



SACU INFLATION REPORT

September 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 FAO Food Price Index averaged 216 points in September 2012, up by 1.4 per cent from August. The rise in the index was mainly due to the increase in the dairy, cereals and meat prices.

The FAO Cereal Price Index averaged 263 points in September, up by 1.0 per cent from August, as gains in wheat and rice offset a decline in maize. The index level was 7.0 per cent higher than in the corresponding period last year but was still 4.0 per cent below the peak of 274 points registered in April 2008.

The FAO Oils/Fats Price Index averaged 225 points in September, down by 1 point from August. Prices for soy, rapeseed and sunflower oil remained firm during most of September, while palm oil prices dropped for the second consecutive month reflecting seasonally high production, which, combined with weak demand has led to a marked rise in stocks.

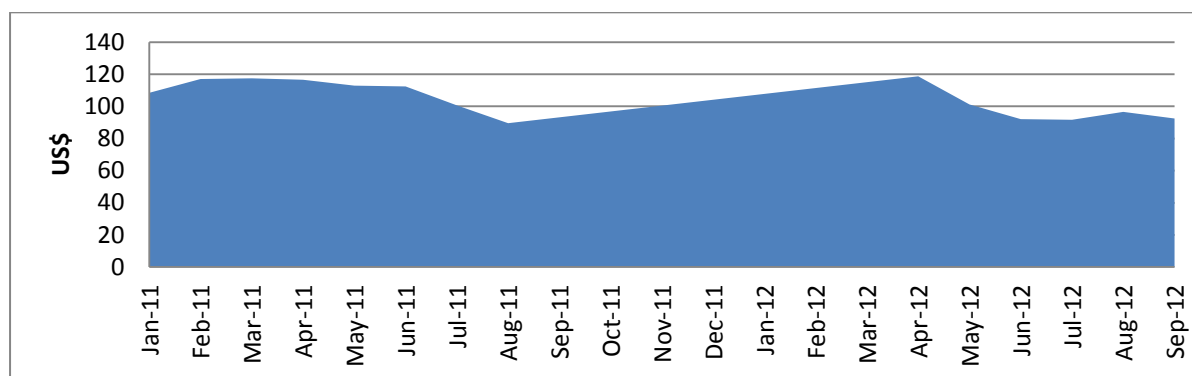
The FAO Meat Price Index averaged 175 points in September, up by 2.1 per cent from August. The pork and poultry sectors recorded particularly strong gains, increasing by 6.0 per cent and 2.0 per cent respectively. Bovine prices made little headway while sheep meat values were stable.

The FAO Dairy Price Index averaged 188 points in September, up by 7 per cent from August. All the five dairy products monitored saw prices rise, in particular powder skim milk and casein, which both surged by 12.0 per cent.

The FAO Sugar Price Index averaged 284 points in September, down by 13 points from August, and 95 points from September last year. The decline in sugar prices reflects improved sugarcane harvest in Brazil, the world's largest sugar exporter, and improved crop prospects in some key producing regions including India, China, and Thailand.

Brent crude oil price closed at USD 92.44 per barrel at the end of September 2012, which was 4.3 percent lower than at the end of August 2012, but higher than the USD 86.09 per barrel recorded at the end of September 2011.

