



SACU INFLATION REPORT

July 2012

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Selected Global Inflation Rates

The Food and Agricultural Organisation (FAO) Food Price Index¹ increased in July, by 6.0 percent from June 2012, after three months of decline. The rebound was mostly driven by a surge in grain and sugar prices.

The FAO Cereal Price Index averaged 260 points in July, up by 17 percent, from June. This was 14 points below its all-time high of 274 points in April 2008. The severe deterioration of maize crop prospects in the United States, following drought conditions and excessive heat during critical stages of the crop development, pushed up maize prices by almost 23 percent in July.

The FAO Oils/Fats Price Index averaged 226 points in July, up from 221 points in June. The FAO Meat Price Index averaged 168 points in July, down by 1.7 percent, from June and the third consecutive monthly fall. Market weakness underpinned a fall in four major meat sectors, in particular pork, which saw prices fall by 3.6 percent.

Dairy prices averaged 173 points in July, unchanged from June, after five straight months of decline. July also saw a sharp increase in the FAO Sugar Price Index, which leaped 12 percent, from June to a new level of 324 points. The upturn, ending a steady fall since March, was triggered by untimely rains in Brazil, the world's largest sugar exporter, which hampered sugarcane harvesting.

Brent crude oil price closed at USD91.64 per barrel at the end of July 2012, which was 0.4 percent lower than at the end of June 2012, and also lower than the USD 100.61 per barrel recorded at the end of July 2011. The natural gas prices closed at USD 2.90 at the end of July 2012, which was 5.4 percent higher than at the end of June 2012. RBOB gasoline prices closed at USD 2.61 per barrel at the end of July 2012, which was 0.7 percent lower than at the end of June 2012.

Developed Economies

Euro Area

The annual inflation rate was 2.4 percent in July 2012, unchanged compared with June 2012. The rate was 2.6 percent at the same period a year earlier. The main components with the highest annual increases were *alcohol & tobacco (4.7 percent)*, *housing (3.8 percent)*, and *transport (3.2 percent)* while the lowest annual increases were observed in *communications (-3.1 percent)*, *education (0.7 percent)* and *recreation & culture (1.0 percent)*. The annual rate recorded for July 2012 was above the European Central Bank inflation target of below but close to 2.0 percent.

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

Japan

The annual inflation rate was 0.4 percent in July 2012 compared to 0.2 percent in the previous month. The rate was 0.2 percent at the same period a year earlier. The main components with the highest annual increases were *fuel, light and water charges (3.0 percent), education (0.4 percent), and clothes & footwear (0.2 percent)* while the lowest annual rates were observed on *furniture and household utensils (-3.1 percent), culture and recreation (-1.8 percent) and transport & communication (-1.2 percent)*.

United Kingdom

The annual inflation rate was 2.6 percent in July 2012, up from 2.4 percent in the preceding month. The rate was 4.4 percent at the same period a year earlier. The main components with the highest annual increases were *housing & household services (6.1 percent), education (5.1 percent) and alcohol & tobacco (5.0 percent)*, while the lowest annual rates were observed on *clothing & footwear (0.1 percent), recreation & culture (0.4 percent), and transport (1.3 percent)*. The annual inflation rate continued to remain above the Bank of England's inflation target of 2.0 percent.

USA

The annual inflation rate in the world's largest economy rose by 1.4 percent during July 2012 compared to 1.7 percent in the preceding month. The rate was 3.6 percent at the same period a year earlier. The index for all items less food and energy rose by 2.1 percent in July 2012, slightly down from 2.2 percent in the preceding month. While, the food index rose by 2.3 percent in July, down from 2.7 percent in the preceding month. In contrast, the energy index declined by 5.0 percent in July compared to a decline of 3.9 percent in the preceding month. The inflation rate registered during July 2012 was below the Federal Reserve Bank's long term inflation estimate of 2.0 percent.

Developing Economies

Brazil

The annual inflation rate rose by 5.2 percent in July 2012 compared with 5.0 percent in the preceding month. The rate was 6.9 percent at the same period a year earlier. The annual rate recorded for July 2012 was within the Brazilian Central Bank inflation target of 4.5 percent with a floating range of 2 percentage points.

