



SACU INFLATION REPORT

October 2012

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Selected Global Inflation Rates

The FAO Food Price Index averaged 213 points in October 2012, down by 1.4 per cent from September. The decline in the index was mainly due to the decline in the cereals and oils/fats prices.

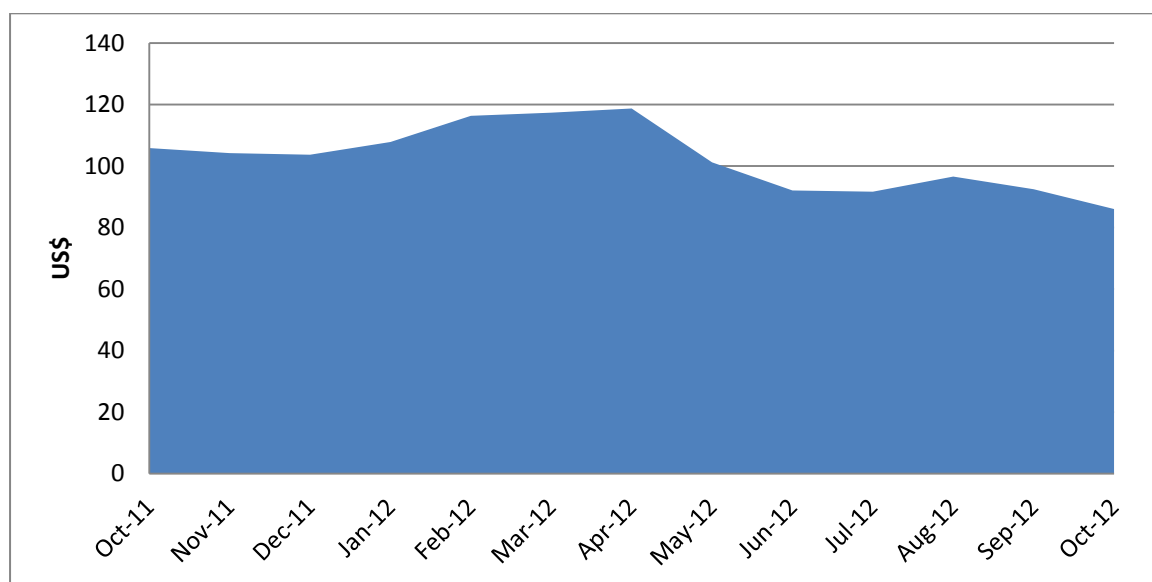
The FAO Cereal Price Index averaged 259 points in October, down by 1.2 per cent from September, due to lower wheat and maize prices. The index level was 12.0 per cent higher than in the corresponding period last year but was still 5.4 per cent below the peak of 274 points registered in April 2008. Similarly, the FAO Oils/Fats Price Index averaged 206 points in October, down by 18 point from September.

The FAO Meat Price Index averaged 174 points in October, unchanged from September. While, the FAO Dairy Price Index averaged 194 points in October, up by 3 per cent from September. All the five dairy products monitored saw prices rise, in particular cheese, which rose by 4.0 per cent.

The FAO Sugar Price Index averaged 288 points in October, up by 4.5 points from September, and down by 73 points from October last year. The increase in sugar prices reflected short-term export tightness in Brazil, the world's largest sugar exporter.

Brent crude oil price closed at USD 86.01 per barrel at the end of October 2012, which was 7.0 per cent lower than at the end of September 2012, but higher than the USD 105.82 per barrel recorded at the end of October 2011.