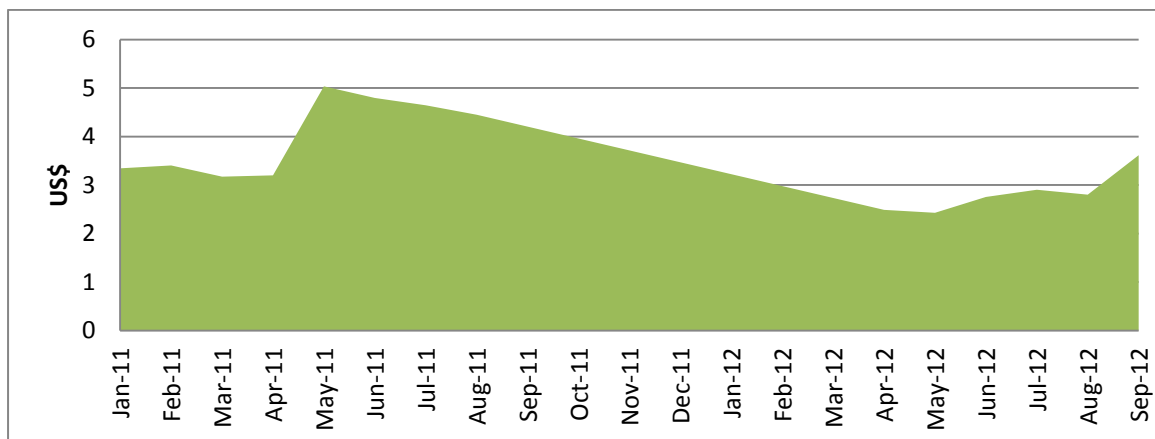
Chart 1: Crude Oil



Source: www.cnbc.com

The natural gas prices closed at USD 3.61 at the end of September 2012, which was 29.0 per cent higher than at the end of August 2012.

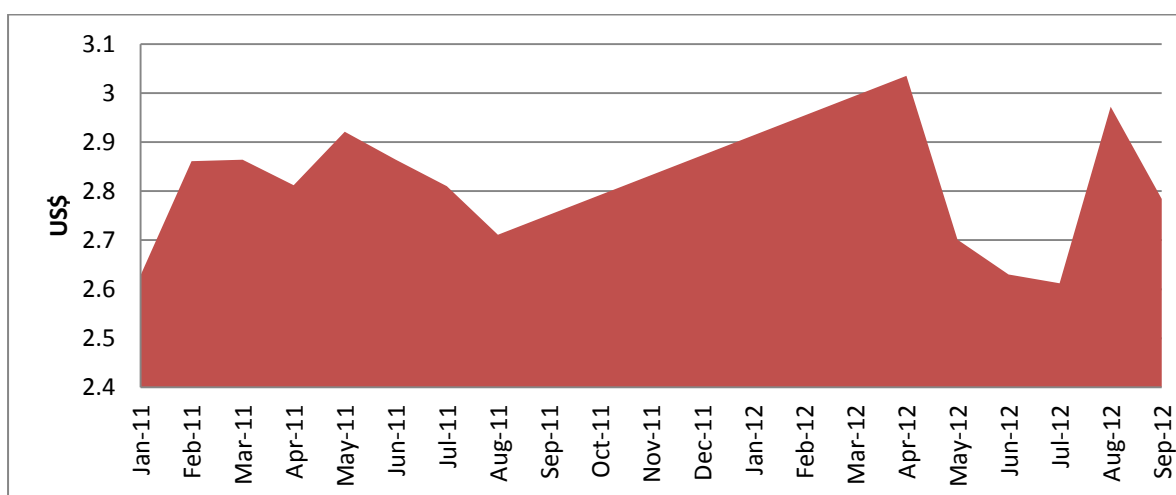
Chart 2: Natural Gas



Source: www.cnbc.com

RBOB gasoline prices closed at USD 2.78 per barrel at the end of September 2012, which was 6.3 per cent lower than at the end of August 2012.

Chart 3: RBOB Gas



Source: www.cnbc.com

Developed Economies

Euro Area

The annual inflation rate was 2.6 per cent in September 2012, unchanged compared with August 2012. A year earlier the rate was 3.0 per cent. The main components with the highest annual rates were *transport (4.8 per cent)*, *housing (4.1 per cent)*, and *alcohol & tobacco (4.0 per cent)*, while the lowest annual rates were observed for *communications (-3.3 per cent)*, *education (0.5 per cent)* and *household equipment and recreation & culture (both 1.1 per cent)*. The annual rate recorded for

September 2012 was above the European Central Bank inflation target of below but close to 2.0 per cent.

