



SACU INFLATION REPORT

August 2013

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Selected Global Inflation Rates

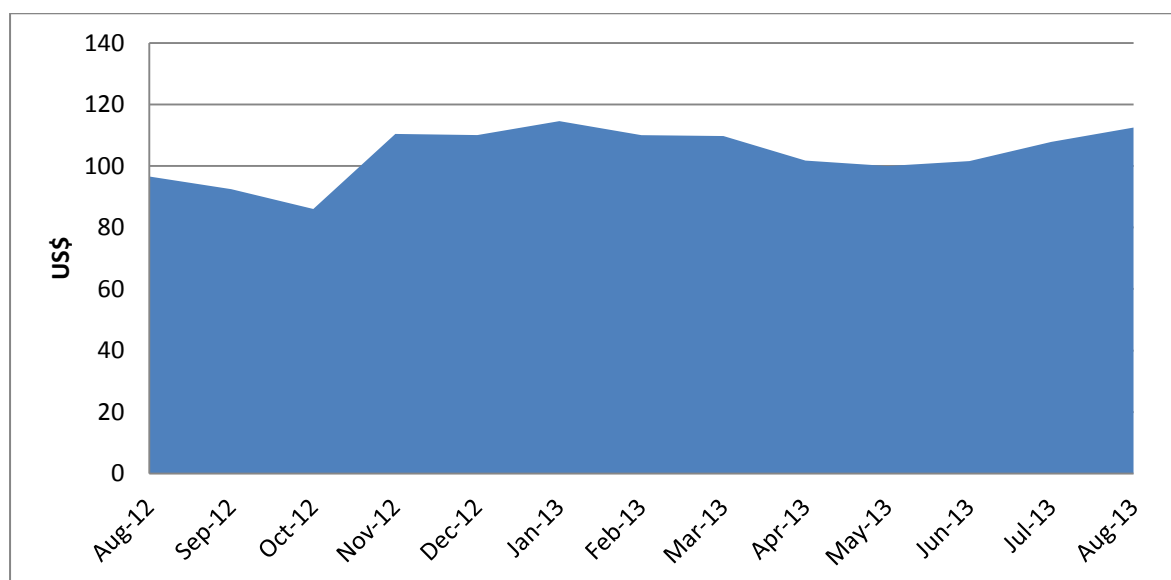
The Food and Agricultural Organisation (FAO) Food Price Index averaged 201.8 points in August 2013, down by 4 points from its level in July 2013. The decline in August was the fourth in a row, mainly driven by continued fall in the international prices of cereals and oils, as dairy, meat and sugar prices rose slightly.

The FAO Cereal Price Index averaged 210.9 points in August 2013, down by 16.4 points from July 2013. The expectation of better crops harvest this year is the main reason for the decline in international cereal prices. Similarly, the FAO Oils/Fats Price Index, averaged 185.5 points in August 2013, below 191.2 points of July 2013. This was the third consecutive monthly decline, mainly driven by the decline in the palm oil due to ample inventories in Southeast Asia.

The FAO Meat Price Index averaged 175.0 points in August 2013, up by 2.2 points from July 2013, mainly on account of stronger prices for pork. Similarly, the FAO Dairy Price Index averaged 239.1 points in August 2013, 2.8 points more than in July 2013. The FAO Sugar Price Index averaged 241.7 points in August 2013, up by 2.7 points from July 2013. The rebound in sugar prices after three months of consecutive decline was mainly due to estimates showing that Brazil the world's largest sugar producer and exporter was using more sugarcane for ethanol production at the expense of sugar.

Brent crude oil price closed at USD112.47 per barrel at the end of August 2013, which was 4.3 per cent higher than at the end of July 2013, and higher than the USD96.56 per barrel recorded at the end of August 2012.