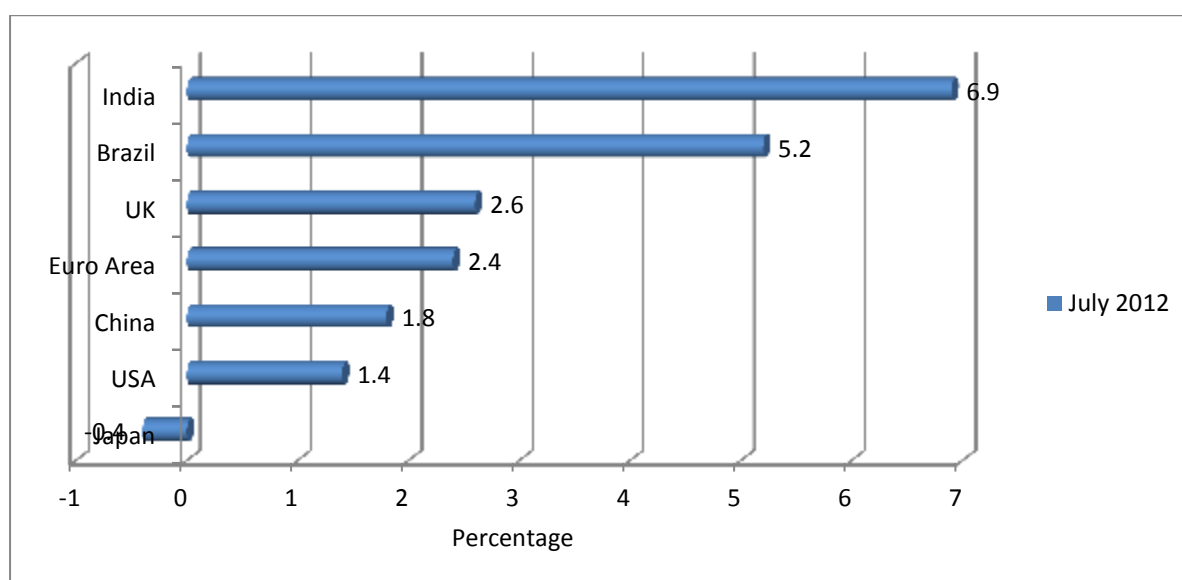
China

The annual inflation rate was 1.8 percent in July 2012, down from 2.2 percent during the preceding month. The rate was 6.5 percent at the same period a year earlier. The main components with the highest annual increases were *clothing (3.3 percent)*, *tobacco, liquor & articles (3.1 percent)*, and *food (2.4 percent)*, while the lowest annual rates were observed on *transport & communication (-0.4 percent)*, *recreation & services (0.3 percent)*, and *residence (1.6 percent)*. The annual inflation rate for July 2012 was below the Government's inflation target of 3.0 percent.

India

The annual inflation rate was 6.9 percent in July 2012 as compared to 7.3 percent in the preceding month and 9.2 percent during the corresponding month of the previous year. The main components with the highest annual increases were *primary articles (1.1 percent)*, and *manufactured products (0.6 percent)* while the lowest annual rates were observed on *fuel & power (-1.5 percent)*. The inflation rate registered during July 2012 remained above the Reserve Bank target range of 4.0 – 4.5 percent.

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 percent in July 2012 followed by Botswana at 7.3 percent. The lowest annual inflation was observed in South Africa, recording an inflation rate of 4.9 percent.

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

Table 1: Annual Inflation Rates in SACU Member States

	Botswana	Lesotho	Namibia	South Africa	Swaziland
June 2012	7.3	6.1	5.6	5.5	9.0
July 2012	7.3	5.7	6.0	4.9	8.7