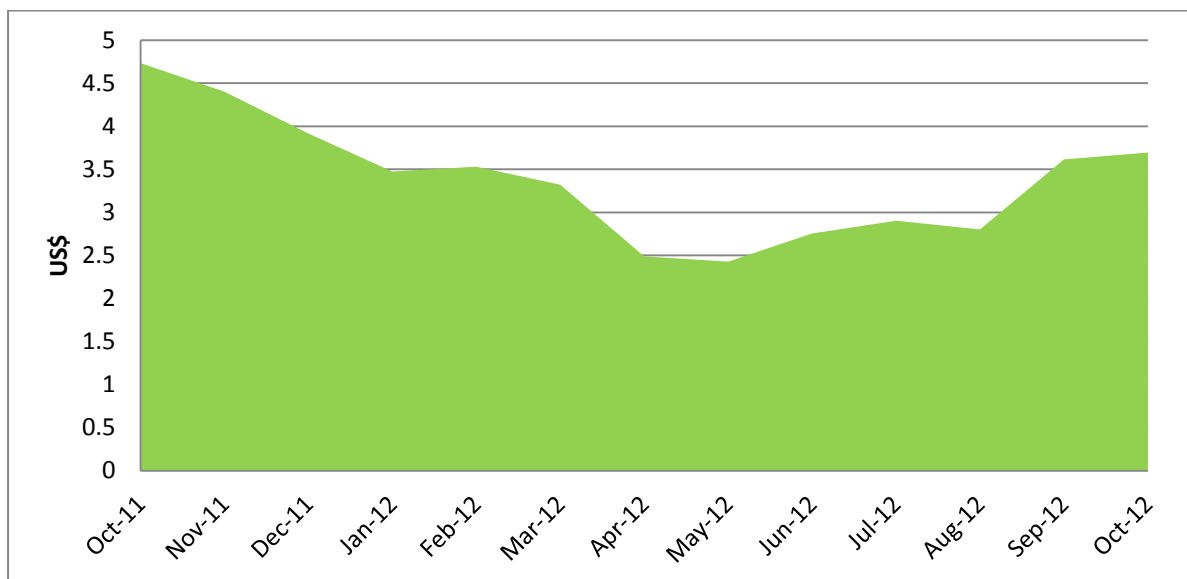
Chart 1: Crude Oil



Source: www.cnbc.com

The natural gas price closed at USD 3.69 at the end of October 2012, which was 2.2 per cent higher than at the end of September 2012.

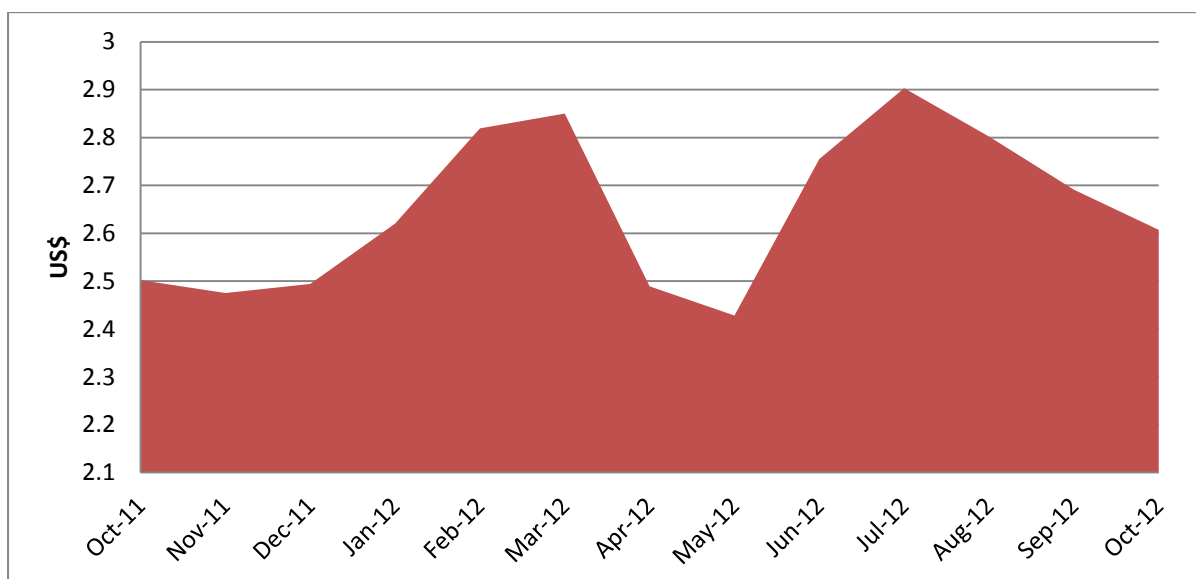
Chart 2: Natural Gas



Source: www.cnbc.com

RBOB gasoline price closed at USD 2.60 per barrel at the end of October 2012, which was 3.1 per cent lower than at the end of September 2012.

