



Global and Regional Food Consumer Price Inflation Monitoring

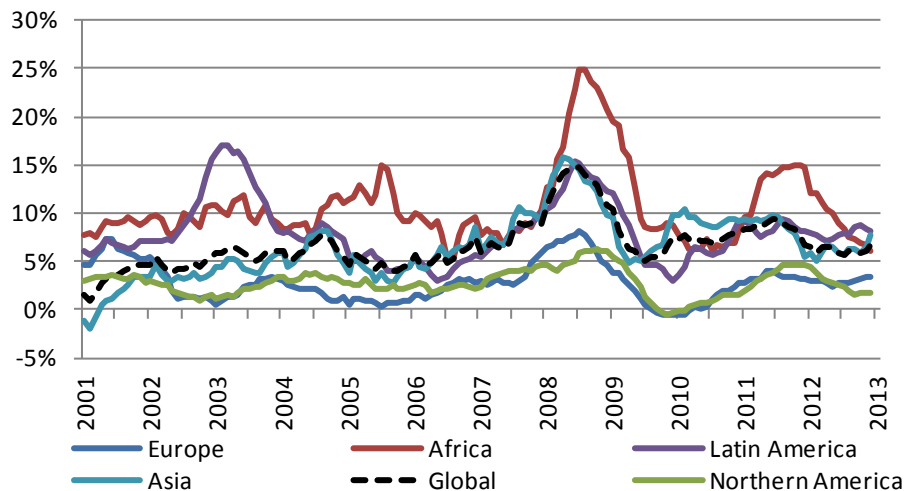
August 2013 – Issue 1

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

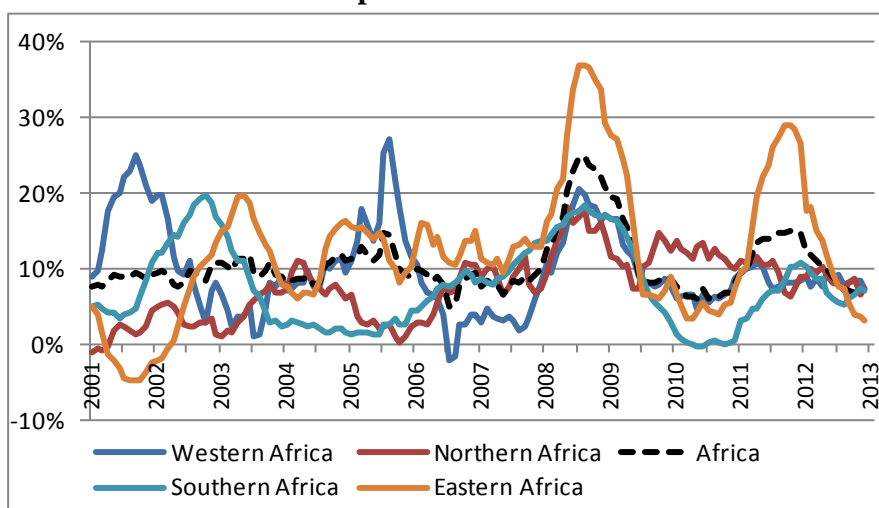
Consumers in Africa saw a slight slowdown in food price rises for the 14th consecutive month in December 2012, with a year-over-year increase by 6.1 percent, down from 6.6 percent in the previous month. Food price inflation eased in all the African sub-regions except Northern Africa, where households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

