



SACU INFLATION REPORT

May 2012

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Selected Global Inflation Rates

The Food and Agricultural Organisation (FAO) Food Price Index¹ fell by 4.0 percent from April to May 2012. The May decline was mostly driven by low crop prices.

The FAO Cereal Price Index averaged 221 points in May, down by 1.0 percent, from April. International wheat price fell following improved weather conditions. By contrast, international rice price rose slightly, mainly on increased purchases ahead of the Ramadan period.

The FAO Oils/Fats Price Index averaged 164 points in May, down by 6.8 percent from April. The drop, which was led by falling soy and palm oil prices, reversed the upward trend witnessed since December 2011.

The FAO Meat Price Index averaged 179 points in May, barely 1 point below its April level.

The FAO Dairy Price Index averaged 164 points in May, down by 12 percent from April and the lowest level since October 2009.

The FAO Sugar Price Index averaged 295 points in May, down by 9.0 percent from April, 5.6 percent below the same period the previous year. Sugar prices declined for the third month in a row, reflecting larger availabilities in India, the EU and Thailand, and new supplies from Brazil entering the market.

Brent crude oil price closed at USD101.18 per barrel at the end of May 2012, which was 14.8 percent lower than at the end of April 2012, and also lower than the USD 112.89 per barrel recorded at the end of May 2011. The natural gas prices closed at USD 2.43 at the end of May 2012, which was 2.5 percent lower than at the end of April 2012. RBOB gasoline prices closed at USD 2.70 per barrel at the end of May 2012, which was 11.0 percent lower than at the end of April 2012.

Developed Economies

Euro Area

The annual inflation rate was 2.4 percent in May 2012, down from 2.6 percent in April 2012. A year earlier, the rate was 2.7 percent. The main components with the highest annual increases were *alcohol & tobacco (4.7 percent)*, *housing (4.0 percent)*, and *transport (3.7 percent)* while the lowest annual increases were observed in *communications (-3.3 percent)*, *education (0.7 percent)* and *recreation & culture (1.3 percent)*. The annual rate recorded for May 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 0.2 percent in May 2012 compared to 0.4 percent in the previous month. The main components with the highest annual increases were *fuel, light and water charges (3.9 percent)*, *food (1.0 percent)*, and *transport and communication (0.3 percent)* while the lowest annual rates were observed on *furniture and household utensils (-3.9 percent)*, *medical care (-1.3 percent)* and *culture and recreation (-1.2 percent)*.

United Kingdom

The annual inflation rate was 2.8 percent in May 2012, down from 3.0 percent in the preceding month, making it the lowest rate since November 2009. A year earlier, the rate was 4.5 percent. The main components with the highest annual increases were *housing & household services (6.2 percent)*, *education (5.1 percent)* and *alcohol & tobacco (4.8 percent)*, while the lowest annual rates were observed on *recreation & culture (-0.7 percent)*, *clothing & footwear (1.6 percent)*, and *transport (1.7 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 1.7 percent during May 2012, compared to 2.3 percent in the preceding month. A year earlier, the rate was 3.6 percent. The index for all items less food and energy rose by 2.3 percent in May 2012, unchanged from the preceding month. While, the food index rose by 2.8 percent in May, down from 3.1 percent in the preceding month. In contrast, the energy index declined by 3.9 percent in May compared to a rise of 0.9 percent in April. The inflation rate registered during May 2012 was below the Federal Reserve Bank's long term inflation estimate of 2.0 percent.

Developing Economies

Brazil

The annual inflation rate eased to 4.9 percent in May 2012, from 5.1 percent recorded during the preceding month. A year earlier, the rate was 6.5 percent. The annual rate recorded for May 2012 was within the Brazilian Central Bank inflation target of 4.5 percent with a floating range of 2 percentage points.