Chart 3: RBOB Gas



Source: www.cnbc.com

Developed Economies

Euro Area

The annual inflation rate was 2.5 per cent in October 2012, down from 2.6 per cent in September 2012. A year earlier the rate was 3.0 per cent. The main components with the highest annual rates were *transport (4.1 per cent)*, *housing (4.0 per cent)*,

and alcohol & tobacco (4.0 per cent), while the lowest annual rates were observed for communications (-3.5 per cent), recreation & culture (1.0 per cent) and clothing (1.2 per cent) and household equipment (1.2 per cent). The annual rate recorded for October 2012 was above the European Central Bank inflation target of below but close to 2.0 per cent.

Japan

The annual deflation rate for October 2012 stood at 0.4 per cent, compared to a deflation of 0.3 per cent in the previous month. A year earlier the deflation rate was 0.2 per cent. The main components with the highest annual rates were *fuel, light and water charges* (3.8 per cent), and *transport & communication* (0.8 per cent), while the lowest annual rates were observed for *culture and recreation* (-2.0 per cent), *furniture & household utensils* (-1.8 per cent), and *food* (-1.6 per cent).

United Kingdom

The annual inflation rate was 2.7 per cent in October 2012, up from 2.2 per cent in the preceding month. The rate was 5.0 per cent during the same period a year earlier. The main components with the highest annual rates were *education* (19.7 per cent), *alcohol & tobacco* (6.5 per cent), and *communication* (3.7 per cent), while the lowest annual rates were observed for *clothing & footwear* (-0.1 per cent), *recreation & culture* (0.8 per cent), and *furniture & household goods* (1.7 per cent). The annual inflation rate was 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 2.2 per cent during October 2012 compared to 2.0 per cent in the preceding month. The rate was 3.9 per cent during the same period a year earlier. The index for all items less food and energy rose by 2.0 per cent in October 2012, up from 1.6 per cent in the preceding month. The food index rose by 1.7 per cent in October, up from 1.6 per cent in the preceding month. The energy index rose by 4.0 per cent in October compared to 2.3 per cent in the preceding month. The inflation rate registered during October 2012 was above the Federal Reserve Bank's long term inflation estimate of 2.0 per cent.

Developing Economies

Brazil

The annual inflation rate rose by 5.5 per cent in October 2012, compared to 5.3 per cent in the preceding month. The rate was 7.0 per cent during the same period a year earlier. The annual rate recorded for October 2012 was within the Brazilian Central Bank inflation target of 4.5 percent with a floating range of 2 percentage points.