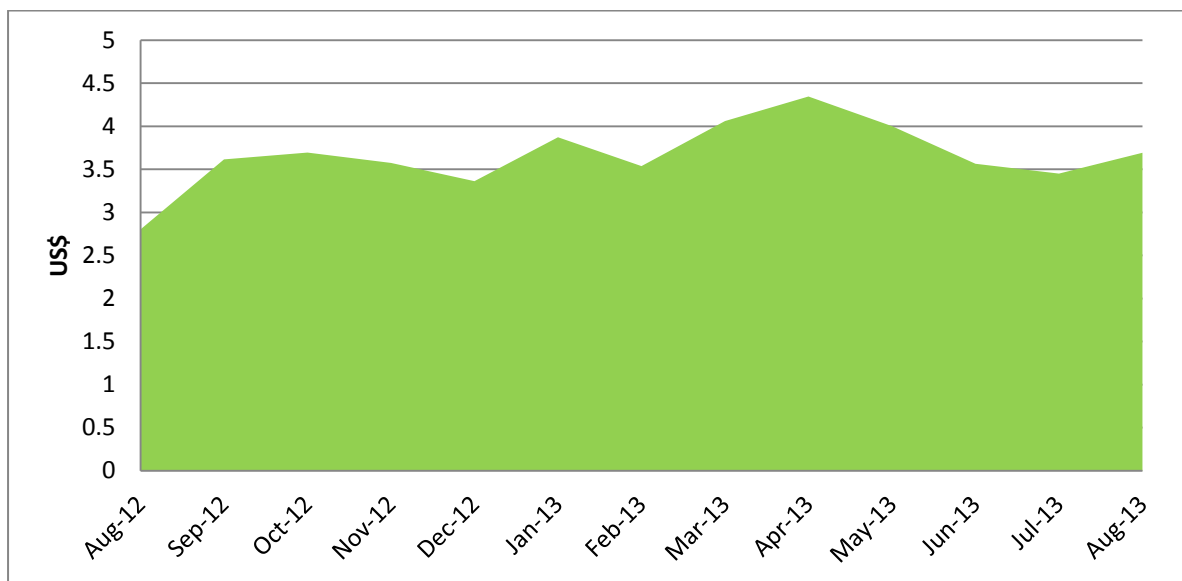
Chart 1: Crude Oil



Source: www.cnbc.com

The Natural gas price closed at USD3.69 at the end of August 2013, which was 7.0 per cent lower than at the end of July 2013.

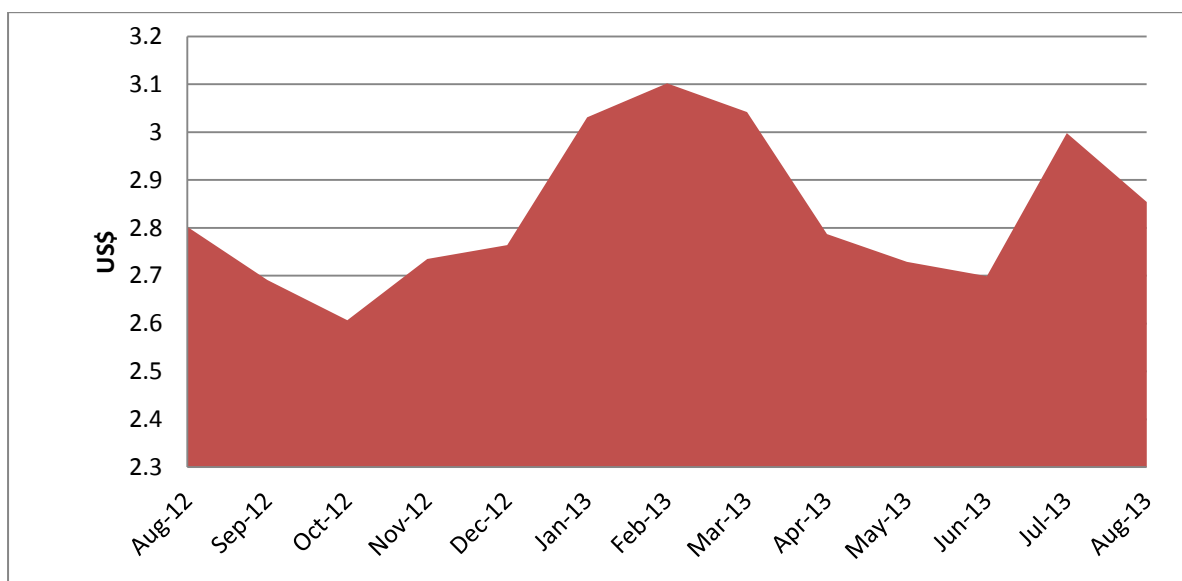
Chart 2: Natural Gas



Source: www.cnbc.com

RBOB gasoline price closed at USD2.85 per barrel at the end of August 2013, which was 4.8 per cent lower than at the end of July 2013.