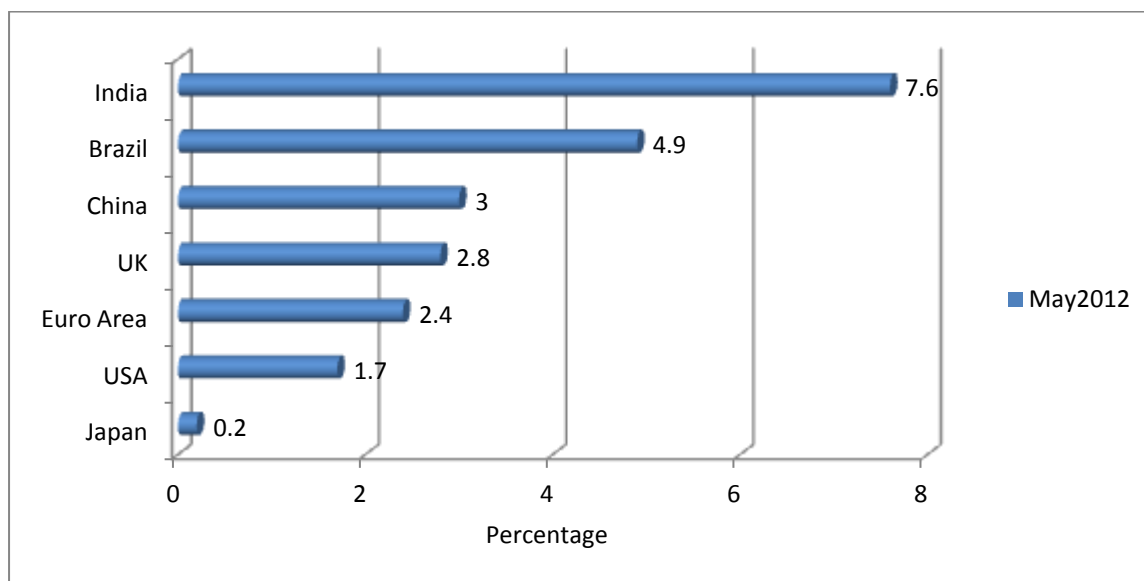
China

The annual inflation rate was 3.0 percent in May 2012, down from 3.4 percent during the preceding month. A year earlier, the rate was 5.5 percent. The main components with the highest annual increases were *food (7.5 percent)*, *clothing (3.5 percent)*, and *tobacco, liquor & articles (3.5 percent)* while the lowest annual rates were observed on *transport & communication (0.1 percent)*, *recreation & services (0.2 percent)*, and *residence (1.9 percent)*. The annual inflation rate for May 2012 was at par with the Government's inflation target of 3.0 percent.

India

The annual inflation rate measured using the Wholesale Price Index (WPI) registered 7.6 percent in May 2012 as compared to 7.2 percent in the preceding month and 9.6 percent during the corresponding month of the previous year. The main components with the highest annual increases were *fuel & power (1.0 percent)*, and *primary articles (0.1 percent)* while the lowest annual rates were observed on *manufactured products (0.5 percent)*. The inflation rate registered during May 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

Compared with April 2012, annual inflation eased in all Member States with an exception for Botswana. Swaziland registered the highest annual inflation among the Member States, registering an inflation rate of 9.1 percent in May 2012 followed by Botswana at 7.7 percent. The lowest annual inflation was observed in South Africa, recording an inflation rate of 5.7 percent.

All Member States recorded a single digit annual inflation rate during May 2012 as shown in Table 1. Month-on-month inflation rates varied between 0.1 percent and 1.3 percent in Member States between April 2012 and May 2012, as shown in Table 2.

Table 1: Annual Inflation Rates in SACU Member States

	Botswana	Lesotho	Namibia	South Africa	Swaziland
April 2012	7.5	6.6	6.4	6.1	9.6
May 2012	7.7	6.5	6.0	5.7	9.1