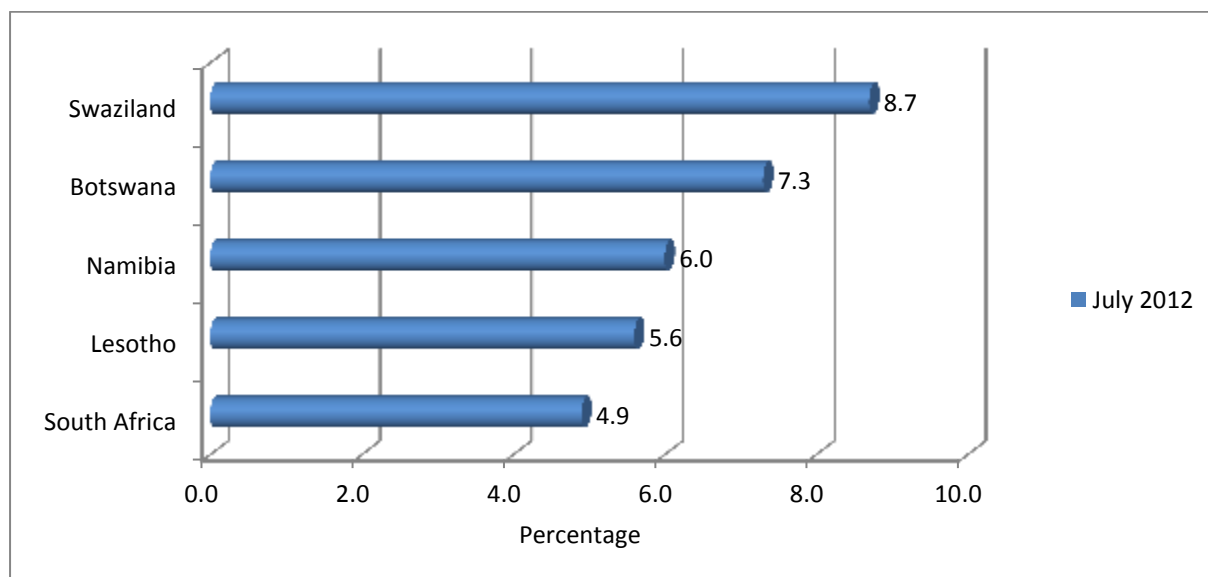
Source: Member States Statistics Offices

Table 2: Monthly Inflation Rates in SACU Member States

	Botswana	Lesotho	Namibia	South Africa	Swaziland
June 2012	0.5	0.4	-0.2	0.2	0.1
July 2012	0.3	-0.1	1.0	0.3	-0.0

Source: Member States Statistics Offices

Chart 2: Annual Inflation Rates in SACU Member States



Source: Member States Statistics Offices

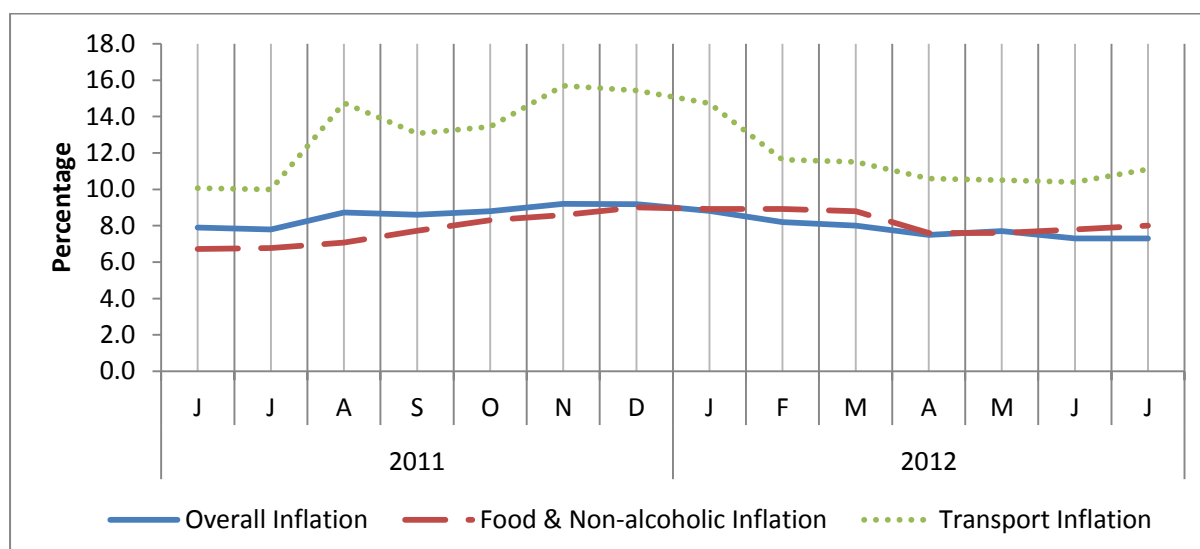
Botswana

The annual inflation rate rose by 7.3 percent in July 2012, which is unchanged compared with the preceding month. Annual inflation in July 2012 was lower than the 7.8 percent recorded during the same month in 2011. On average, prices increased by 0.3 percent between June and July 2012.

The main components with the highest annual increases were *transport* (11.1 percent), *food & non-alcoholic beverages* (8.0 percent) and *housing & utilities* (7.4 percent), while the lowest annual increase was observed on *communication* (0.6 percent).