Chart 3: RBOB Gas



Source: www.cnbc.com

Developed Economies

Euro Area

The annual inflation rate was 1.3 per cent in August 2013, down from 1.6 per cent in July 2013. A year earlier the rate was 2.6 per cent. The largest upward impacts on the annual inflation in August 2013 came from *fruits (0.12 percentage point)*, *electricity (0.1 percentage points)* and *tobacco (0.1 percentage points)*, while *fuels for transport (-0.26 percentage points)*, *telecommunications (-0.18 percentage points)*, and *medical & paramedical services (-0.08 percentage points)* exerted downwards pressure. The annual rate recorded for August 2013 remained below the European Central Bank inflation target of below but close to 2.0 per cent.

Japan

The annual inflation rate for August 2013 stood at 0.9 per cent, compared to 0.7 per cent in the previous month. A year earlier the deflation rate was 0.5 per cent. The main components with the highest annual rates were *fuel, light and water charges (6.0 per cent)*, and *transport & communication (3.1 per cent)*, while the lowest annual rates were observed for *furniture & household utensils (-1.7 per cent)*, and *culture & recreation (-0.8 per cent)*.

United Kingdom

The annual inflation rate grew by 2.7 per cent in August 2013, down from 2.8 per cent in July 2013. The rate was 2.5 per cent during the similar period a year earlier. The main components with the highest annual rates were *education (19.7 per cent)*, *alcohol beverages & tobacco (6.0 per cent)*, and *housing & utilities (4.2 per cent)*, while the lowest annual rates were observed for *recreation & culture (0.9 per cent)*, and *furniture & household goods (1.1 per cent)*. The annual inflation rate remained 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 1.5 per cent in August 2013 compared to 2.0 per cent in the preceding month. The rate was 1.7 per cent during the similar period a year earlier. The index for all items less food and energy rose by 1.8 per cent in August 2013, compared to 1.7 per cent in the preceding month. The food index rose by 1.4 per cent in August 2013, unchanged from the preceding month. The energy index declined by 1.0 per cent in August 2013 compared to an increase of 4.7 per cent in the preceding month. The inflation rate for August 2013 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 6.1 per cent in August 2013, from 6.3 per cent in the preceding month. The rate was 5.2 per cent during the similar period a year earlier. The annual rate recorded for August 2013 was in line with the Brazilian Central Bank inflation target of 4.5 per cent with a floating range of 2 percentage points.

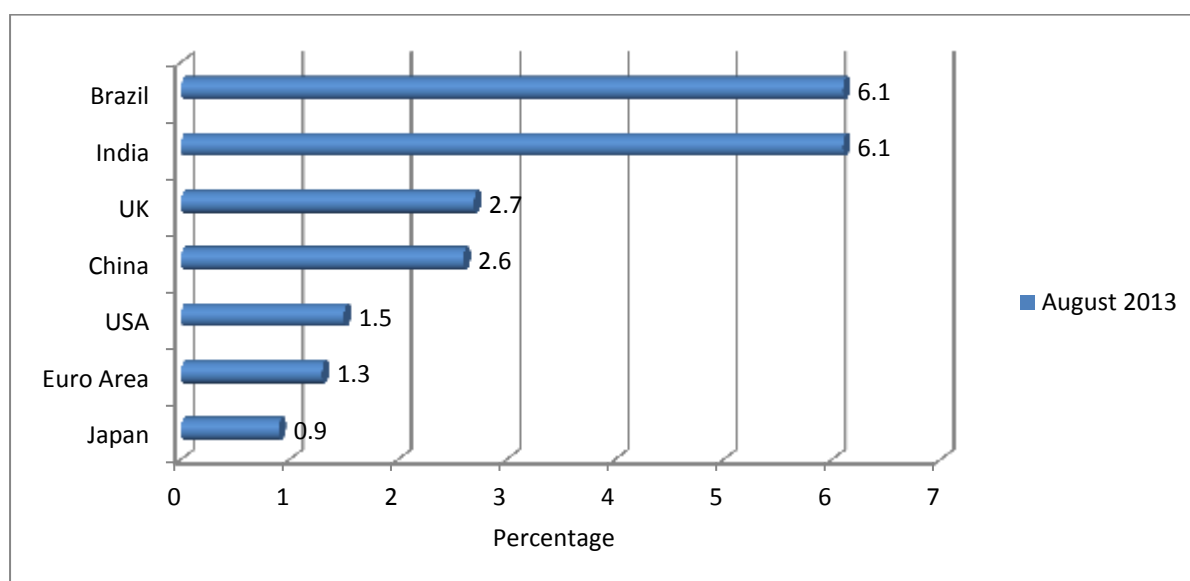
China

The annual inflation rate was 2.6 per cent in August 2013, compared to 2.7 per cent in the preceding month. The rate was 2.0 per cent during the similar period a year earlier. The main components with the highest annual rates were *food (4.7 per cent)*, *residence (2.6 per cent)*, and *clothing (2.2 per cent)*, while the lowest annual rates were observed on *transport & communication (stagnant)*. The annual inflation rate for August 2013 remained below the Government's inflation target of 3.0 per cent.