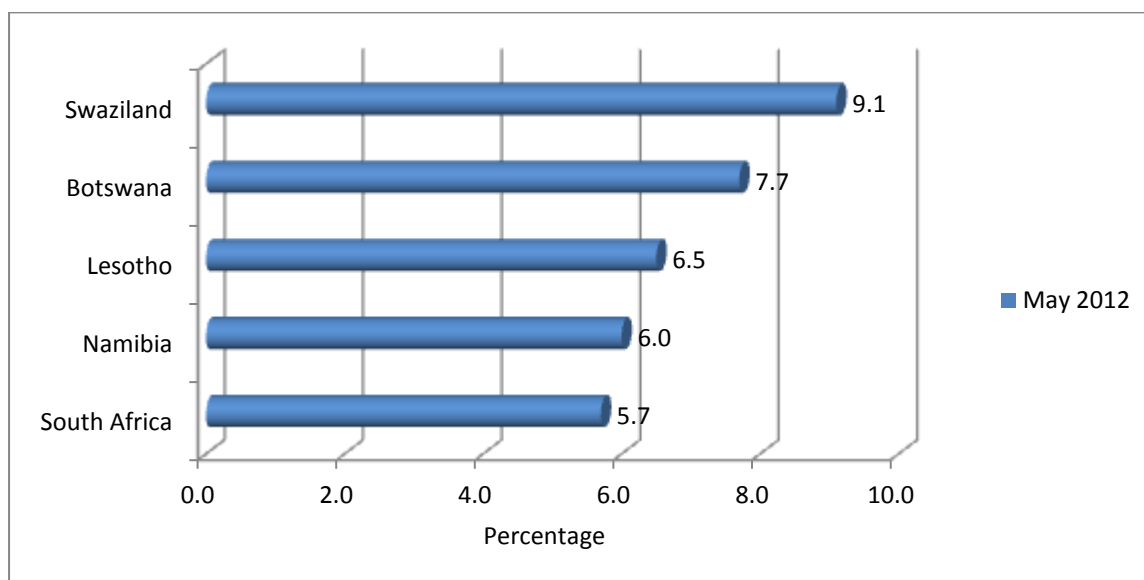
Source: Member States Statistics Offices

Table 2: Monthly Inflation Rates in SACU Member States

	Botswana	Lesotho	Namibia	South Africa	Swaziland
April 2012	1.0	0.3	0.4	0.4	1.7
May 2012	1.3	0.3	0.2	0.1	0.3

Source: Member States Statistics Offices

Chart 2: Annual Inflation Rates in SACU Member States



Source: Member States Statistics Offices

Botswana

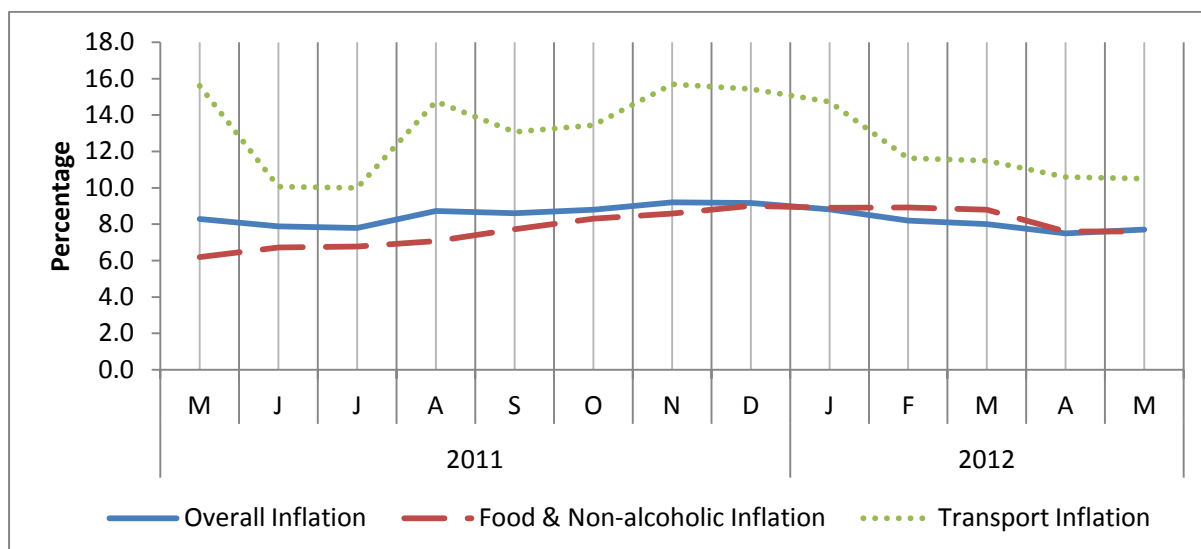
The annual inflation rate rose to 7.7 percent in May 2012 from 7.5 percent in April 2012, lower than the 8.3 percent recorded during the same month in 2011. On average, prices increased by 1.3 percent between April and May 2012.

The main components with the highest annual increases were *housing & utilities (11.8 percent)*, *transport (10.5 percent)*, and *restaurants & hotels (8.0 percent)* while the lowest annual increase was observed on *communication (0.6 percent)*.

