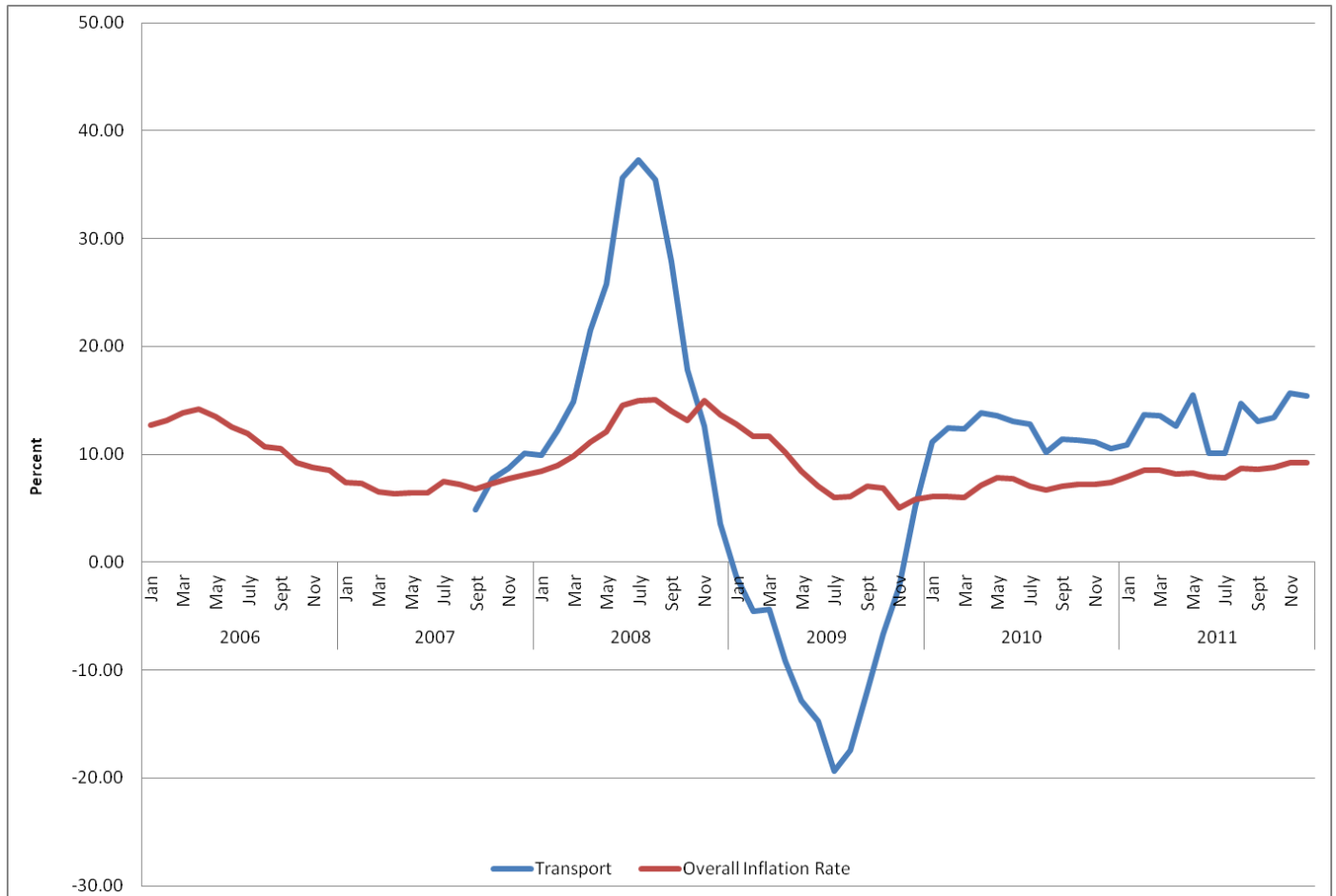
Chart 2: Food Price inflation



Source: Bank of Botswana

- Food price inflation increased slightly in December to 9 percent compared to 8.6 percent in November.
- This figure, however, remains considerably higher than the same period last year, when food price inflation was 4.4 percent.
- With the global price of maize and wheat seeing a persistent trend decrease over the last quarter, we expect food price inflation to drop, and as food inflation carries a considerable weighting in the consumer basket, this could have the effect of bring down the level of overall inflation in the months to come provided the exchange rate does not weaken significantly.

