

Global and Regional Food Consumer Price Inflation Monitoring

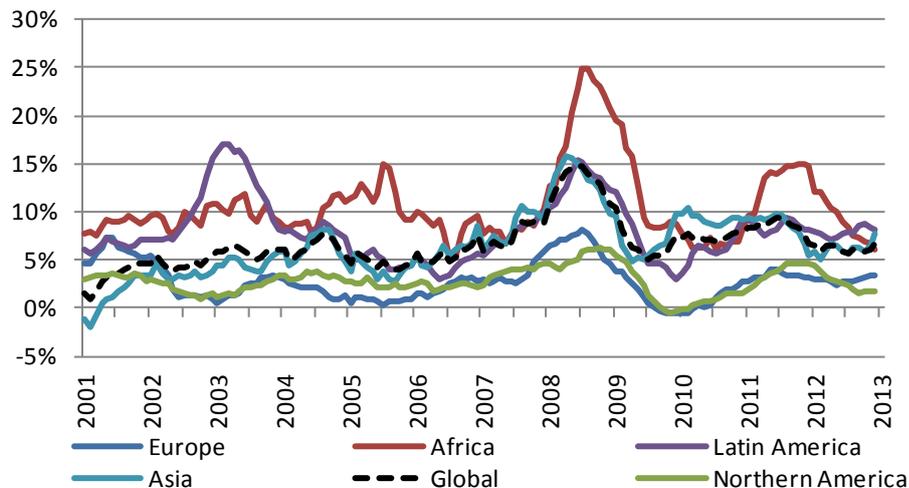
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Global overview

Consumers around the world saw food prices increase by 6.7 percent in the twelve months to December 2012 (Chart 1). This was higher than the annual inflation in November 2012, but lower than the peak experienced in July 2008, when food prices rose by 14.8 percent following the food price crisis of 2007. Global food price inflation in December was driven by rising consumer food prices in Asia, particularly in Southern Asia (Table).

For the 12 year period from January 2001 to December 2012, consumers in Europe and Northern America generally faced lower increases in food prices than those in other regions of the world, while consumers in Africa and Latin America faced higher and more variable prices increases.

Chart 1 Food consumer price inflation – Global and regions



Source: ILO - Laborsta (data on country food CPIs), FAO Statistics Division (calculations)

Table Trends in global and regional consumer food price inflation

Growth rates in percent	2010	2011	2012	Last 3 months (y-o-y)	Dec. 2012 (y-o-y)
World	7.4	8.5	6.2	6.2	6.7
<i>Africa</i>	6.8	13.5	8.9	6.6	6.1
Southern Africa	0.4	7.0	7.4	7.0	7.1
Western Africa	6.5	9.0	8.4	8.1	7.3
Northern Africa	12.0	9.6	8.5	7.5	7.3
Middle Africa	14.9	12.3	12.8	14.3	14.6
Eastern Africa	5.0	22.3	9.5	3.7	3.2
<i>Americas</i>	4.2	6.7	5.9	5.9	5.7
South America	7.3	9.5	8.4	8.9	8.8
Central America	3.6	6.0	6.8	7.5	6.5
Caribbean	5.2	7.3	6.3	6.9	7.4
Northern America	0.8	3.7	2.6	1.7	1.7
<i>Asia</i>	9.3	8.6	6.2	6.6	7.6
Eastern Asia	6.6	10.7	4.5	2.8	3.9
South-Eastern Asia	6.8	2.3	4.0	4.2	4.3
Western Asia	8.3	6.3	11.7	11.3	10.1
Southern Asia	12.5	8.8	8.1	10.7	12.0
<i>Europe</i>	0.9	3.4	3.0	3.3	3.4
Southern Europe	0.0	2.4	2.4	2.6	2.6
Eastern Europe	1.2	5.4	3.9	5.1	4.9
Northern Europe	1.7	5.1	3.0	3.2	3.2
Western Europe	1.0	2.3	2.9	3.2	3.4

Source: ILO - Laborsta (data on country food CPIs), FAO Statistics Division (calculations)