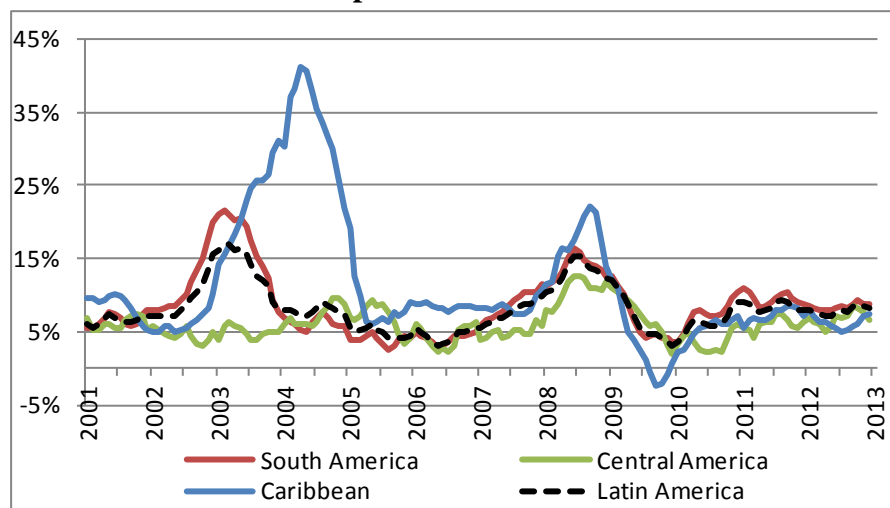


Source: ILO - Laborsta (data on country food CPIs), FAO Statistics Division (calculations)

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)

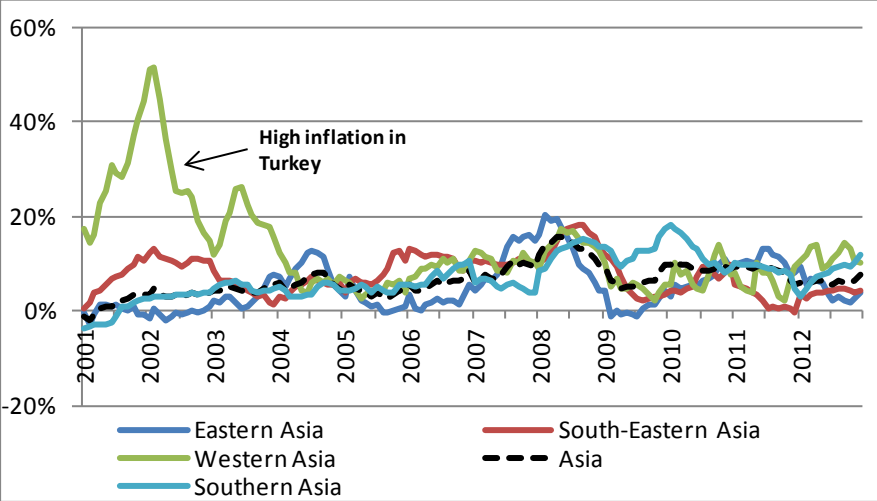
Asia

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)

Agricultural commodity prices and consumer food price inflation

FAO’s Food Price Index (FPI) provides timely information on changes in the price of key agricultural commodities traded on international markets. A comparison of the historical trend of the FPI against the global food CPI confirms the FPI as a potential leading indicator of future consumer food price inflation (Chart 5). The FPI and the global food CPI have moved in the same general direction since the end of the year 2001, with the food CPI lagging behind fluctuations in the FPI. This is particularly noticeable for peaks and troughs, such as during the food price crisis of 2007-08, when the FPI rose sharply, with the global food CPI following the increase a few months later.

The lagged effect in transmission of food commodity prices to consumer food prices is explained, in large part, by the time necessary for food commodities, such as wheat and maize, to be harvested, transported, processed into final food products, transported again, and sold to consumers.

While Chart 5 provides a comparison of the two indicators with different measurement scales for each, Chart 6, which uses the same scale, illustrates that volatility in the FPI is not fully transmitted to the global food CPI. This limited transmission can be explained by a combination of factors, including policy mitigation, pricing strategies and market structure, length of value-chains and the fact that the food CPI reflects a wider basket of food items purchased by consumers, including fruits, vegetables, processed food items, non-alcoholic beverages, most of which are excluded from the FPI.