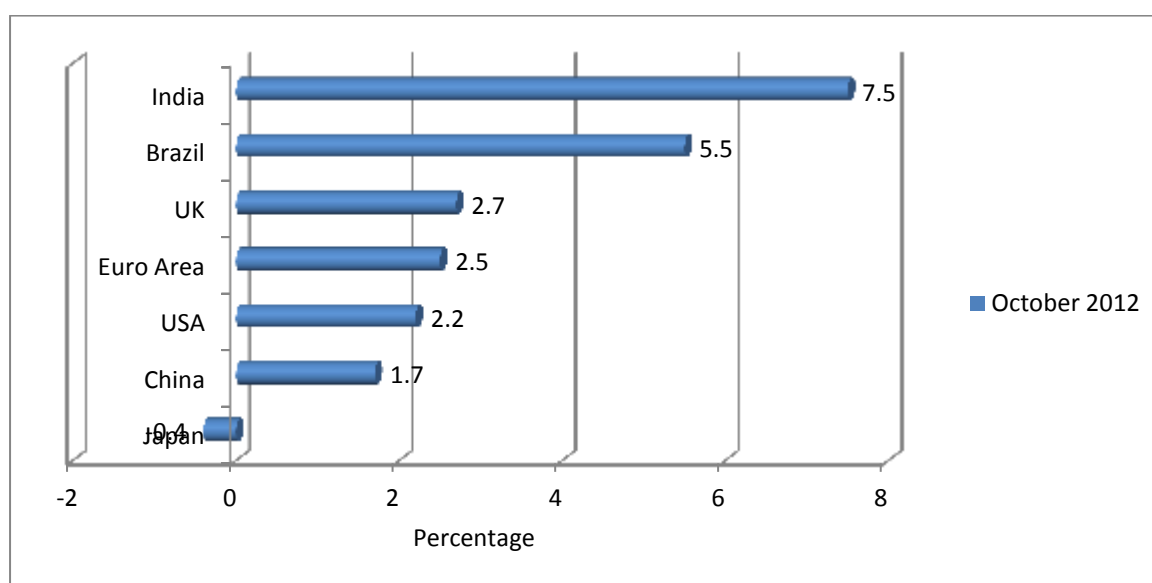
China

The annual inflation rate was 1.7 per cent in October 2012, down from 1.9 per cent during the preceding month. The rate was 5.5 per cent during the same period a year earlier. The main components with the highest annual rates were *food (5.1 per cent)*, *clothing (3.3 per cent)*, and *tobacco, liquor & articles (3.1 per cent)*, while the lowest annual rates were observed on *transport & communication (-0.1 per cent)*, and *recreation & services (0.4 per cent)*. The annual inflation rate for October 2012 remained below the Government's inflation target of 3.0 percent.

India

The annual inflation rate was 7.5 per cent in October 2012 as compared to 7.8 per cent in the preceding month and 9.7 per cent during the corresponding month the previous year. The main components with the highest annual rate were *fuel & power (0.8 per cent)*, and *manufactured products (0.1 per cent)*, while the lowest annual rates were observed on *primary articles (-0.2 per cent)*. The inflation rate registered during October 2012 remained above the Reserve Bank target range of 4.0 – 4.5 percent.

Chart 4: 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 9.1 per cent in October 2012 followed by Botswana and Namibia both at 7.1 per cent. The lowest annual inflation was observed in Lesotho and South Africa, both recording inflation rates of 5.6 per cent.

All Member States recorded a single digit annual inflation rate during October 2012 as shown in Table 1. Month-on-month inflation rates varied between 0.5 and 1.1 per cent in Member States between September and October 2012, as shown in Table 2.

Table 1: Annual Inflation Rates in SACU Member States

	Botswana	Lesotho	Namibia	South Africa	Swaziland
September 2012	7.1	5.8	6.7	5.5	8.7
October 2012	7.1	5.6	7.1	5.6	9.1

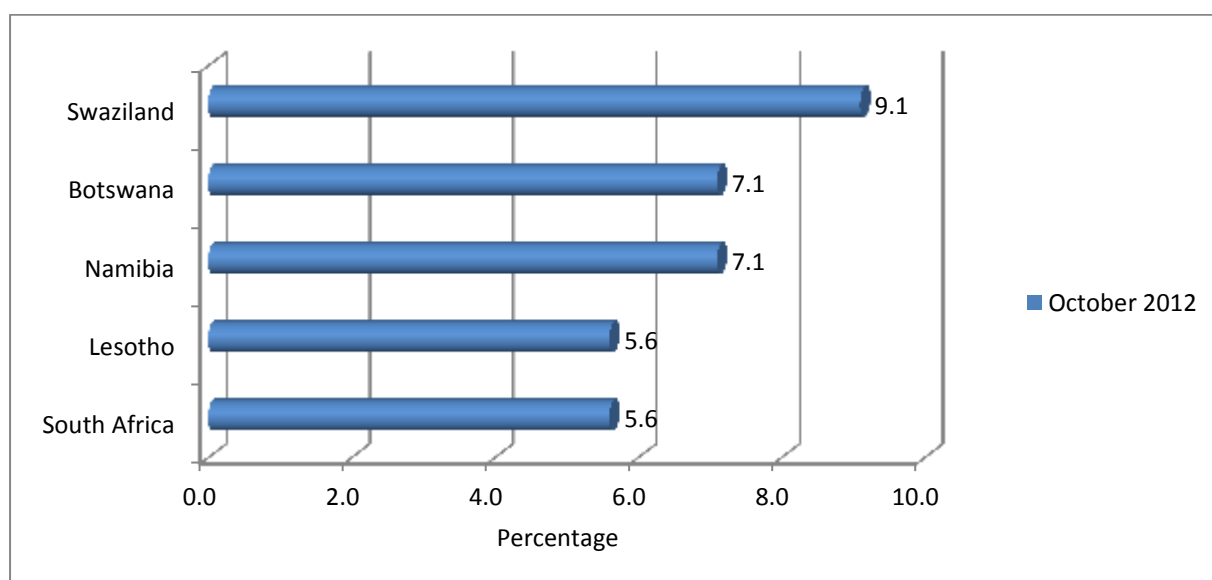
Source: Member States Statistics Offices