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

Chart 3: Annual Inflation Rate



Source: Statistics Botswana

Lesotho

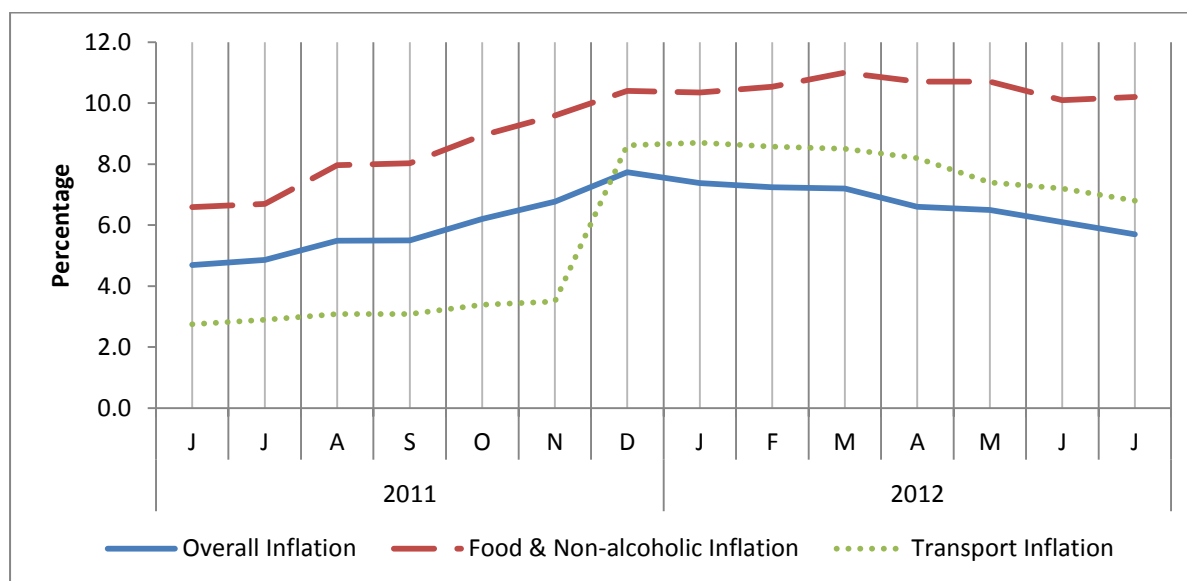
The annual inflation rate continued to ease in July 2012 registering a 5.7 percent in from 6.1 percent in June 2012. Annual inflation in July 2012 was higher than the 4.9 percent recorded during the corresponding month in 2011. On average, prices deflated by 0.1 percent between June and July 2012.

The main components with the highest annual increases were *food & non-alcoholic beverages (10.2 percent)*, *transport (6.8 percent)*, and *alcohol & tobacco (6.4 percent)*, while the lowest annual increases were observed on *communication (-0.6 percent)*, and *health (0.2 percent)*.

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 July 2012 the Lombard facility remained at 9.28 percent, while the prime lending rate was at 10.25 percent.