The annual inflation rate for May 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

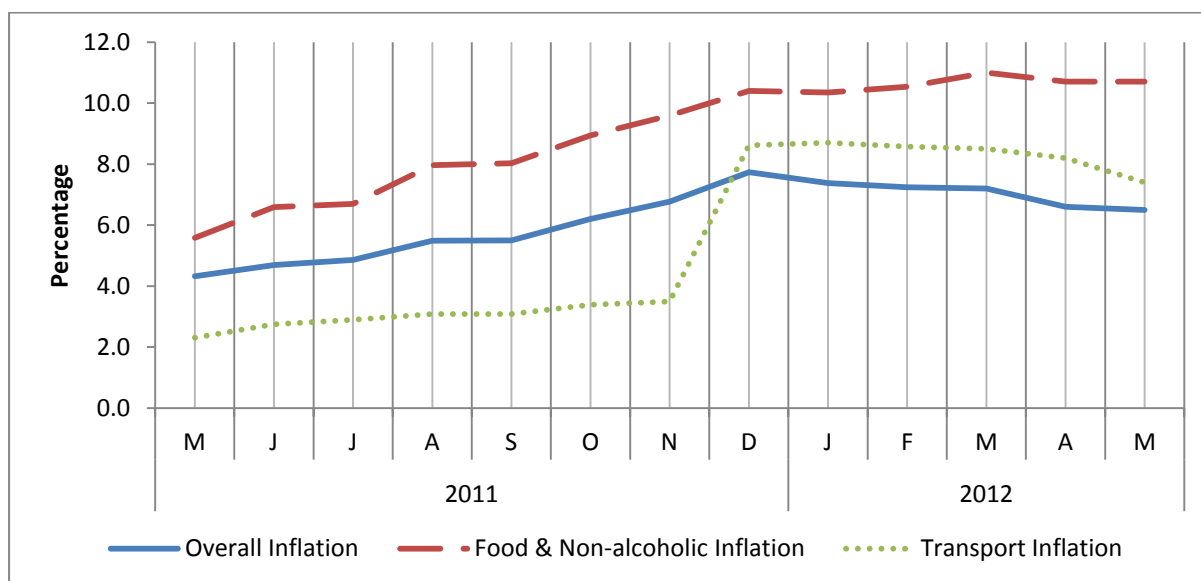
The annual inflation rate eased to 6.5 percent in May 2012 from 6.6 percent in April 2012. Annual inflation in May 2012 was higher than the 4.3 percent recorded during the corresponding month in 2011. On average, prices increased by 0.3 percent between April and May 2012.

The main components with the highest annual increases were *food & non-alcoholic beverages (10.7 percent)*, *housing & utilities (7.8 percent)*, and *transport (7.4 percent)*, while the lowest annual increases were observed on *communication (-0.6 percent)*, and *restaurants and hotels (0.1 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 May 2012 the Lombard facility remained at 9.28 percent, while the prime lending rate changed to 10.25 percent from 10.50 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

