



SACU INFLATION REPORT

August 2012

The content of this publication is intended for general information only. While precaution is taken to ensure the accuracy of information, the SACU Secretariat shall not be liable to any person for inaccurate information or opinions contained in this publication. Enquiries related to this publication should be directed to Mr. Abel Sindano, E-mail: abel.sindano@sacu.int

Selected Global Inflation Rates

The Food and Agricultural Organisation (FAO) Food Price Index¹ averaged 213 points in August 2012, unchanged from July. The index value is 25 points below the peak of 238 points that was reached in February 2011 and 18 points less than in August last year.

The FAO Cereal Price Index averaged 260 points in August, unchanged from July 2012. Similarly, the FAO Oils/Fats Price Index averaged 226 points in August, the same as in July. The FAO Meat Price Index averaged 170 points in August, up by 2.2 per cent, from July. The August price increase follows three consecutive months of declines.

Dairy prices averaged 176 points in August, up by 1.6 per cent from July, mainly due to increases in the prices of skim milk powder, casein, butter and whole milk powder. The FAO Sugar Price Index averaged 297 points in August, down by 8.5 per cent from July. The decline in sugar prices reflects improved production outlook amid more favourable weather conditions in Brazil, the world's largest sugar exporter.

Brent crude oil price closed at USD96.56 per barrel at the end of August 2012, which was 5.4 percent higher than at the end of July 2012, and also higher than the USD 89.52 per barrel recorded at the end of August 2011. The natural gas prices closed at USD 2.80 at the end of August 2012, which was 3.5 per cent lower than at the end of July 2012. RBOB gasoline prices closed at USD 2.97 per barrel at the end of August 2012, which was 13.8 per cent higher than at the end of July 2012.

Developed Economies

Euro Area

The annual inflation rate was 2.6 per cent in August 2012, up from 2.4 per cent in July 2012. The rate was 2.5 per cent at the same period a year earlier. The main components with the highest annual increases were *transport (4.8 per cent)*, *alcohol & tobacco (4.5 per cent)*, and *housing (4.1 per cent)*, while the lowest annual rates were observed for *communications (-3.1 per cent)*, *recreation & culture (0.8 per cent)* and *education (1.0 per cent)*. The annual rate recorded for August 2012 was above the European Central Bank inflation target of below but close to 2.0 per cent.

Japan

The annual deflation rate was 0.4 per cent in August 2012, unchanged from the previous month. The rate was recorded at zero at the same period a year earlier. The main components with the highest annual increases were *fuel, light and water charges (3.2 per cent)*, and *education (0.4 per cent)*, while the lowest annual rates

¹ 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

were observed on *furniture and household utensils (-3.0 percent)*, *culture and recreation (-1.2 percent)* and *transport & communication (-1.1 per cent)*.

United Kingdom

The annual inflation rate was 2.5 per cent in August 2012, down from 2.6 per cent in the preceding month. The rate was 4.5 per cent at the same period a year earlier. The main components with the highest annual increases were *alcohol & tobacco (5.8 per cent)*, *housing & household services (5.6 per cent)*, and *education (5.1 per cent)*, while the lowest annual rates were observed on *clothing & footwear (-0.7 per cent)*, *recreation & culture (0.6 per cent)*, and *miscellaneous goods & services (1.6 per cent)*. The annual inflation rate continued to remain above the Bank of England's inflation target of 2.0 per cent.

USA

The annual inflation rate in the world's largest economy rose by 1.7 per cent during August 2012 compared to 1.4 per cent in the preceding month. The rate was 3.8 per cent at the same period a year earlier. The index for all items less food and energy rose by 1.9 per cent in August 2012, down from 2.1 per cent in the preceding month. The food index rose by 2.0 per cent in August, down from 2.3 percent in the preceding month. The energy index declined by 0.6 per cent in August compared to a decline of 5.0 per cent in the preceding month. The inflation rate registered during August 2012 was below the Federal Reserve Bank's long term inflation estimate of 2.0 per cent.

Developing Economies

Brazil

The annual inflation rate rose by 5.2 per cent in August 2012, unchanged from the preceding month. The rate was 7.2 per cent at the same period a year earlier. The annual rate recorded for August 2012 was within the Brazilian Central Bank inflation target of 4.5 percent with a floating range of 2 percentage points.