India

The annual inflation rate was 6.1 per cent in August 2013 as compared to 5.8 per cent in the preceding month and 8.0 per cent during the corresponding month in the previous year. The main components with the highest annual rates were *primary articles (3.8 per cent)*, and *fuel & power (1.3 per cent)*, while the lowest annual rates were observed on *manufactured products (-0.1 per cent)*. The inflation rate registered during August 2013 remained above the Reserve Bank target range of 4.0 – 4.5 per cent.

Chart 4: Annual Inflation Rates for Selected Economies



Source: inflation.eu

Inflation Rates in SACU Member States

South Africa registered the highest annual inflation rate among the Member States, registering inflation rate of 6.4 per cent in August 2013 followed by Namibia at 6.0 per cent. The lowest annual inflation was observed in Lesotho recording inflation rate of 5.3 per cent. Botswana and Swaziland recorded inflation rate of 5.6 per cent and 5.9 per cent respectively. All Member States continued to record a single digit annual inflation rate during August 2013 as shown in Table 1.

Month-on-month inflation rates varied between 0.2 and 1.1 per cent in Member States between July 2013 and August 2013, as shown in Table 2.

Table 1: Annual Inflation Rates in SACU Member States

	Botswana	Lesotho	Namibia	South Africa	Swaziland
July 2013	5.7	4.6	5.8	6.3	6.0
August 2013	5.6	5.3	6.0	6.4	5.9

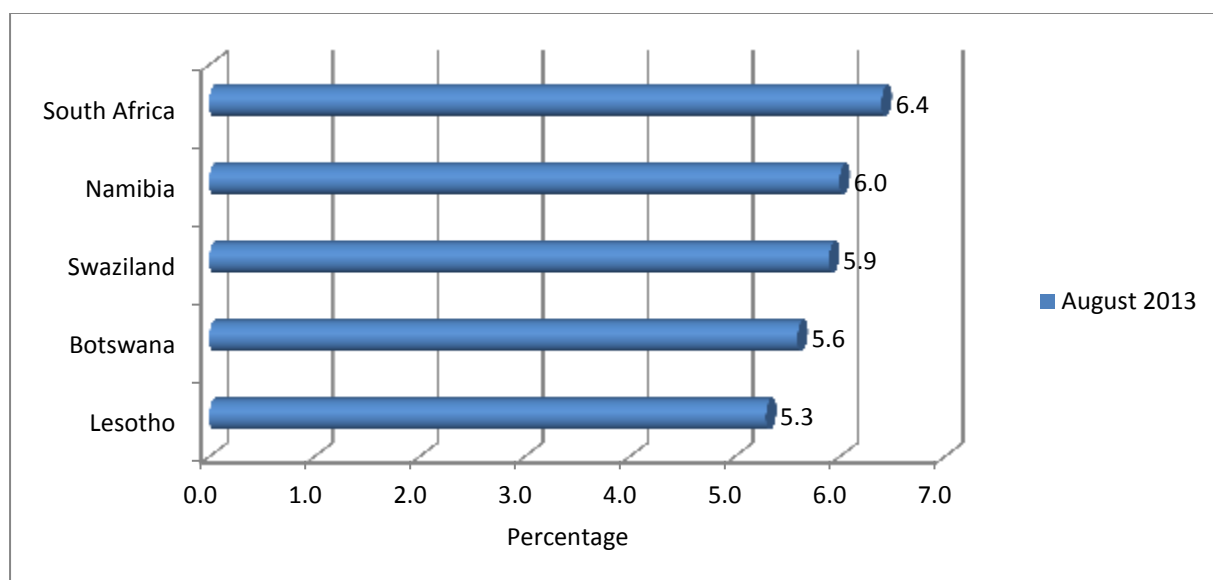
Source: Member States Statistics Offices

Table 2: Monthly Inflation Rates in SACU Member States

	Botswana	Lesotho	Namibia	South Africa	Swaziland
July 2013	0.2	0.2	0.6	1.1	0.4
August 2013	0.2	0.9	0.5	0.3	0.5