Table 2: Monthly Inflation Rates in SACU Member States

	Botswana	Lesotho	Namibia	South Africa	Swaziland
September 2012	0.8	0.9	0.8	0.9	0.5
October 2012	0.5	0.5	1.1	0.6	1.0

Source: Member States Statistics Offices

Chart 5: Annual Inflation Rates in SACU Member States



Source: Member States Statistics Offices

Botswana

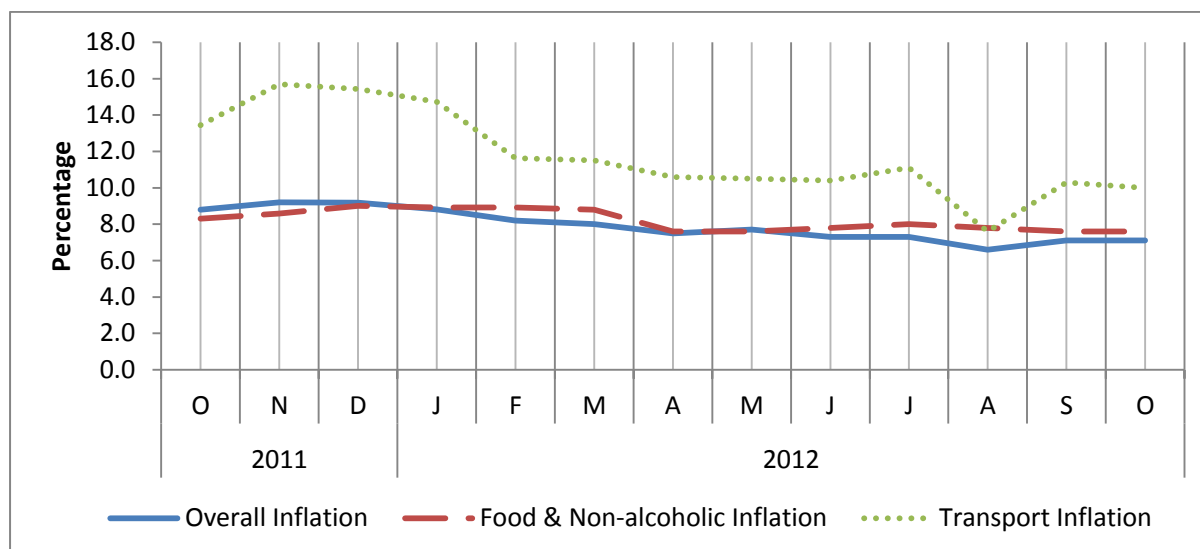
The annual inflation rate was 7.1 per cent in October 2012, unchanged from the preceding month. Annual inflation in October 2012 was lower than the 8.8 per cent recorded during the same month in 2011. On average, prices increased by 0.5 per cent between September and October 2012.

The main components with the highest annual rates were *transport (10.0 per cent)*, *alcoholic beverages & tobacco (9.2 per cent)*, and *hotels & restaurants (8.8 per cent)*, while the lowest annual rate was observed for *communication (0.6 per cent)*.

The annual inflation rate for October 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 rate¹ at 9.5 per cent and the prime rate at 11.0 per cent.