Japan

The annual deflation rate for September 2012 stood at 0.3 per cent, compared to a deflation of 0.4 per cent in the previous month. A year earlier the inflation rate was stagnant. The main components with the highest annual rates were *fuel, light and water charges (4.3 per cent)*, and *education (0.4 per cent)*, while the lowest annual rates were observed for *furniture and household utensils (-2.1 per cent)*, *culture and recreation (-2.1 per cent)* and *food (-1.0 per cent)*.

United Kingdom

The annual inflation rate was 2.2 per cent in September 2012, down from 2.5 per cent in the preceding month. The rate was 5.2 per cent during the same period a year earlier. The main components with the highest annual rates were *alcohol & tobacco (6.1 per cent)*, *communication (3.4 per cent)*, and *education (3.2 per cent)*, while the lowest annual rates were observed for *clothing & footwear (-0.5 per cent)*, *recreation & culture (1.2 per cent)*, and *furniture & household goods (1.7 per cent)*. The annual inflation rate was slightly 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 2.0 per cent during September 2012 compared to 1.7 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 1.6 per cent in September 2012, down from 1.9 per cent in the preceding month. The food index rose by 1.6 per cent in September, down from 2.0 percent in the preceding month. The energy index rose by 2.3 per cent in September compared to a decline of 0.6 per cent in the preceding month. The inflation rate registered during September 2012 was at par with the Federal Reserve Bank's long term inflation estimate of 2.0 per cent.

Developing Economies

Brazil

The annual inflation rate rose by 5.3 per cent in September 2012, compared to 5.2 per cent in the preceding month. The rate was 7.3 per cent during the same period a year earlier. The annual rate recorded for September 2012 was within the Brazilian Central Bank inflation target of 4.5 percent with a floating range of 2 percentage points.

China

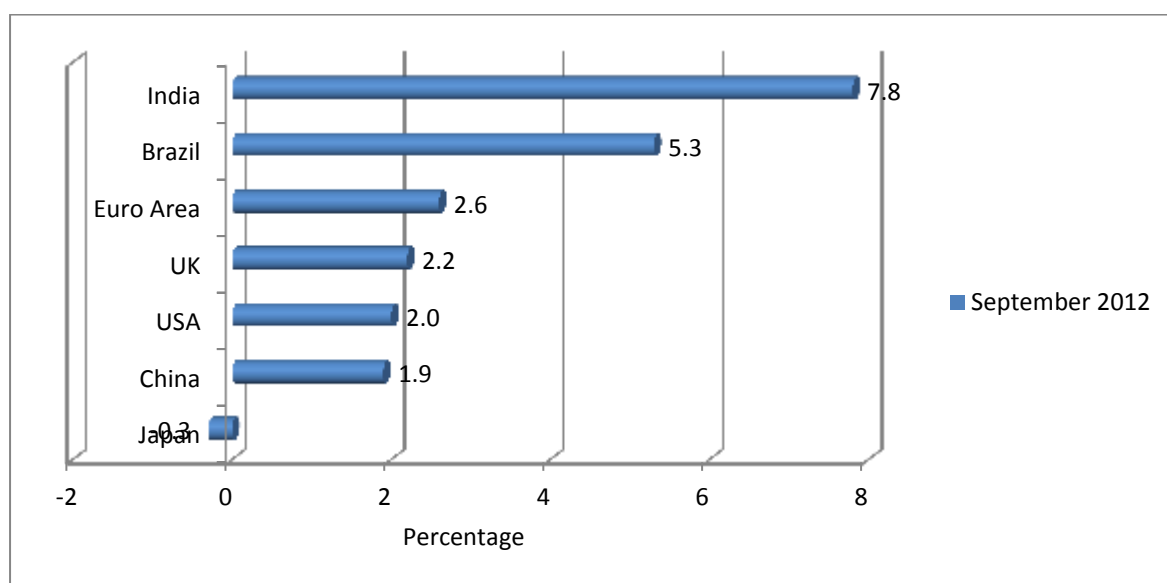
The annual inflation rate was 1.9 per cent in September 2012, down from 2.0 per cent during the preceding month. The rate was 6.1 per cent during the same period a

year earlier. The main components with the highest annual rates were *clothing (3.4 per cent)*, *food (2.5 per cent)*, and *tobacco, liquor & articles (2.4 per cent)*, while the lowest annual rates were observed on *transport & communication (-0.2 per cent)*, and *recreation & services (1.0 per cent)*. The annual inflation rate for September 2012 remained below the Government’s inflation target of 3.0 percent.