Regional overview

Africa

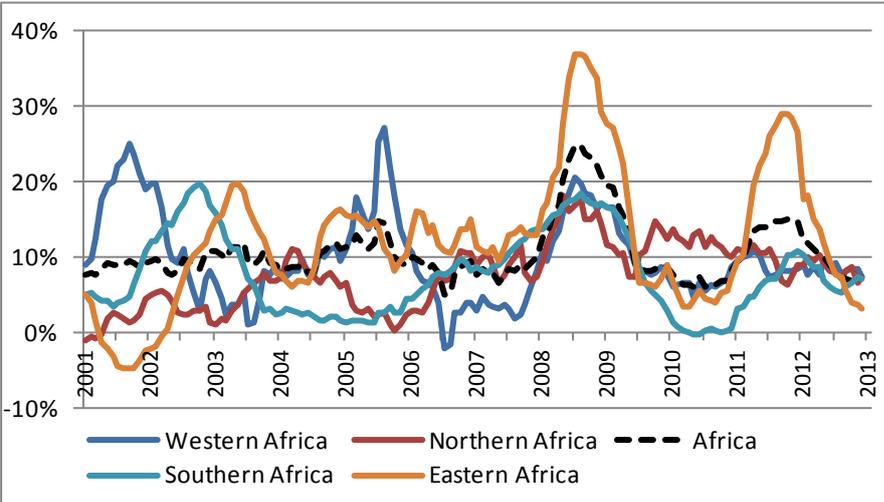
Consumers in Africa saw a slight slowdown in food price rises for the 14th consecutive month in December 2012, with a year-over-year increase by 6.1 percent, down from 6.6 percent in the previous month. Food price inflation eased in all the African sub-regions except Northern Africa, where households in Algeria faced a 13.0 percent rise in food prices.

From 2001 to 2007, annual food prices in the African sub-regions have been particularly volatile and often characterized by divergent trends. This heterogeneity is the result of the differences in the degree of market integration across African countries: it may be easier and less costly in some countries to import food commodities than to rely on local markets, due to a lack of adequate infrastructure enabling to ship food products to consumption hubs. Differences in food import dependency patterns may also explain the apparent lack of co-movement in food consumer prices between African sub-regions. For example, Northern African countries rely heavily on cereal imports, which is much less the case in other African countries.

After peaking in July 2008, affected by the the crisis on agricultural commodity markets, food price inflation in most of the sub-regions started to move in similar directions: a new episode of rising prices in 2011 was followed in most of the African sub-regions by a convergence of food prices towards inflation rates comprised in a 5-10 percent band, in which prices have evolved during most of the decade. Northern Africa has seen different trends since the end of the food price crisis and up to mid-2012, reflecting difficult economic and political conditions affecting the countries of this region, especially Tunisia and Egypt.

Inflation in Central Africa (not shown in Chart 2), particularly high during this period, was largely driven by Angola experiencing inflation rates above or close to 100 percent from 2001 to 2004. This reflected mainly foreign exchange restrictions following the replacement of their original currency, the kwanza (AOK) by the nova kwanza (AON), which led to a currency depreciation and higher food import prices.