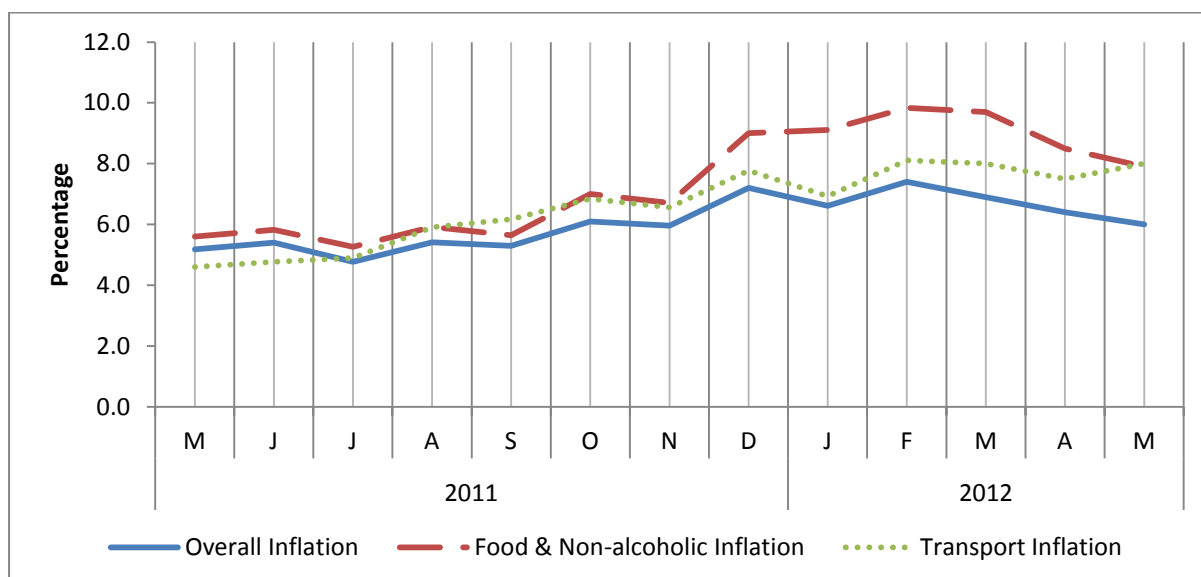
Namibia

The annual inflation rate eased to 6.0 percent in May 2012, from 6.4 percent recorded in the preceding month. Annual inflation in May 2012 was higher than the 5.2 percent recorded during the same month in 2011. On average, prices increased by 0.2 percent between April and May 2012.

The main components with the highest annual increases were *recreation & culture (8.9 percent)*, *alcoholic beverages & tobacco (8.5 percent)*, and *transport (8.0 percent)*, while the lowest annual increases were observed on *communication (0.5 percent)*, *clothing & footwear (1.6 percent)* and *health (3.3 percent)*.

The international reserve level stood at N\$13.86 billion in May 2012 compared to N\$15.53 billion recorded in the previous month; sufficient to support the Rand parity. The repo rate remained unchanged at 6.0 percent during May 2012. Similarly, the prime rate also remained unchanged at 9.75 percent.

Chart 5: Annual Inflation Rate



Source: Namibia's Central Bureau of Statistics

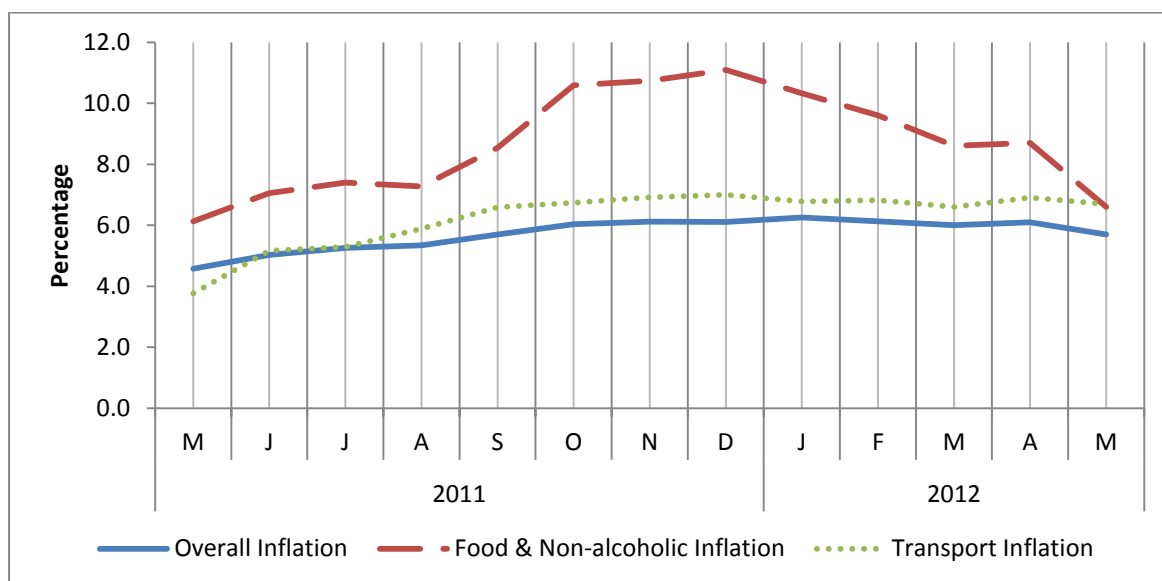
South Africa

The annual inflation rate eased to 5.7 percent in May 2012, from 6.1 percent recorded in the previous month, but higher than the 4.6 percent recorded during the same period in 2011. On average, prices increased by 0.1 percent between April and May 2012.

The main components with the highest annual increases were *education* (9.0 percent), *alcoholic beverages & tobacco* (7.3 percent), and *housing & utilities* (6.7 percent) while the lowest annual increases were observed on *communication* (-1.1 percent), *recreation & culture* (-1.0 percent) and *household contents & services* (2.3 percent).