India

The annual inflation rate was 7.8 per cent in September 2012 as compared to 7.6 per cent in the preceding month and 10.0 per cent during the corresponding month of the previous year. The main components with the highest annual rate were *fuel & power (4.0 per cent)*, while the *manufactured products and primary articles both rose by 0.5 per cent*. The inflation rate registered during September 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 8.7 per cent in September 2012 followed by Botswana at 7.1 per cent. The lowest annual inflation was observed in South Africa, recording an inflation rate of 5.5 per cent.

All Member States recorded a single digit annual inflation rate during September 2012 as shown in Table 1. Month-on-month inflation rates varied between 0.5 and 0.9 per cent in Member States between August and September 2012, as shown in Table 2.

Table 1: Annual Inflation Rates in SACU Member States

	Botswana	Lesotho	Namibia	South Africa	Swaziland
August 2012	6.6	5.3	5.8	5.0	8.5
September 2012	7.1	5.8	6.7	5.5	8.7

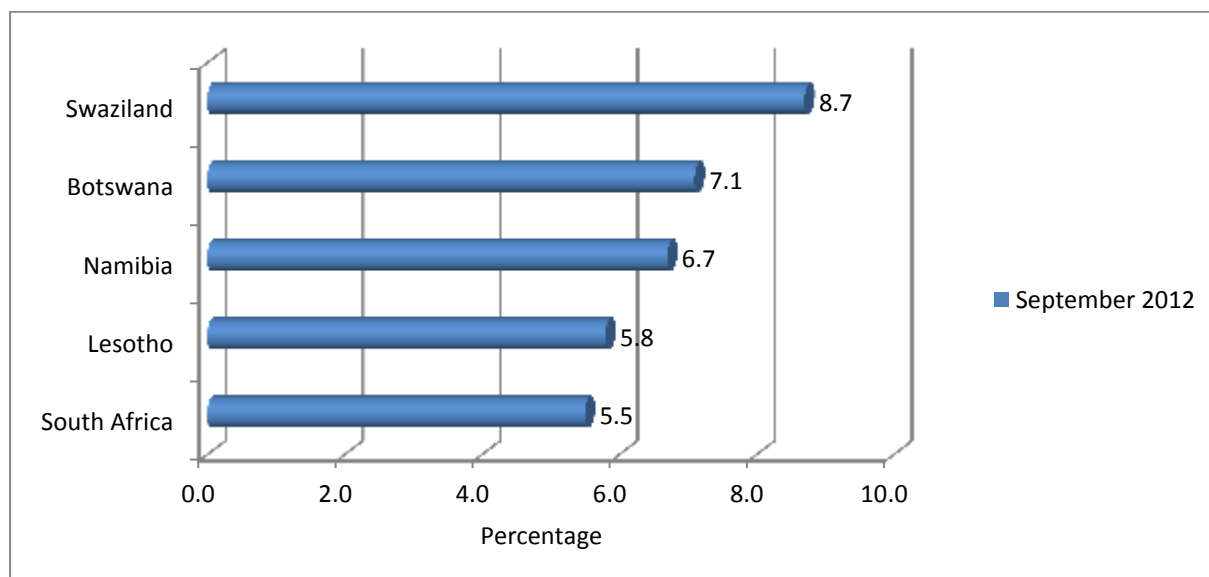
Source: Member States Statistics Offices

Table 2: Monthly Inflation Rates in SACU Member States

	Botswana	Lesotho	Namibia	South Africa	Swaziland
August 2012	0.4	0.3	0.3	0.2	0.7
September 2012	0.8	0.9	0.8	0.9	0.5