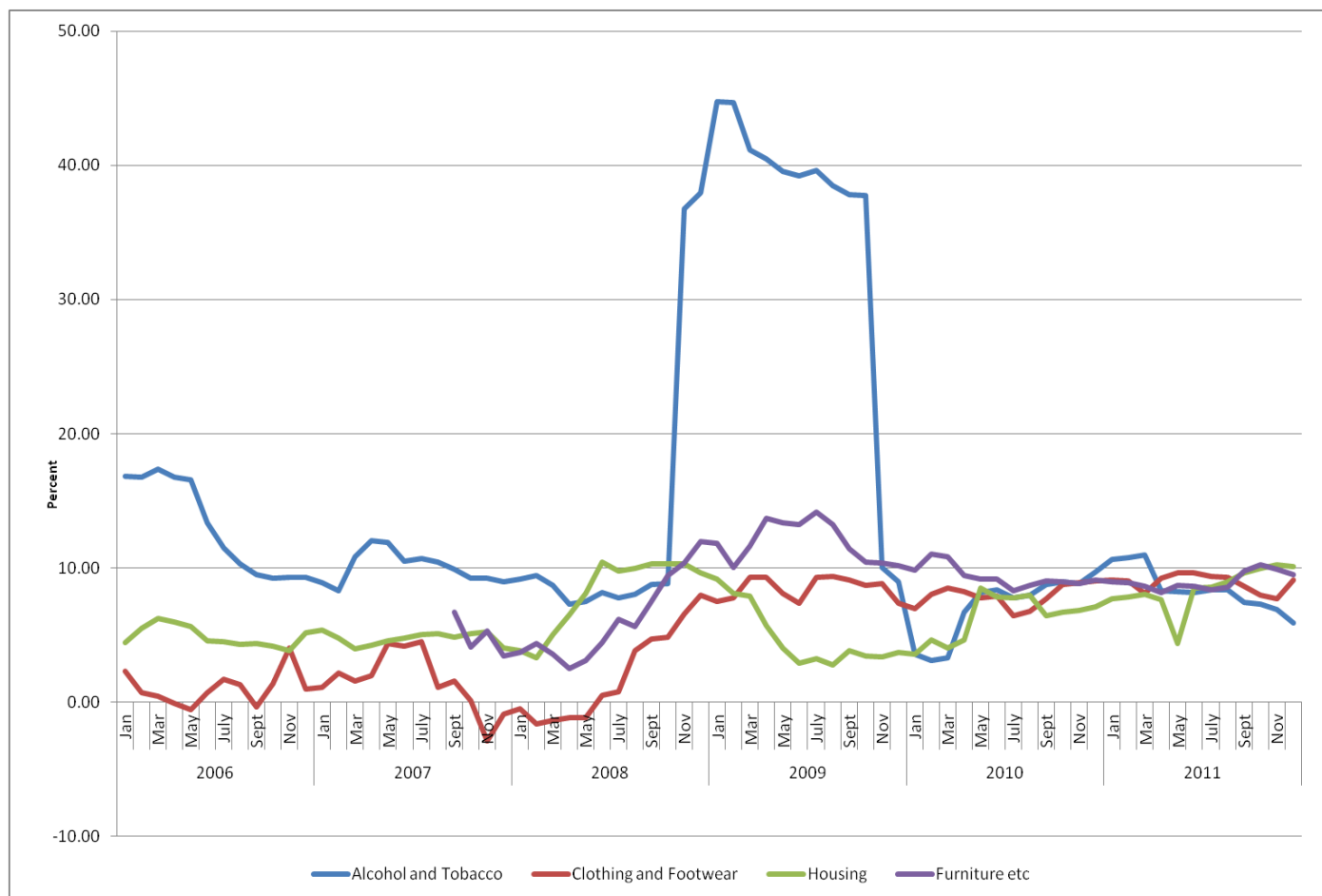
**Chart 3: Transport inflation**



Source: Bank of Botswana

- Transport inflation decreased slightly from November to December from 15.7 to 15.4 percent.
- This slight decrease can be attributed to the slight fall in the monthly average price of Brent crude oil from US\$ 110.50 per barrel in November to US\$107.97 in December.

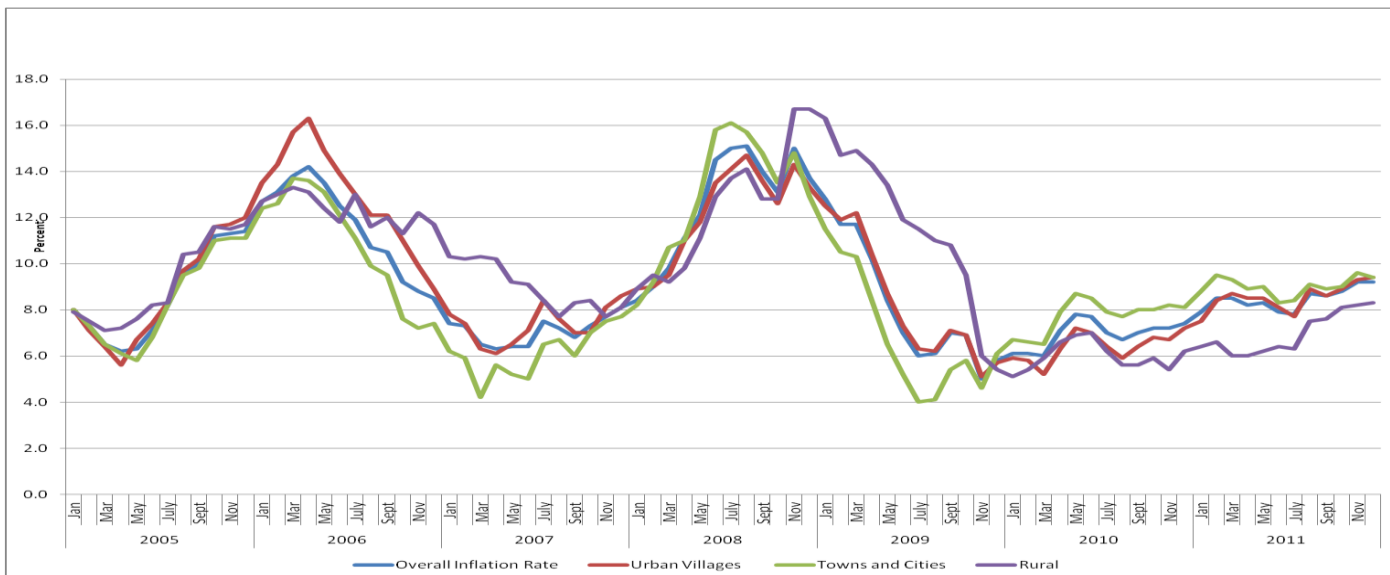
**Chart 4: Alcohol and Tobacco, Furniture, Housing and Clothing**