China

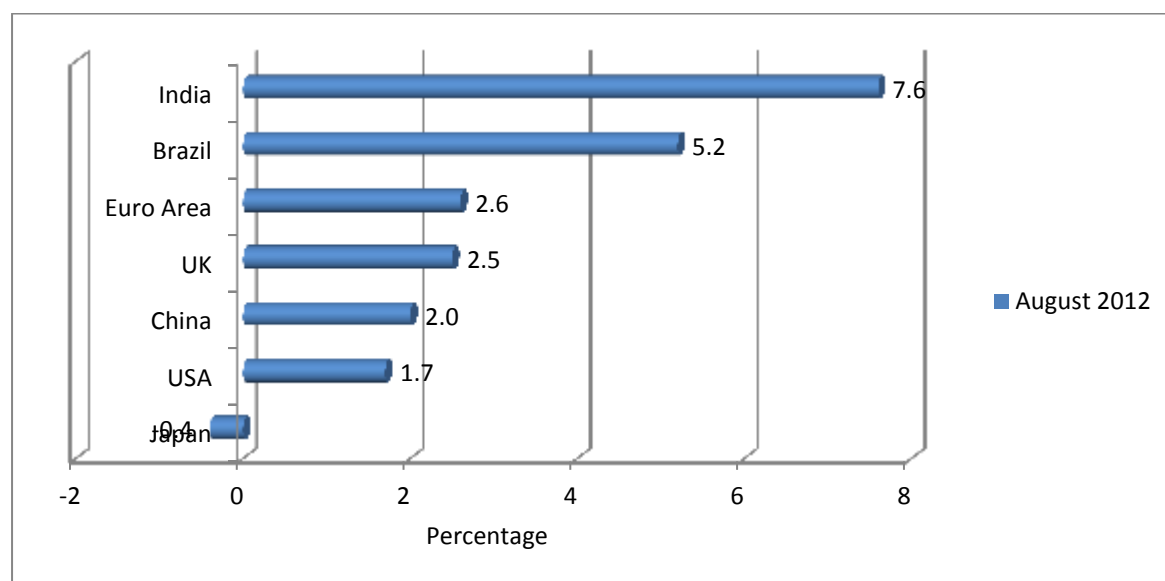
The annual inflation rate was 2.0 per cent in August 2012, up from 1.8 per cent during the preceding month. The rate was 6.2 per cent at the same period a year earlier. The main components with the highest annual increases were *food (3.4 per cent)*, *clothing (3.1 per cent)*, and *tobacco, liquor & articles (3.0 per cent)*, while the lowest annual rates were observed on *transport & communication (-0.8 per cent)*, and *recreation & services (0.4 per cent)*. The annual inflation rate for August 2012 remained below the Government's inflation target of 3.0 percent.

India

The annual inflation rate was 7.6 per cent in August 2012 as compared to 6.9 per cent in the preceding month and 9.8 per cent during the corresponding month of the previous year. The main components with the highest annual increases were *fuel &*

power (3.1 per cent), and manufactured products (0.8 per cent) while the lowest annual rates were observed on primary articles (0.3 per cent). The inflation rate registered during August 2012 remained above the Reserve Bank target range of 4.0 – 4.5 per cent.

Chart 1: Annual Inflation Rates for selected economies



Source: tradingeconomics.com

Inflation Rates in SACU Member States

Swaziland registered the highest annual inflation rate among the Member States, registering an inflation rate of 8.7 per cent in August 2012 followed by Botswana at 7.3 per cent. The lowest annual inflation was observed in South Africa, recording an inflation rate of 4.9 per cent.

All Member States recorded a single digit annual inflation rate during August 2012 as shown in Table 1. Month-on-month inflation rates varied between -0.1 per cent and 1.0 per cent in Member States between July 2012 and August 2012, as shown in Table 2.