The global food CPI and the FPI

Chart 5 With different scales

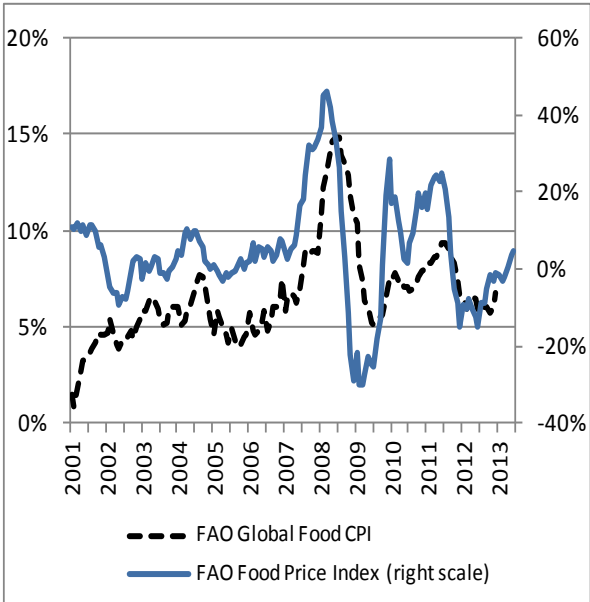
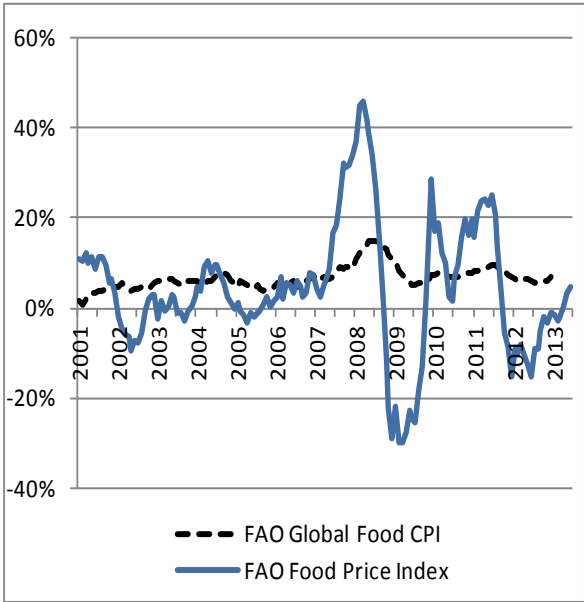


Chart 6 with the same scale



Source: ILO - Laborsta (data on country food CPIs), FAO Trade and Markets Division for the FPI , FAO Statistics Division (calculations)

Definitions and Acknowledgements

FAO's Global and Regional Food Consumer Price Indices (CPI) measure food inflation for a group of countries at different geographical scales: sub-regional (e.g. South America), regional (e.g. Americas) and global (world, all countries). The Global Food CPI covers approximately 145 countries worldwide, representing around 85% of the countries and 90% of the world population.

The aggregation procedure is based on the use of population weights. Population weights may better reflect regional food inflation and its impacts on households, while using the Gross Domestic Product (GDP) or any other measure of national income may better reflect the impact on the economy as a whole. Using the GDP would also mean giving a higher weight to countries less exposed to food insecurity, because households in countries with higher GDP tend to be richer, spend a lower proportion of their income on food and benefit from an economic environment characterized by lower and less volatile consumer price inflation.

The source of data for the country CPIs is the International Labour Organization (ILO). We gratefully acknowledge the Statistics Division of the ILO for their methodological and technical guidance on the compilation of global and regional food inflation indices. Please also note that the ILO publishes twice a year world aggregates of food and all items CPI, based on GDP weights, as part of the Global Trends in the Labour Market (<http://laborsta.ilo.org/sti/>).

Because of significant conceptual and methodological differences involved in the compilation of national CPIs by countries around the world, any global and regional CPI aggregates should be used with caution.

For a more detailed description of the indices, please consult the technical note on the subject: *Regional Aggregations of Food Consumer Price Indices*, Statistics Division, FAO, August 2013

Next release

Country, Regional and Global Consumer Food Price Indices are updated every month on FAOSTAT. The next release presenting global and regional trends will be on October 15th 2013.

Contact information

For more information, or to enquire about the concepts, methods or data quality of the CPIs, contact the Price Statistics Team of FAO's Statistics Division (Price-Statistics@fao.org / +00 39 0657052553).