Source: Member States Statistics Offices

Chart 5: Annual Inflation Rates in SACU Member States



Source: Member States Statistics Offices

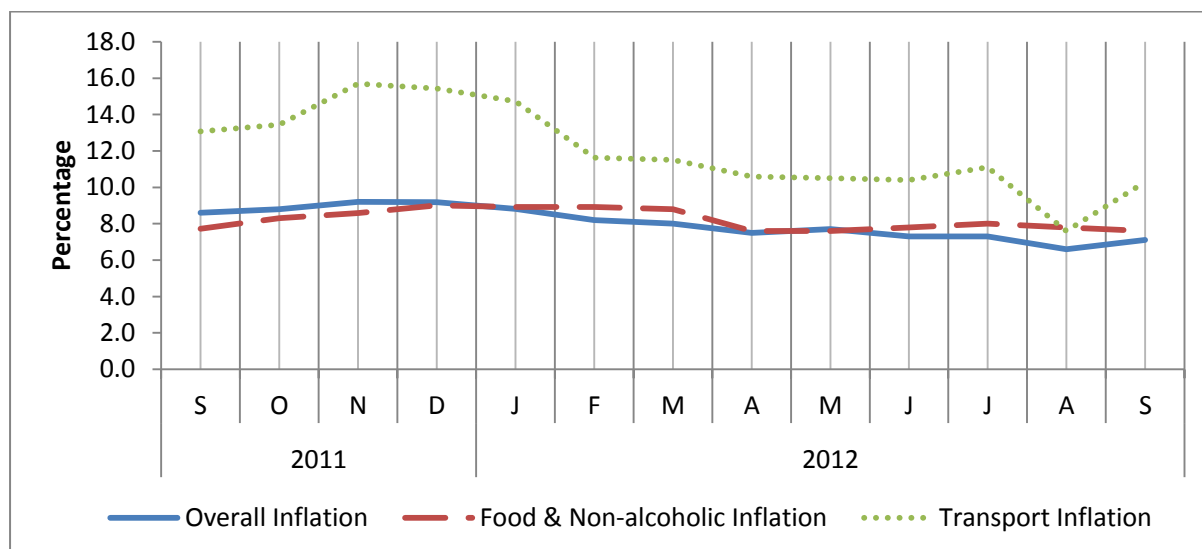
Botswana

The annual inflation rate rose by 7.1 per cent in September 2012, from 6.6 per cent in the preceding month. Annual inflation in September 2012 was lower than the 8.6 per cent recorded during the same month in 2011. On average, prices increased by 0.8 per cent between August and September 2012.

The main components with the highest annual rates were *transport (10.3 per cent)*, *food & non-alcoholic beverages (7.6 per cent)*, and *alcoholic beverages & tobacco (7.5 per cent)*, while the lowest annual rate was observed for *communication (0.6 per cent)*.

The annual inflation rate for September 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