Table 1: Annual Inflation Rates in SACU Member States

	Botswana	Lesotho	Namibia	South Africa	Swaziland
July 2012	7.3	5.7	6.0	4.9	8.7
August 2012	6.6	5.3	5.8	5.0	8.5

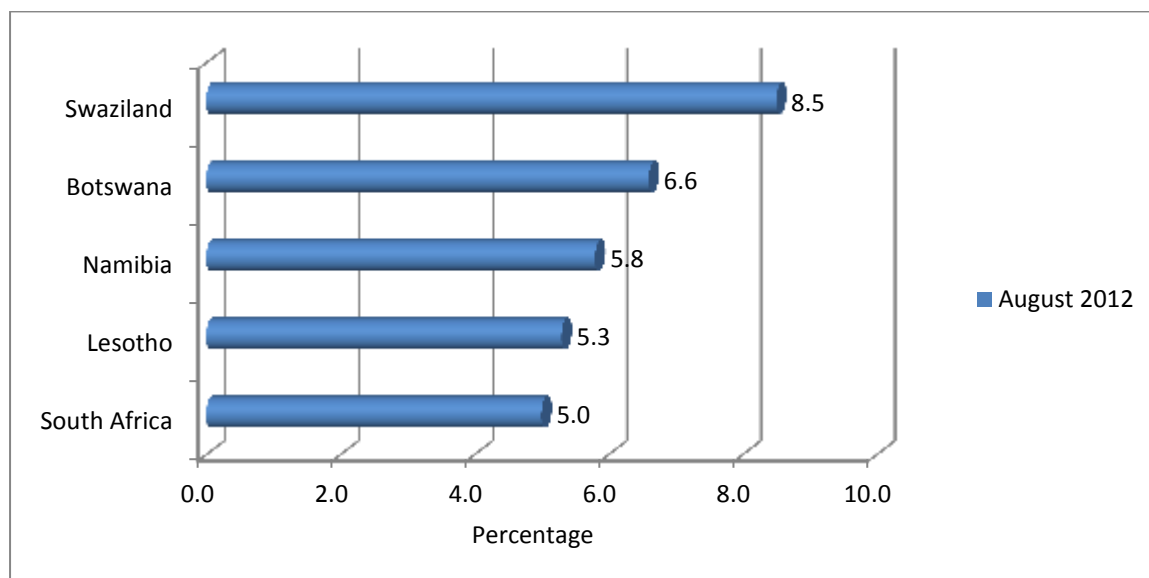
Source: Member States Statistics Offices

Table 2: Monthly Inflation Rates in SACU Member States

	Botswana	Lesotho	Namibia	South Africa	Swaziland
July 2012	0.3	-0.1	1.0	0.3	-0.0
August 2012	0.4	0.3	0.3	0.2	0.7

Source: Member States Statistics Offices

Chart 2: Annual Inflation Rates in SACU Member States



Source: Member States Statistics Offices

Botswana

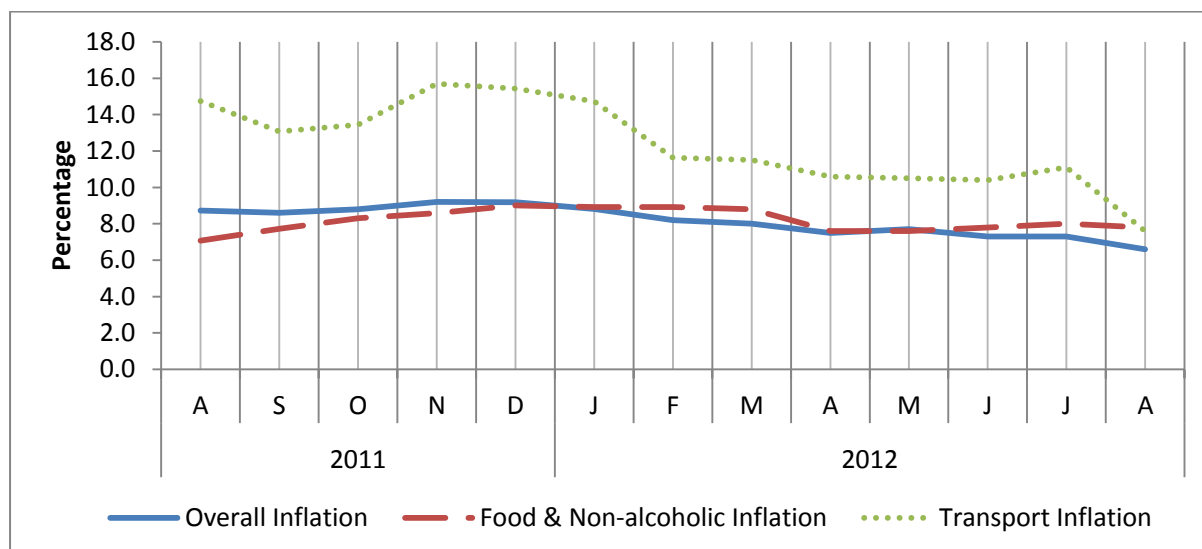
The annual inflation rate rose by 6.6 per cent in August 2012, from 7.3 per cent in the preceding month. Annual inflation in August 2012 was lower than the 8.7 per cent recorded during the same month in 2011. On average, prices increased by 0.4 per cent between July and August 2012.