Chart 6: Annual Inflation Rate



Source: Statistics Botswana

Lesotho

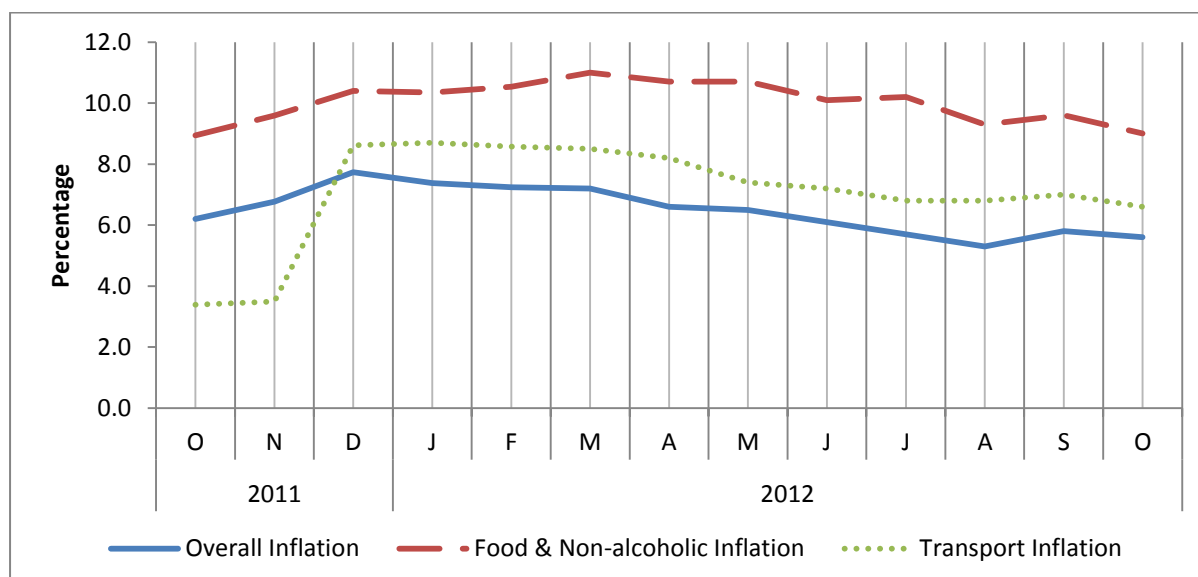
The annual inflation rate eased to 5.6 per cent in October 2012 from 5.8 per cent in September 2012. Annual inflation in October 2012 was lower than the 6.2 per cent recorded during the corresponding month in 2011. On average, prices increased by 0.5 per cent between September and October 2012.

The main components with the highest annual rates were *food & non-alcoholic beverages (9.0 per cent)*, *housing & utilities (7.3 per cent)*, and *alcohol & tobacco (6.5 per cent)*, while the lowest annual rates were observed for *communication (stagnant)* and *hotels & restaurants (0.1 per cent)*.

Lesotho’s monetary policy targets the maintenance of adequate net international reserves (NIR). The NIR target for the quarter ending in December 2012 was USD920 million, which translates to M7.54 billion, a target that is consistent with the maintenance of the exchange rate peg between the Loti and the Rand. During the month of October 2012 the Lombard facility stood at 9.48 per cent, while the prime lending rate was recorded at 10.25 per cent.