The annual inflation was within the target range of 3-6 percent during May 2012. Interest rate policy remained accommodative for growth with the repo rate at 5.5 percent, and the prime rate at 9.0 percent.

Chart 6: Annual Inflation Rate



Source: Stats SA

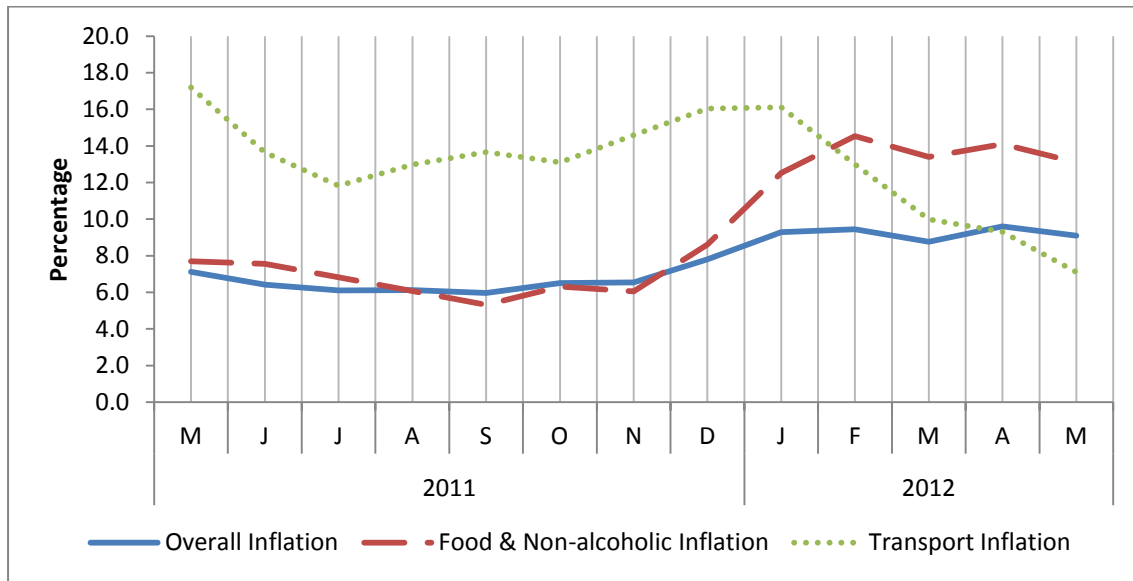
Swaziland

The annual inflation rate eased to 9.1 percent in May 2012, from 9.6 percent in the previous month. The annual inflation rate for May 2012 was higher than the 7.1 percent recorded during the same period in the previous year. On average, prices increased by 0.3 percent between April and May 2012.

The main components with the highest annual increases were *food & non-alcoholic beverages (13.1 percent)*, *housing & utilities (12.2 percent)* and *education (7.2 percent)*, while the lowest annual rates were observed on *communications (0.0 percent)* and *recreation & culture (0.3 percent)*.

The NIR level for May 2012 was E4.6 billion, sufficient to support the Rand parity. The discount rate remained at 5.5 percent, while the prime rate remained at 9.0 percent during May 2012.

Chart 7: Annual Inflation Rate



Source: Central Statistics Office of Swaziland

Appendix

Annual inflation rates by main categories (May 2012)

Main Categories	Botswana	Lesotho	Namibia	South Africa	Swaziland
Food & non-alcoholic beverages	7.6	10.7	7.9	6.6	13.1
Alcoholic beverages & tobacco	7.0	7.3	8.5	7.3	5.7
Clothing & footwear	7.0	1.2	1.6	3.6	4.9
Housing, water, electricity, gas & other fuels	11.8	7.8	4.3	6.7	12.2
Furnishings, household equipment &...	7.8	2.3	4.8	2.3	4.2
Health	6.0	0.4	3.3	5.3	6.7
Transport	10.5	7.4	8.0	6.7	7.1
Communications	0.6	-0.6	0.5	-1.1	0.0
Recreation & Culture	5.0	3.0	8.9	-1.0	0.3
Education	6.4	1.0	3.6	9.0	7.2
Hotels, cafés & restaurants	8.0	0.1	4.6	6.1	6.8
Miscellaneous goods & services	1.7	2.3	3.7	5.4	3.7
All Item	7.7	6.5	6.0	5.7	9.1

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