The main components with the highest annual increases were *food & non-alcoholic beverages (7.8 per cent)*, *transport (7.6 per cent)*, and *alcoholic beverages & tobacco (7.1 per cent)*, while the lowest annual increase was observed on *communication (0.6 per cent)*.

The annual inflation rate for August 2012 continued to be above the inflation target range of 3-6 per cent set out by the Bank of Botswana. The interest rate policy remained accommodative for growth with the bank rate² at 9.5 per cent and the prime rate at 11.0 per cent.

² Bank rate is the rate at which the Central Bank lends to Commercial Banks

Chart 3: Annual Inflation Rate



Source: Statistics Botswana

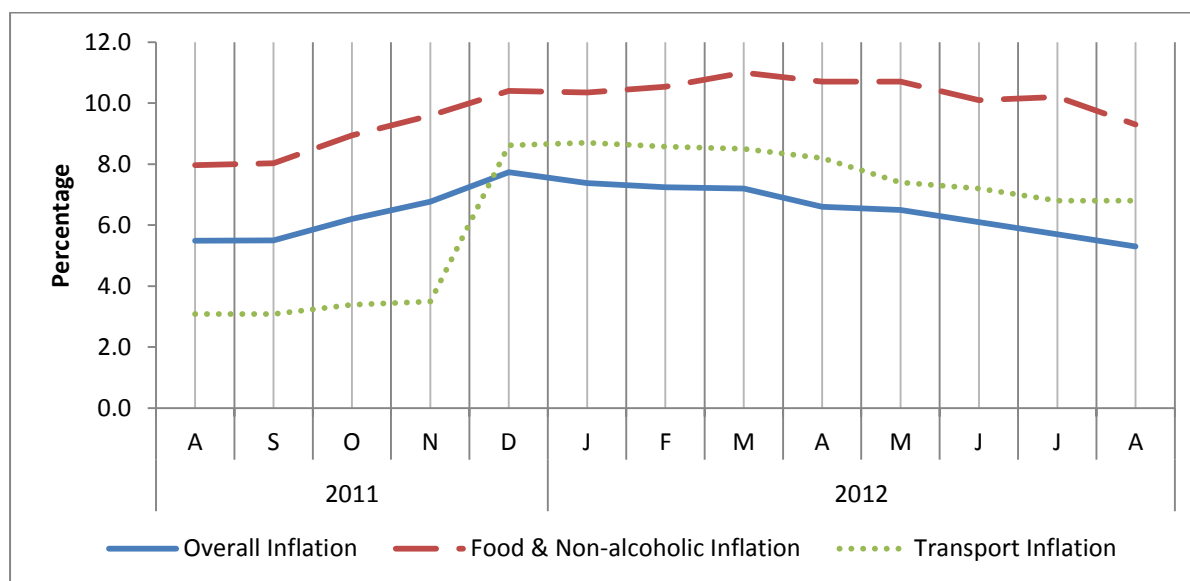
Lesotho

The annual inflation rate continued to ease in August 2012 registering 5.3 per cent in from 5.7 per cent in July 2012. Annual inflation in August 2012 was lower than the 5.5 percent recorded during the corresponding month in 2011. On average, prices increased by 0.3 per cent between July and August 2012.