Chart 2 Food consumer price inflation – Africa

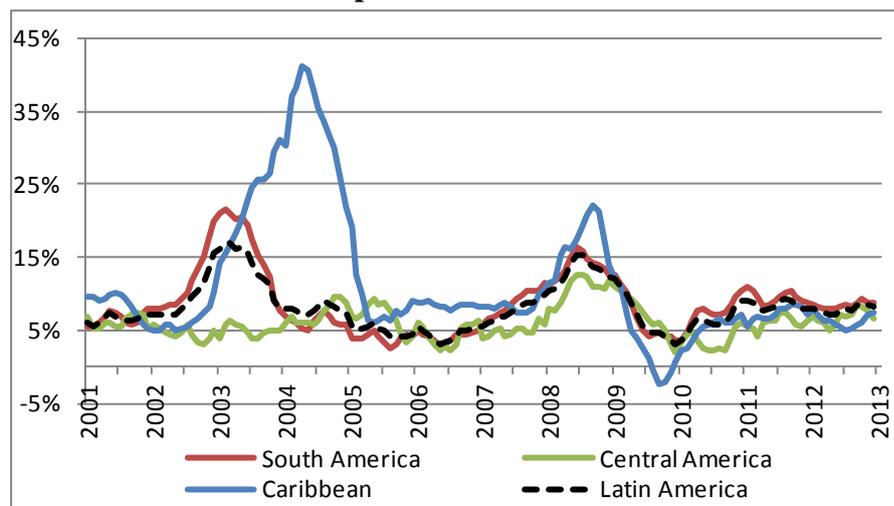


Source: ILO - Laborsta (data on country food CPIs), FAO Statistics Division (calculations)

Latin America

At 8.1 percent in December 2012, food price inflation faced by Latin American households remains on a stable path that started after the peaks in 2008-2009. Food price trends prior to 2005 reflect unstable economic and financial conditions in some major countries of the sub-regions: high food inflation in South-America in 2002-2004 is attributable to a large extent to the economic and financial crisis in Argentina. Similarly, changing economic and political conditions in the Dominican Republic and Haiti spurred food price rises in the Caribbean during 2003-2004.

Chart 3 Food consumer price inflation – Latin America



Source: ILO - Laborsta (data on country food CPIs), FAO Statistics Division (calculations)

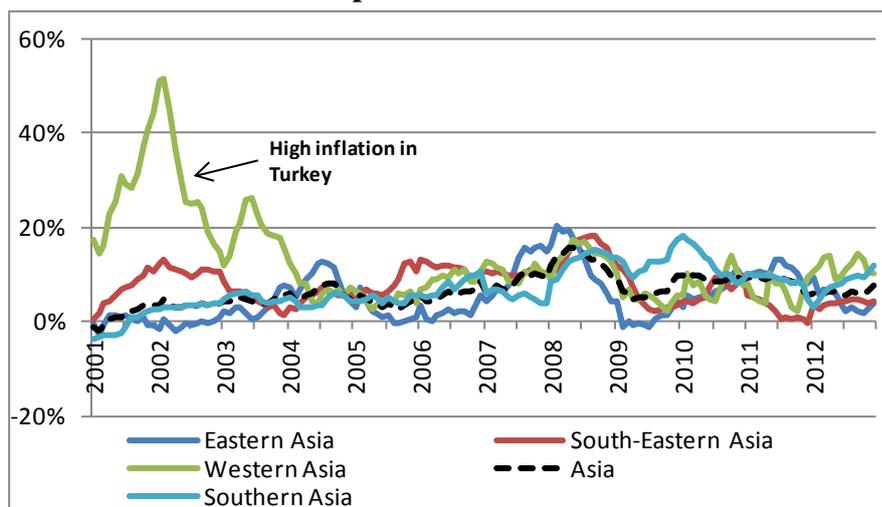
Asia

Food consumer price inflation in Asia has reached its year-high in December 2012, at 7.6 percent year-over-year. This is largely attributable to price trends in Southern Asia, and especially in Iran. While this country represents less than 5 percent of the population of the sub-region, it contributes significantly to food inflation in Southern Asia. Food consumer prices in Iran rose by 73.2 percent year-over-year in December 2012, after 65.7 percent in the previous month. The depreciation of the local currency, the Rial, by nearly 50 percent in 2012, has led to an increase in the price of imported food, especially of cereals.

From 2001 to 2008, food consumer prices in Asia have followed a moderate upward trend, reaching a peak in April 2008, slightly before the other regions, at 15.8 percent year-over-year. Since then, food price inflation has first stabilized under 10.0 percent and then slightly decreased, reflecting easing food inflation pressures in China. In this country, food inflation averaged only 4.9 percent in 2012, down from 11.9 percent in 2011.

High food inflation rates during 2001-2002 in Western Asia largely reflects general inflationary pressures in Turkey, at a time of economic and currency crisis, and following the drop of the currency peg policy in February 2001 (the Turkish Lira had been pegged to a Euro-US Dollar basket in December 1999).

Chart 4 Food consumer price inflation – Asia



Source: ILO - Laborsta (data on country food CPIs), FAO Statistics Division (calculations)

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