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

Chart 4: Annual Inflation Rate



Source: Bureau of Statistics of Lesotho

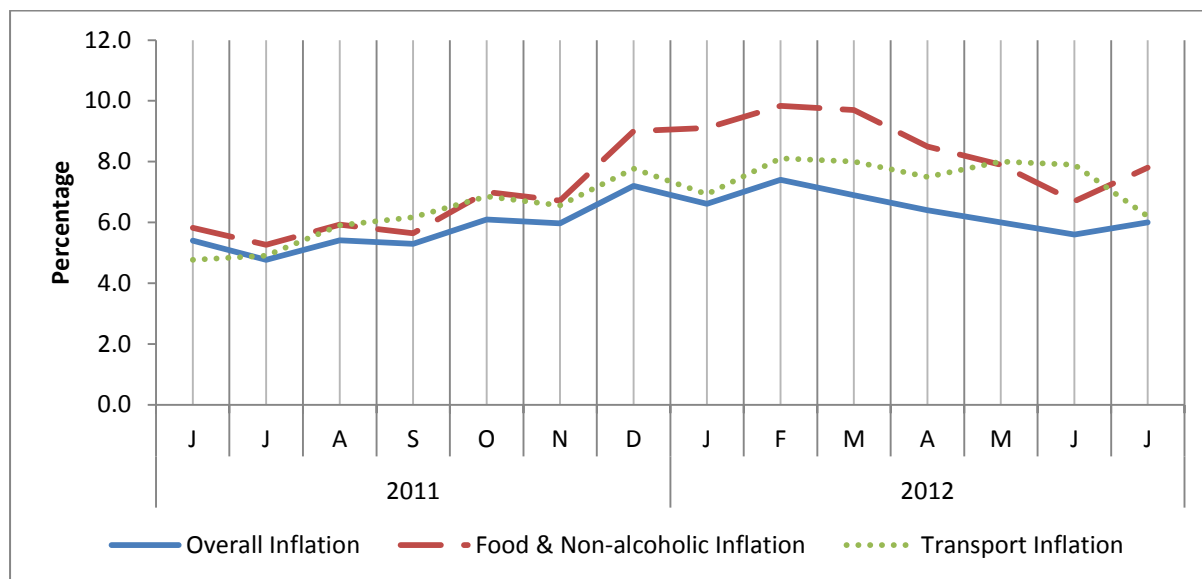
Namibia

The annual inflation rate rose by 6.0 percent in July 2012, from 5.6 percent recorded in the preceding month. Annual inflation in July 2012 was higher than the 4.8 percent recorded during the same month in 2011. On average, prices rose by 1.0 percent between June and July 2012.

The main components with the highest annual increases were *recreation & culture (9.7 percent)*, *alcoholic beverages & tobacco (7.9 percent)*, and *food & non-alcoholic beverages (7.8 percent)*, while the lowest annual increases were observed on *communication (stagnant)*, and *clothing & footwear (1.6 percent)*.

The NIR level stood at N\$15.9 billion in July 2012 compared to N\$14.4 billion recorded in the previous month; and sufficient to support the Rand parity. The repo rate remained unchanged at 6.0 percent during July 2012. Similarly, the prime rate also remained unchanged at 9.75 percent.

Chart 5: Annual Inflation Rate



Source: Namibia Statistics Agency

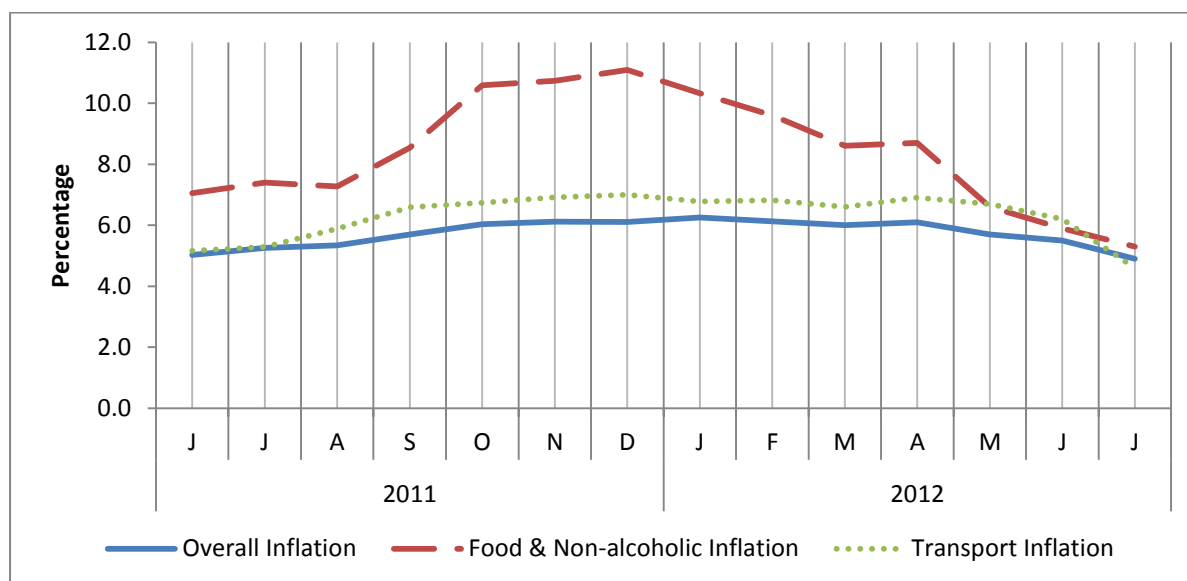
South Africa

The annual inflation rate eased to 4.9 percent in July 2012, from 5.5 percent recorded in the previous month, but lower than the 5.3 percent recorded during the same period in 2011. On average, prices increased by 0.3 percent between June and July 2012.

The main components with the highest annual increases were *education (9.0 percent)*, *alcoholic beverages & tobacco (7.2 percent)*, and *hotels & restaurants (6.1 percent)* while the lowest annual increases were observed on *communication (-1.0 percent)*, and *recreation & culture (0.9 percent)*.