The main components with the highest annual increases were *food & non-alcoholic beverages (9.3 per cent)*, *transport (6.8 per cent)*, and *alcohol & tobacco (6.4 per cent)*, while the lowest annual increases were observed on *restaurants and hotel (-0.6 per cent)* and *communication (stagnant)*.

Lesotho’s monetary policy targets the maintenance of adequate net international reserves (NIR). The NIR target for the quarter ending in September 2012 is USD778 million, which translates to M6.33 billion, a target that is consistent with the maintenance of the exchange rate peg between the Loti and the Rand. During the month of August 2012 the Lombard facility stood at 9.48 per cent, while the prime lending rate was at 10.25 per cent.

Chart 4: Annual Inflation Rate



Source: Bureau of Statistics of Lesotho

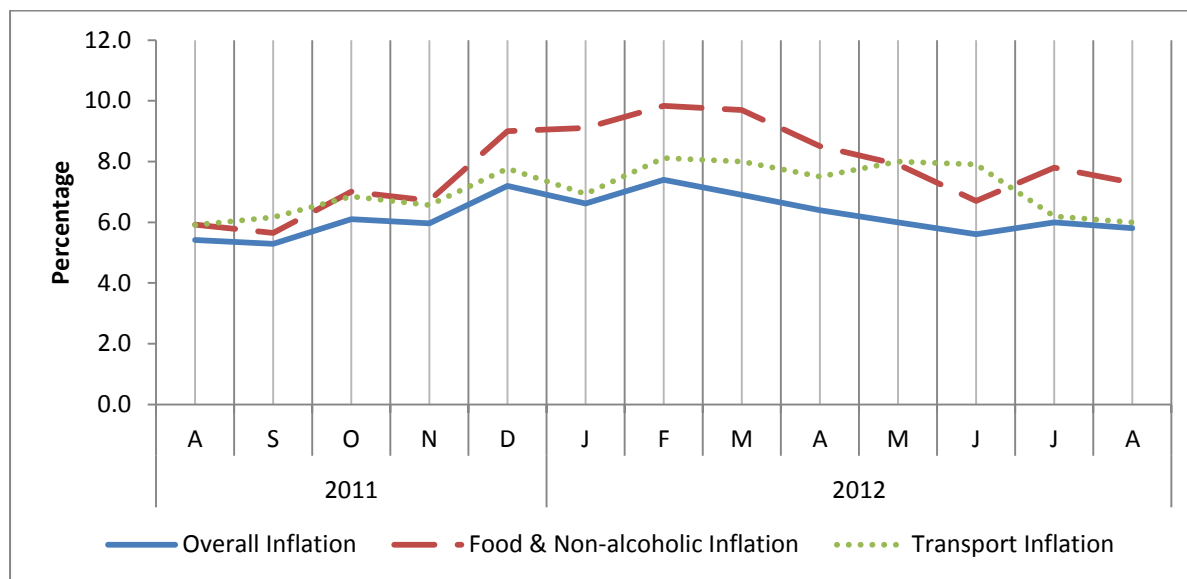
Namibia

The annual inflation rate rose by 5.8 per cent in August 2012, from 6.0 per cent recorded in the preceding month. Annual inflation in August 2012 was slightly higher than the 5.4 per cent recorded during the same month in 2011. On average, prices rose by 0.3 per cent between July and August 2012.

The main components with the highest annual increases were *recreation & culture (9.4 per cent)*, *alcoholic beverages & tobacco (8.2 per cent)*, and *housing & utilities (7.4 per cent)*, while the lowest annual increases were observed on *communication (stagnant)*, and *clothing & footwear (1.0 per cent)*.

The NIR level stood at N\$15.0 billion in August 2012 compared to N\$15.9 billion recorded in the previous month; and sufficient to support the Rand parity. The repo rate changed to 5.5 per cent from 6.0 per cent during August 2012. Similarly, the prime rate also changed to 9.38 per cent from 9.75 per cent.