Source: Member States Statistics Offices

Chart 5: Annual Inflation Rates in SACU Member States



Source: Member States Statistics Offices

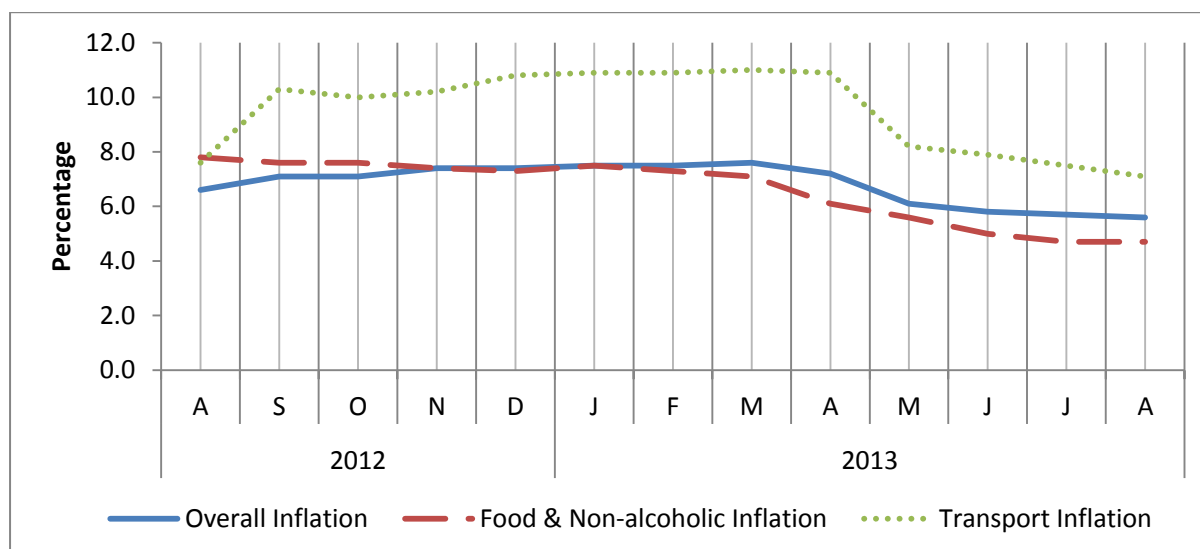
Botswana

The annual inflation rate continued to ease in August 2013 registering a rate of 5.6 per cent, from 5.7 per cent in the preceding month. The annual rate in August 2013 was lower than the 6.6 per cent recorded during the similar month in 2012. On average, prices increased by 0.2 per cent between July and August 2013.

The main components with the highest annual rates were *alcoholic beverages & tobacco (10.4 per cent)*, *hotels & restaurants (8.6 per cent)*, and *transport (7.1 per cent)*, while the lowest annual rate was observed in *communication (stagnant)*.

During its meeting on 13 August 2013, the Monetary Policy Committee (MPC) concluded that the current state of the economy, in which unemployment remains high, together with below trend economic activity, provides scope for monetary stimulus to spur stronger output growth. Assumptions made on both the domestic and external economic outlook, as well as the inflation forecast, suggested that additional easing of the monetary policy stance is consistent with maintaining inflation within the Bank's 3 – 6 per cent objective range in the medium term. Thus, the Monetary Policy Committee decided to reduce the bank rate¹ to 8.0 per cent from 8.5 per cent. Similarly, the commercial banks made adjustment to the prime rate to reflect the MPC decision.