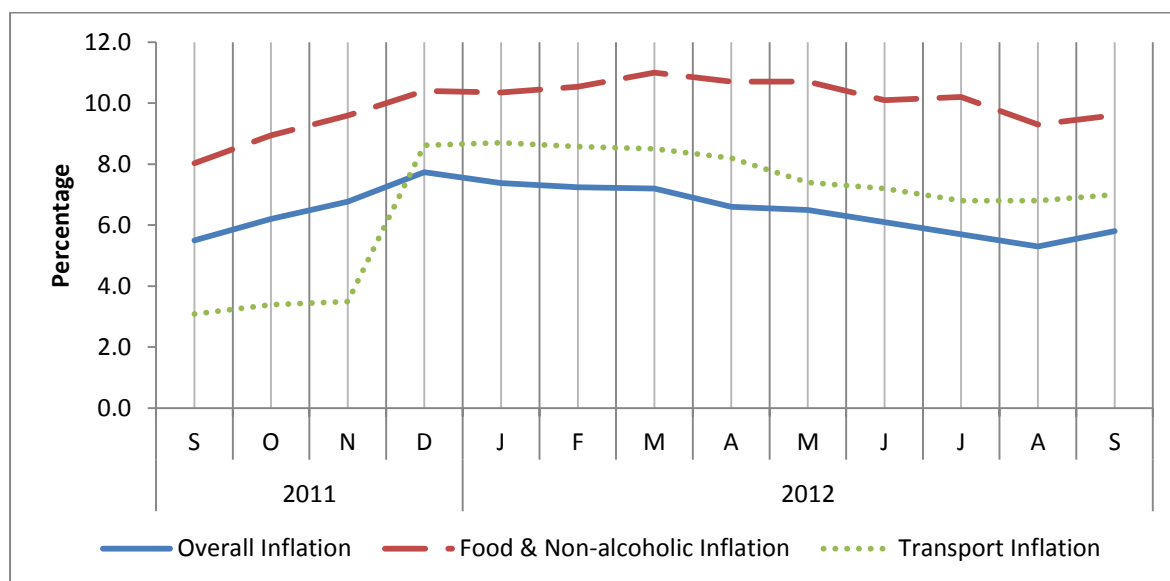
The annual inflation rate rose to 5.8 per cent in September 2012 from 5.3 per cent in August 2012. Annual inflation in September 2012 was lower than the 5.5 percent recorded during the corresponding month in 2011. On average, prices increased by 0.9 per cent between August and September 2012.

The main components with the highest annual rates were *food & non-alcoholic beverages (9.6 per cent)*, *transport (7.0 per cent)*, and *alcohol & tobacco (6.9 per cent)*, while the lowest annual rates were observed for *communication (stagnant)* and *clothing & footwear (0.4 per cent)*.

Lesotho’s monetary policy targets the maintenance of adequate net international reserves (NIR). The NIR target for the quarter ending in September 2012 was 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 September 2012 the Lombard facility stood at 9.48 per cent, while the prime lending rate 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

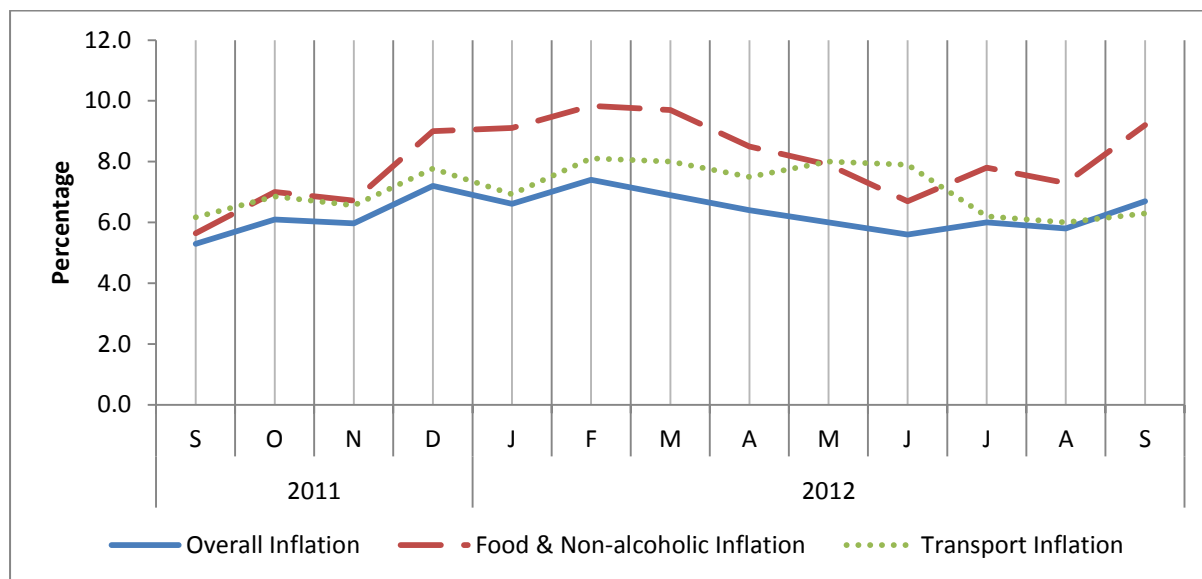
Namibia

The annual inflation rate rose by 6.7 per cent in September 2012, from 5.8 per cent recorded in the preceding month. Annual inflation in September 2012 was above the 5.4 per cent recorded during the same month in 2011. On average, prices rose by 0.8 per cent between August and September 2012.