Chart 5: Annual Inflation Rate



Source: Namibia Statistics Agency

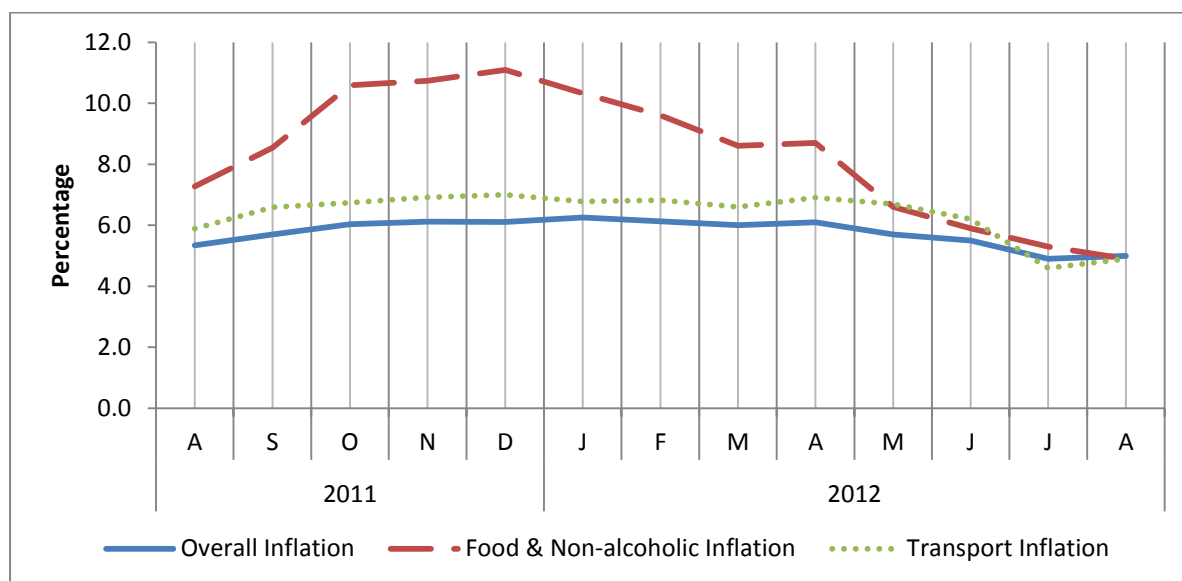
South Africa

The annual inflation rate stood at 5.0 per cent in August 2012, from 4.9 per cent recorded in the previous month. Annual inflation in August 2012 was lower than the 5.3 per cent recorded during the same period in 2011. On average, prices increased by 0.2 per cent between July and August 2012.

The main components with the highest annual increases were *education (9.0 per cent)*, *alcoholic beverages & tobacco (7.4 per cent)*, and *hotels & restaurants (6.2 per cent)* while the lowest annual increases were observed on *communication (-0.3 per cent)*, and *recreation & culture (1.3 per cent)*.

The annual inflation continued to remain within the target range of 3-6 per cent during August 2012. Interest rate policy remained accommodative for growth with the repo rate recorded at 5.0 per cent, and the prime rate at 8.5 per cent.