¹ Bank rate is the rate at which the Central Bank lends to Commercial Banks

Chart 7: Annual Inflation Rate



Source: Bureau of Statistics of Lesotho

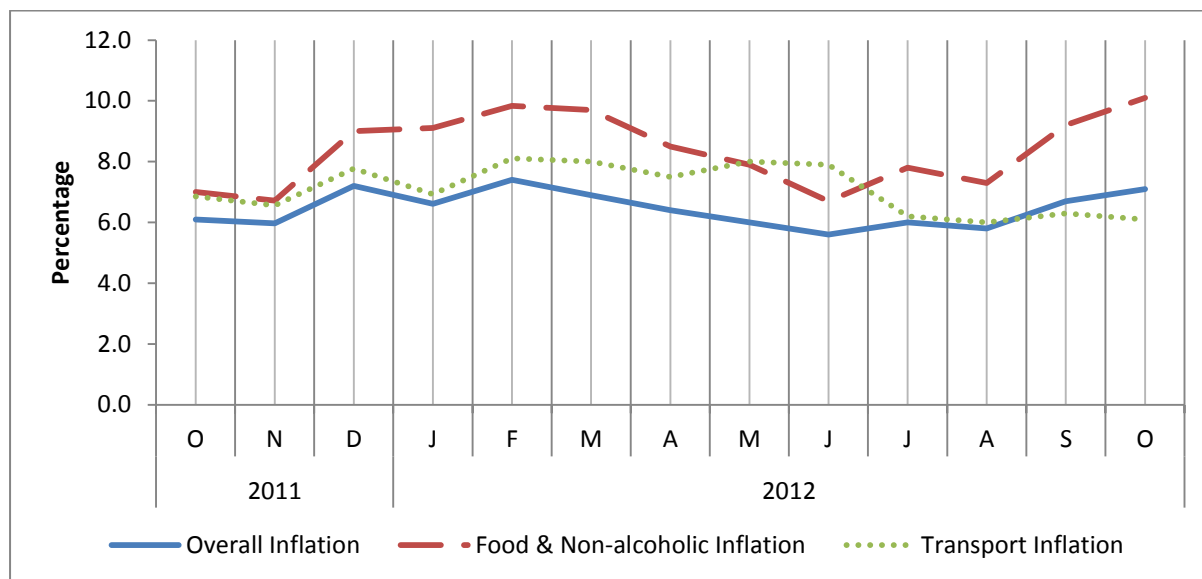
Namibia

The annual inflation rate rose by 7.1 per cent in October 2012, from 6.7 per cent recorded in the preceding month. Annual inflation in October 2012 was above the 6.1 per cent recorded during the same month in 2011. On average, prices rose by 1.1 per cent between September and October 2012.

The main components with the highest annual rates were *food & non-alcoholic beverages (10.1 per cent)*, *alcoholic beverages & tobacco (9.6 per cent)*, and *recreation & culture (8.2 per cent)*, while the lowest annual rates were observed for *communication (1.7 per cent)*.

The NIR level increased to N\$15.1 billion in October 2012 from N\$13.7 billion recorded in the previous month, and sufficient to support the Rand parity. The repo rate remained at 5.5 per cent during October 2012. Similarly, the prime rate remained at 9.25 per cent during October 2012.

Chart 8: Annual Inflation Rate



Source: Namibia Statistics Agency

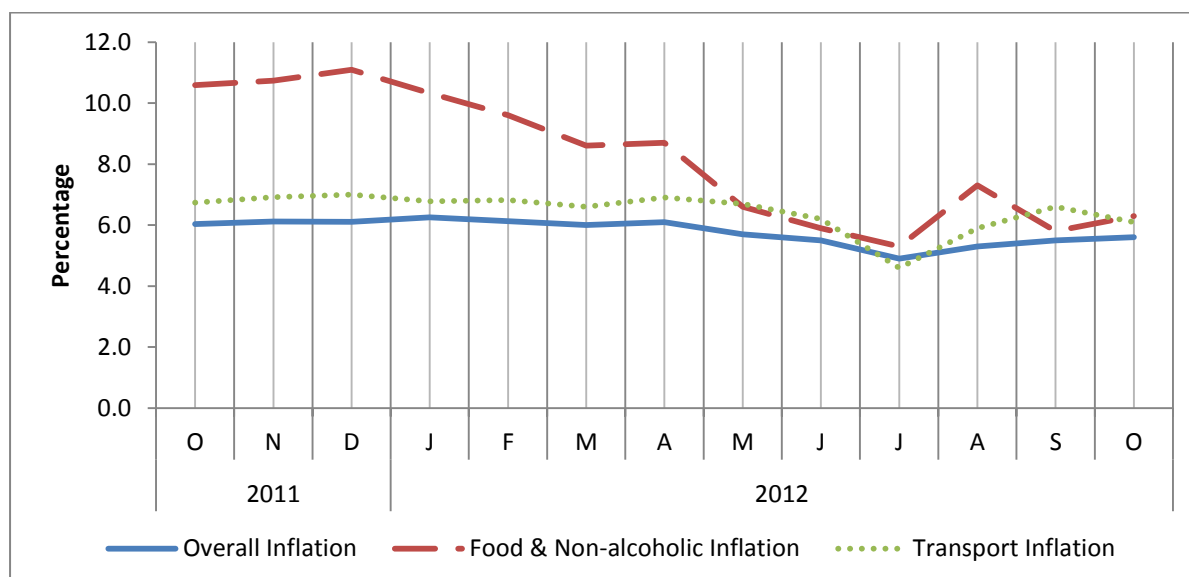
South Africa

The annual inflation rate stood at 5.6 per cent in October 2012, from 5.5 per cent recorded in the previous month. Annual inflation in October 2012 was lower than the 6.0 per cent recorded during the same period in 2011. On average, prices increased by 0.6 per cent between September and October 2012.

The main components with the highest annual rates were *education (9.0 per cent)*, *alcoholic beverages & tobacco (7.2 per cent)*, and *transport (6.1 per cent)* while the lowest annual rates were observed for *communication (-0.2 per cent)*.