Source: Bank of Botswana

- December also saw a decrease in alcohol and tobacco inflation from 6.9 percent in November to 5.9 percent.
- Housing inflation remained fairly unchanged with only a minimal decrease from 10.2 percent in November to 10.1 percent in December.
- Furniture inflation also fell in the month of December to 9.5 percent from 9.9 percent in November.
- The decline in alcohol and tobacco, housing and furniture inflation was partly offset by an increase in the Clothing and Footwear inflation from 7.7 percent in November to 9.1 percent in December.

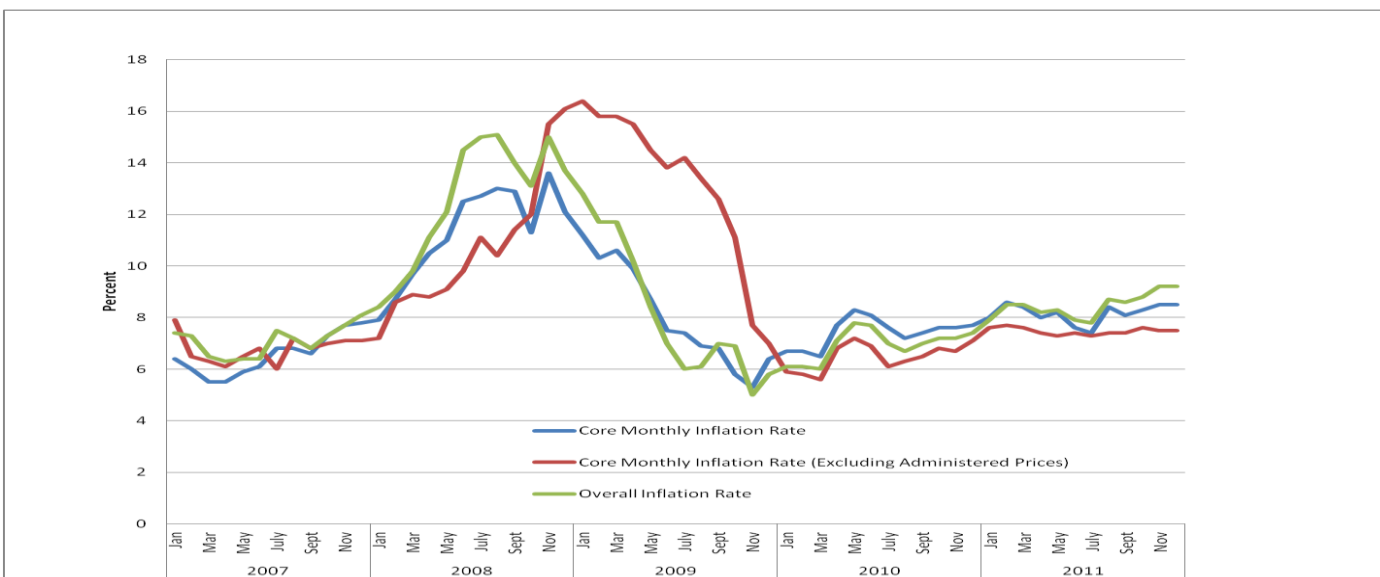
**Chart 5: Inflation in Cities, Urban Villages and Rural Areas**



Source: Bank of Botswana

- Inflation within urban villages for the month of November stood at 9.3 percent. It increased to 9.4 percent the following month.
- A decline in inflation for towns and cities was visible between November and December. Inflation decreased from 9.6 percent to 9.4 percent.
- An increase in rural inflation was seen in December, from 8.2 percent in November to 8.3 percent.

**Chart 6: Core Monthly Inflation**



Source: Bank of Botswana

- The Trimmed Mean measure of core inflation was unchanged for the month of December (8.5 percent).
- The inflation rate which excludes administered prices also remained the same, at 7.5 percent.
- Overall inflation followed the same trend as the aforementioned, as it stayed constant at 9.2 percent.