Chart 6: Annual Inflation Rate



Source: Stats SA

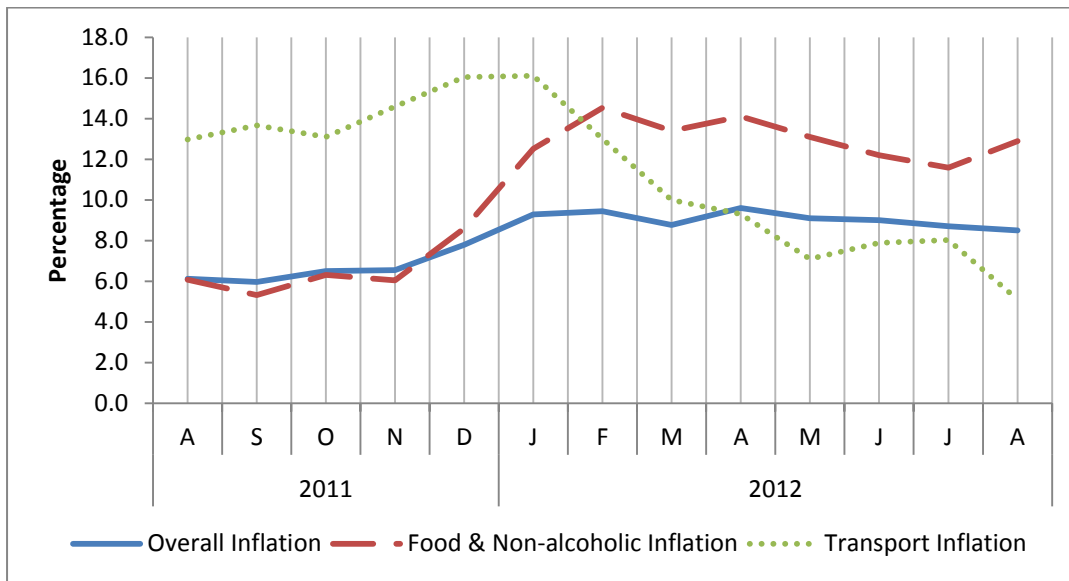
Swaziland

The annual inflation rate eased to 8.7 per cent in August 2012, from 9.0 percent in the previous month. The annual inflation rate for August 2012 was higher than the 6.1 percent recorded during the same period in the previous year. On average, prices increased by 0.7 per cent between July and August 2012.

The main components with the highest annual increases were *health (15.3 percent)*, *food & non-alcoholic beverages (12.9 per cent)*, and *restaurants & hotels (7.4 per cent)*, while the lowest annual rates were observed on *communications (-0.1 per cent)*.

The NIR level for August 2012 was E5.3 billion compared to E5.7 billion in July 2012, and sufficient to support the Rand parity. Interest rate policy remained accommodative for growth with the discount rate recorded at 5.0 per cent, and the prime rate at 8.5 per cent.

Chart 7: Annual Inflation Rate



Source: Central Statistics Office of Swaziland

Appendix

Annual inflation rates by main categories (August 2012)

Main Categories	Botswana	Lesotho	Namibia	South Africa	Swaziland
Food & non-alcoholic beverages	7.8	9.3	7.3	4.9	12.9
Alcoholic beverages & tobacco	7.1	6.4	8.2	7.4	4.6
Clothing & footwear	6.6	0.5	1.0	3.6	4.5
Housing, water, electricity, gas & other fuels	6.8	3.7	7.4	5.8	5.6
Furnishings, household equipment &...	7.1	3.3	5.3	2.4	5.2
Health	6.4	0.5	3.6	5.3	15.3
Transport	7.6	6.8	6.0	4.9	5.1
Communications	0.6	0.0	0.0	-0.3	-0.1
Recreation & Culture	5.7	1.9	9.4	1.3	4.3
Education	6.4	1.0	3.6	9.0	7.3
Hotels, cafés & restaurants	6.8	-0.6	5.6	6.2	7.4
Miscellaneous goods & services	1.1	2.3	3.5	5.1	3.6
All Item	6.6	5.3	5.8	5.0	8.5

Source: SACU Member States Statistics Offices

Consumer Price Index Basket Weights

Main Categories	Botswana	Lesotho	Namibia	South Africa	Swaziland
Food & non-alcoholic beverages	21.84	38.14	29.63	15.68	37.73
Alcoholic beverages & tobacco	9.29	1.22	3.26	5.58	0.96
Clothing & footwear	7.52	17.43	5.13	4.11	6.16
Housing, water, electricity, gas & other fuels	11.46	10.60	20.59	22.56	14.33
Furnishings, household equipment &...	6.76	9.42	5.61	5.86	11.88
Health	2.71	1.88	1.51	1.47	3.58
Transport	18.98	8.47	14.79	18.8	8.6
Communications	3.01	1.24	0.9	3.22	1.43
Recreation & Culture	2.22	2.39	2.5	4.19	4.62
Education	3.37	2.75	7.36	2.19	5.38
Hotels, cafés & restaurants	3.27	0.66	1.62	2.78	0.72
Miscellaneous goods & services	9.57	5.81	7.11	13.56	4.67
All Item	100.00	100.00	100.00	100.00	100.00

Source: SACU Member States Statistics Offices