The annual inflation continued to remain within the target range of 3-6 per cent during October 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 during October 2012.

Chart 9: Annual Inflation Rate



Source: Stats SA

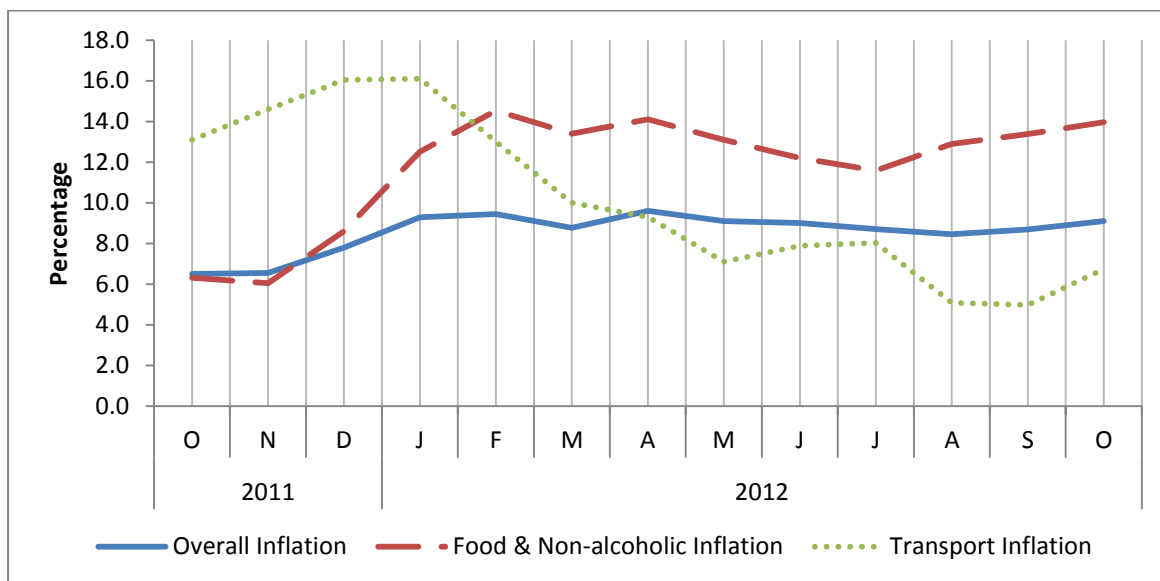
Swaziland

The annual inflation rate rose to 9.1 per cent in October 2012, from 8.7 per cent in the previous month. The annual inflation rate for October 2012 was higher than the 6.5 per cent recorded during the same period in the previous year. On average, prices increased by 1.0 per cent between September and October 2012.

The main components with the highest annual rates were *health (14.8 percent)*, *food & non-alcoholic beverages (14.0 per cent)*, and *furnishing & household equipment (7.0 per cent)*, while the lowest annual rates were observed for *communications (-0.1 per cent)*.

The NIR level for October 2012 was E 6.4 billion compared to E 4.8 billion in September 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 10: Annual Inflation Rate



Source: Central Statistics Office of Swaziland

Appendix

Annual inflation rates by main categories (October 2012)

Main Categories	Botswana	Lesotho	Namibia	South Africa	Swaziland
Food & non-alcoholic beverages	7.6	9.0	10.1	6.3	14.0
Alcoholic beverages & tobacco	9.2	6.5	9.6	7.2	5.5
Clothing & footwear	7.0	0.4	1.5	3.4	4.2
Housing, water, electricity, gas & other fuels	5.6	7.3	7.4	6.0	6.0
Furnishings, household equipment &...	5.6	3.3	6.2	2.8	7.0
Health	4.9	0.4	3.8	5.4	14.8
Transport	10.0	6.6	6.1	6.1	6.7
Communications	0.6	0.0	1.7	-0.2	-0.1
Recreation & Culture	5.5	1.7	8.2	3.7	6.2
Education	6.4	1.0	3.6	9.0	6.7
Hotels, cafés & restaurants	8.8	0.1	6.4	5.6	6.8
Miscellaneous goods & services	0.9	2.5	3.5	5.3	0.4
All Item	7.1	5.6	7.1	5.6	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