Chart 6: Annual Inflation Rate



Source: Statistics Botswana

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

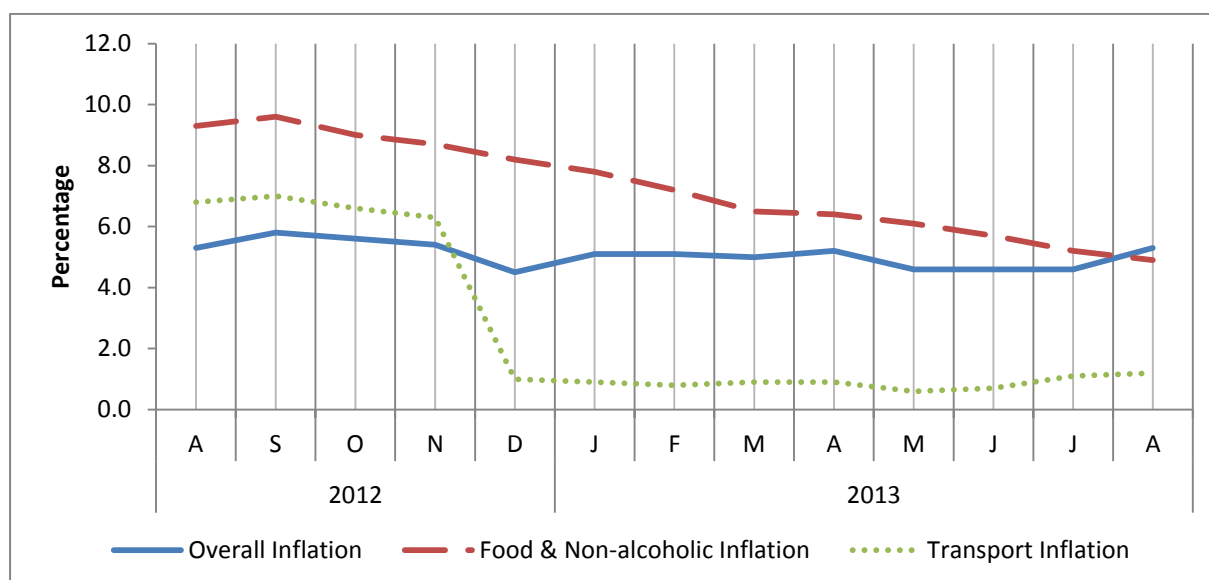
Lesotho

The annual inflation rate rose to 5.3 per cent in August 2013 from 4.6 per cent in the preceding month. Annual inflation in August 2013 remained the same at 5.3 per cent recorded during the corresponding month in 2012. On average, prices increased by 0.9 per cent between July and August 2013.

The main components with the highest annual rates were *housing & utilities (17.3 per cent)*, *education (13.4 per cent)*, and *alcohol & tobacco (5.7 per cent)*, while the lowest annual rate was observed in *communications (stagnant)*.

Lesotho monetary policy targets the maintenance of adequate net international reserves (NIR). The NIR target for the quarter ending in September 2013 was set at USD1.16 billion, which translates to M11.00 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 2013 the Lombard facility stood at 9.36 per cent, while the prime lending rate was recorded at 9.92 per cent.

Chart 7: Annual Inflation Rate



Source: Bureau of Statistics of Lesotho

Namibia

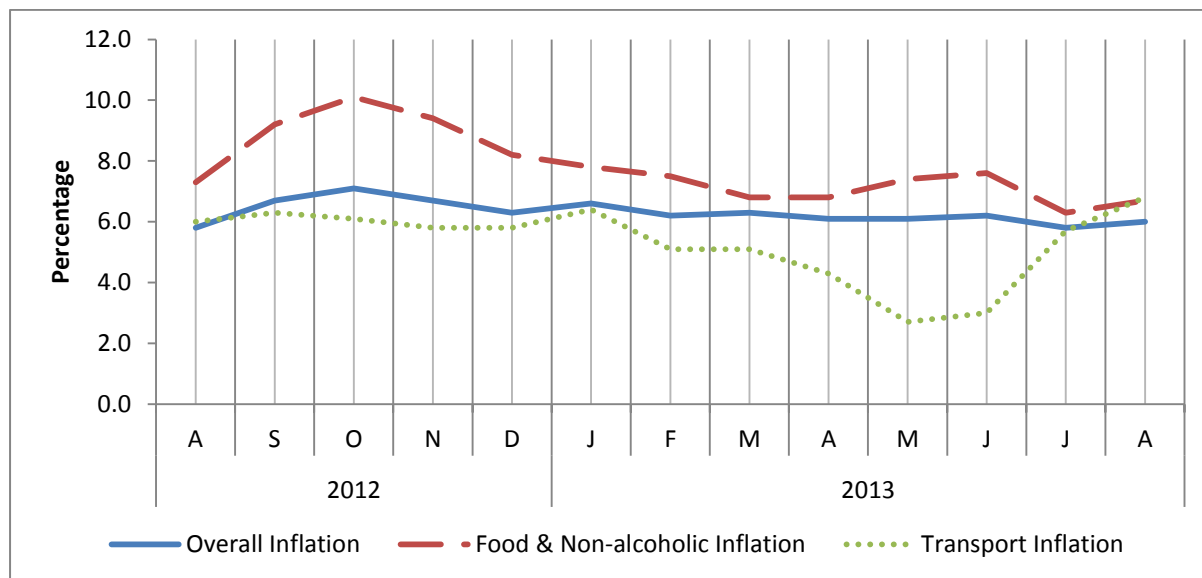
The annual inflation rate rose to 6.0 per cent in August 2013 from 5.8 per cent in the preceding month. The annual rate in August 2013 was higher than the 5.8 per cent recorded during the similar month in 2012. On average, prices declined by 0.5 per cent between July and August 2013.