The main components with the highest annual rates were *food & non-alcoholic beverages (9.2 per cent)*, *alcoholic beverages & tobacco (8.7 per cent)*, and *recreation & culture (8.2 per cent)*, while the lowest annual rates were observed for *communication (-0.5)*.

The NIR level declined to N\$13.7 billion in September 2012 from N\$15.0 billion recorded in the previous month, and sufficient to support the Rand parity. The repo rate remained at 5.5 per cent during September 2012. While, the prime rate changed to 9.25 per cent from 9.38 per cent during September 2012.

Chart 8: Annual Inflation Rate



Source: Namibia Statistics Agency

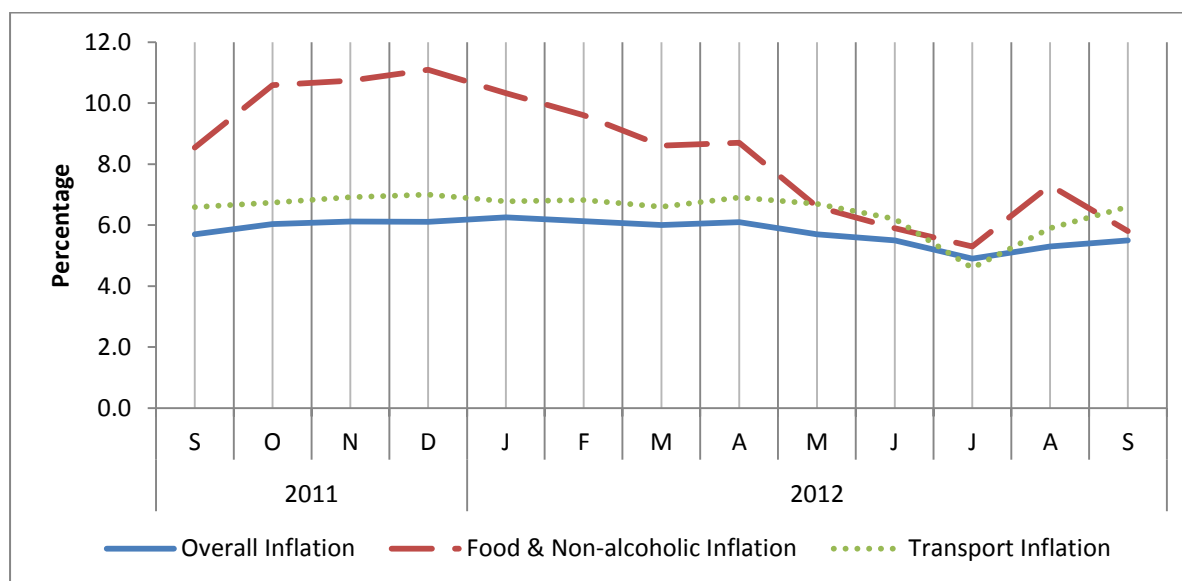
South Africa

The annual inflation rate stood at 5.5 per cent in September 2012, from 5.0 per cent recorded in the previous month. Annual inflation in September 2012 was lower than the 5.7 per cent recorded during the same period in 2011. On average, prices increased by 0.9 per cent between August and September 2012.

The main components with the highest annual rates were *education (9.0 per cent)*, *alcoholic beverages & tobacco (7.3 per cent)*, and *transport (6.6 per cent)* while the lowest annual rates were observed for *communication (-0.2 per cent)*, and *recreation & culture (1.5 per cent)*.