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

Chart 6: Annual Inflation Rate



Source: Stats SA

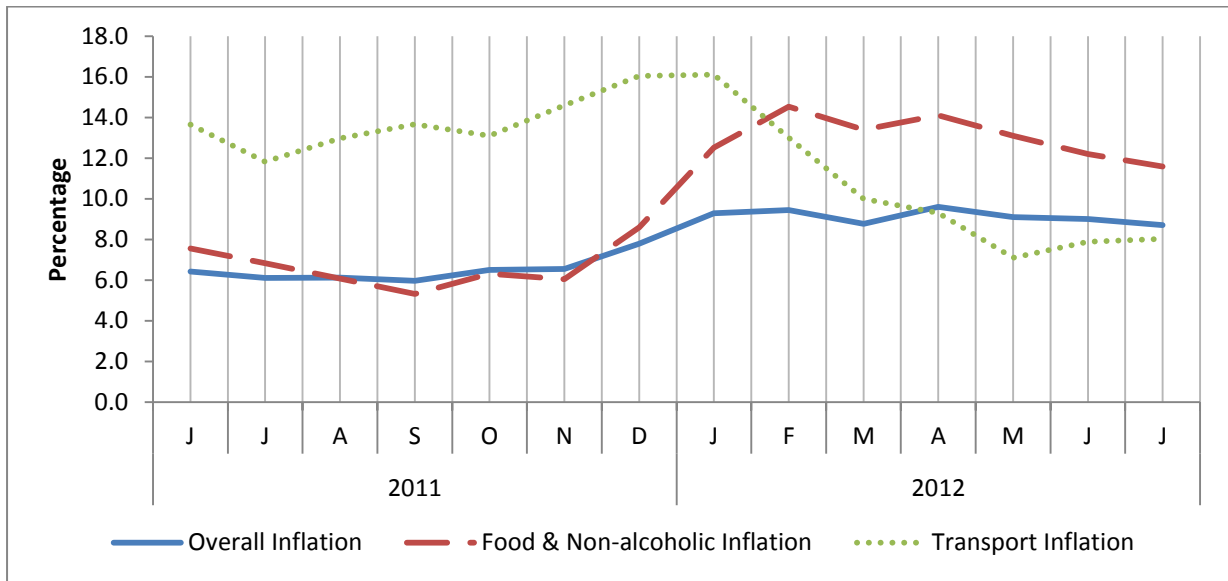
Swaziland

The annual inflation rate eased to 8.7 percent in July 2012, from 9.0 percent in the previous month. The annual inflation rate for July 2012 was higher than the 6.1 percent recorded during the same period in the previous year. On average, prices remained stagnant between June and July 2012.

The main components with the highest annual increases were *housing & utilities (12.1 percent)*, *food & non-alcoholic beverages (11.6 percent)*, and *transport (8.0 percent)*, while the lowest annual rates were observed on *communications (-0.1 percent)* and *recreation & culture (2.1 percent)*.

The NIR level for July 2012 was E5.7 billion compared to E4.3 billion in June 2012, and sufficient to support the Rand parity. The discount rate was reduced to 5.0 percent, while the prime rate was reduced to 8.5 percent during July 2012.

Chart 7: Annual Inflation Rate



Source: Central Statistics Office of Swaziland

Appendix

Annual inflation rates by main categories (July 2012)

Main Categories	Botswana	Lesotho	Namibia	South Africa	Swaziland
Food & non-alcoholic beverages	8.0	10.2	7.8	5.3	11.6
Alcoholic beverages & tobacco	7.1	6.4	7.9	7.2	3.2
Clothing & footwear	6.1	0.6	1.6	3.6	4.9
Housing, water, electricity, gas & other fuels	7.4	4.9	7.0	5.7	12.0
Furnishings, household equipment &...	7.4	2.8	4.5	2.6	5.7
Health	6.4	0.2	3.5	5.2	6.7
Transport	11.1	6.8	6.2	4.6	8.0
Communications	0.6	-0.6	0.0	-1.0	-0.1
Recreation & Culture	5.1	2.4	9.7	0.9	2.1
Education	6.4	1.0	3.6	9.0	7.2
Hotels, cafés & restaurants	6.5	0.8	4.5	6.1	7.4
Miscellaneous goods & services	1.5	1.8	2.7	5.1	3.5
All Item	7.3	5.7	6.0	4.9	8.7

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