The main components with the highest annual rates were *hotels & restaurants (9.0 per cent)*, *alcoholic beverages & tobacco (8.8 per cent)*, and *housing & utilities (7.8*

per cent), while the lowest annual rate was observed in *clothing & footwear* (1.6 per cent).

The NIR level declined to N\$14.8 billion in August 2013 from N\$18.1 billion recorded in the previous month, and it was sufficient to support the Rand parity. During the month of August 2013, the repo rate remained unchanged at 5.5 per cent. Similarly, the prime rate remained unchanged at 9.25 per cent during August 2013.

Chart 8: Annual Inflation Rate



Source: Namibia Statistics Agency

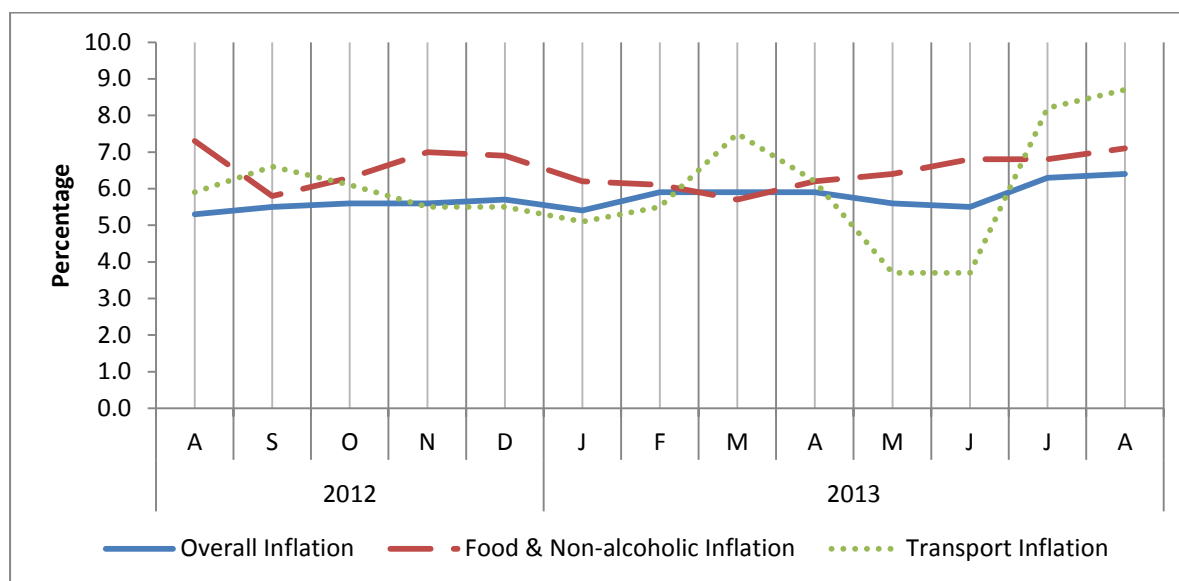
South Africa

The annual inflation rate rose to 6.4 per cent in August 2013, from 6.3 per cent in the previous month. Annual inflation rate in August 2013 was higher than the 5.0 per cent that was recorded in August 2012. On average, prices increased by 0.3 per cent between July and August 2013.

The main components with the highest annual rates were *education* (9.0 per cent), *transport* (8.7 per cent), and *miscellaneous goods & services* (7.6 per cent), while the lowest annual rate was observed in *communication* (2.0 per cent).

The annual inflation was above the target range of 3-6 per cent during August 2013 for the second consecutive months. 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 August 2013.