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

Chart 9: Annual Inflation Rate



Source: Stats SA

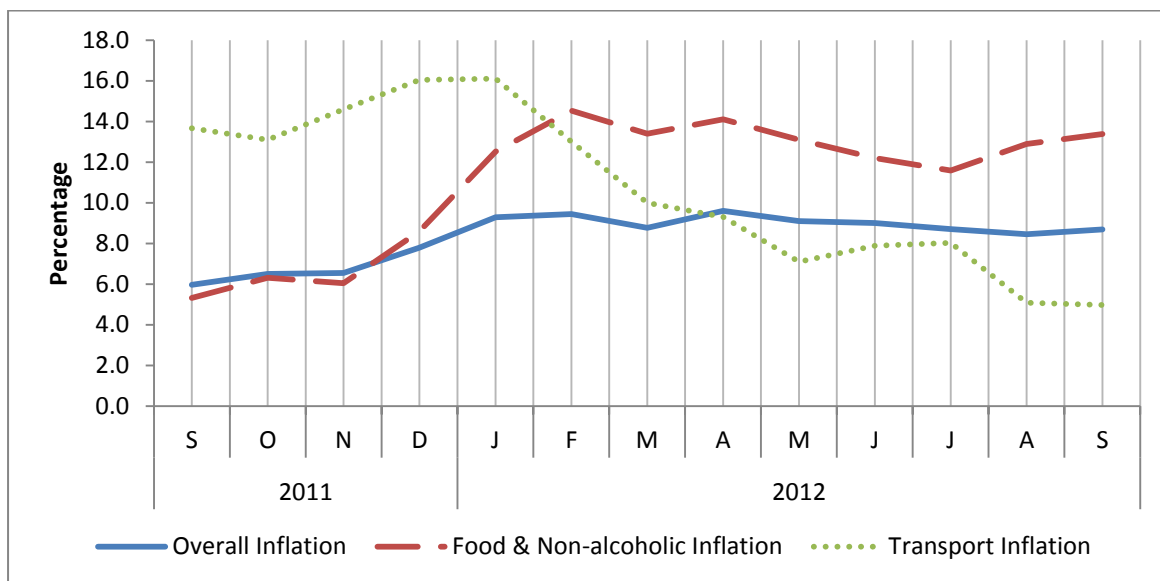
Swaziland

The annual inflation rate rose to 8.7 per cent in September 2012, from 8.5 per cent in the previous month. The annual inflation rate for September 2012 was higher than the 6.0 per cent recorded during the same period in the previous year. On average, prices increased by 0.5 per cent between August and September 2012.

The main components with the highest annual rates were *health (15.3 per cent)*, *food & non-alcoholic beverages (13.4 per cent)*, and *restaurants & hotels (7.4 per cent)*, while the lowest annual rates were observed for *communications (-0.1 per cent)*.

The NIR level for September 2012 was E 4.8 billion compared to E 5.3 billion in August 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 (September 2012)

Main Categories	Botswana	Lesotho	Namibia	South Africa	Swaziland
Food & non-alcoholic beverages	7.6	9.6	9.2	5.8	13.4
Alcoholic beverages & tobacco	7.5	6.9	8.7	7.3	4.7
Clothing & footwear	7.2	0.4	2.6	3.5	4.0
Housing, water, electricity, gas & other fuels	6.0	6.9	7.6	5.9	5.8
Furnishings, household equipment &...	5.9	3.5	6.9	2.4	6.4
Health	6.4	0.4	3.4	5.5	15.3
Transport	10.3	7.0	6.3	6.6	5.0
Communications	0.6	0.0	-0.5	-0.2	-0.1
Recreation & Culture	5.9	1.7	8.2	1.5	4.6
Education	6.4	1.0	3.6	9.0	7.1
Hotels, cafés & restaurants	8.0	0.4	6.7	6.0	7.4
Miscellaneous goods & services	1.1	2.4	3.5	5.2	2.4
All Item	7.1	5.8	6.7	5.5	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