Chart 9: Annual Inflation Rate



Source: Stats SA

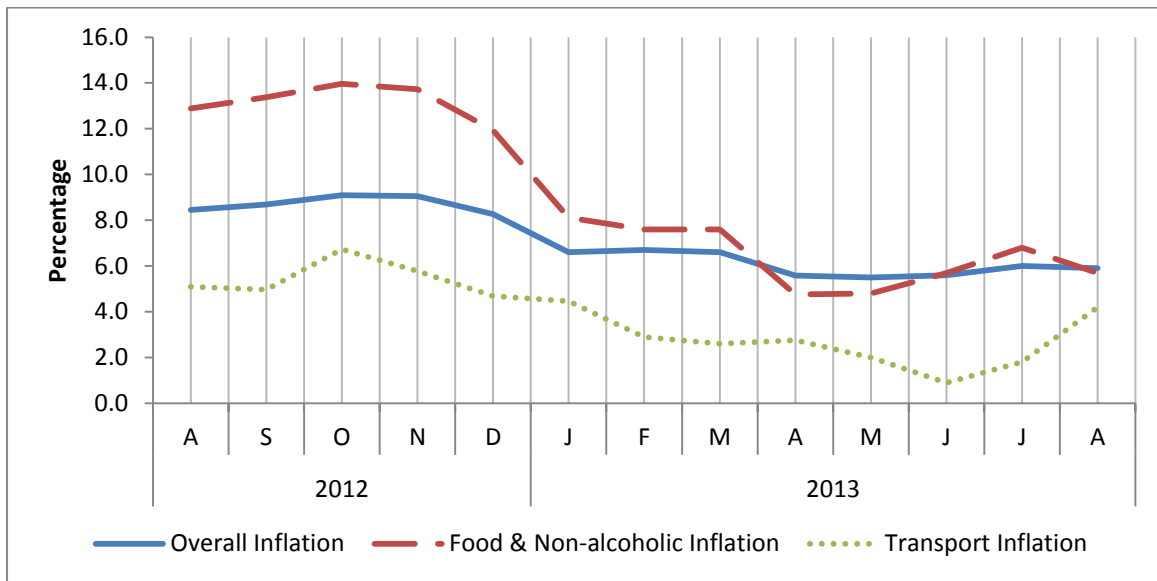
Swaziland

The annual inflation rate eased to 5.9 per cent in August 2013, from 6.0 per cent in the previous month. The annual inflation rate for August 2013 was lower than the 8.5 per cent recorded during the similar period in the previous year. On average, prices increased by 0.5 per cent between July and August 2013.

The main components with the highest annual rates were *health (10.7 per cent)*, *education (9.6 per cent)*, and *recreation & culture (6.6 per cent)*, while the lowest annual rate was observed in *restaurants & hotels (-2.1 per cent)* and *miscellaneous goods & services (-1.1 per cent)*.

The NIR level for August 2013 decreased to E7.6 billion from E8.0 billion recorded in July 2013, and it was 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 (August 2013)

Main Categories	Botswana	Lesotho	Namibia	South Africa	Swaziland
Food & non-alcoholic beverages	4.7	4.9	6.7	7.1	5.7
Alcoholic beverages & tobacco	10.4	5.7	8.8	6.5	5.4
Clothing & footwear	6.5	1.5	1.6	3.1	3.8
Housing, water, electricity, gas & other fuels	3.6	17.3	7.8	5.4	5.8
Furnishings, household equipment &...	4.4	3.4	5.6	3.0	3.8
Health	4.7	0.7	4.3	4.8	10.7
Transport	7.1	1.2	6.8	8.7	4.2
Communications	0.0	0.0	3.3	2.0	0.0
Recreation & Culture	3.6	0.6	4.7	3.6	6.6
Education	4.7	13.4	6.5	9.0	9.6
Hotels, cafés & restaurants	8.6	1.5	9.0	6.7	-2.1
Miscellaneous goods & services	1.2	2.6	5.6	7.6	-1.1
All Item	5.6	5.3	6.0	6.4	5.9

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	15.41	29.22
Alcoholic beverages & tobacco	9.29	1.22	3.26	5.43	0.39
Clothing & footwear	7.52	17.43	5.13	4.07	3.42
Housing, water, electricity, gas & other fuels	11.46	10.60	20.59	24.52	29.15
Furnishings, household equipment &...	6.76	9.42	5.61	4.79	4.75
Health	2.71	1.88	1.51	1.46	3.39
Transport	18.98	8.47	14.79	16.43	10.50
Communications	3.01	1.24	0.9	2.63	2.74
Recreation & Culture	2.22	2.39	2.5	4.09	1.07
Education	3.37	2.75	7.36	2.95	9.11
Hotels, cafés & restaurants	3.27	0.66	1.62	3.50	1.79
Miscellaneous goods & services	9.57	5.81	7.11	14.72	4.47
All Item	100.00	100.00	100.00	100.00	100.00

Source: SACU Member States Statistics Offices