

# SOUTHERN AFRICAN CUSTOMS UNION



# **SACU INFLATION REPORT**

November 2013

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## **Selected Global Inflation Rates**

The Food and Agricultural Organisation (FAO) Food Price Index averaged 206.3 points in November 2013, almost unchanged from its level in October 2013. The increase was mainly driven by an increase in oil prices.

The FAO Cereal Price Index averaged 194.2 points in November 2013, down by 2.0 points from October 2013. The FAO Vegetable Oil Price Index averaged 198.5 points in November 2013, up by 11points from October 2013, mainly driven by palm oil.

The FAO Meat Price Index averaged 187.1 points in November 2013, unchanged from October 2013. Similarly, the FAO Dairy Price Index averaged 251.4 points in November 2013, unchanged from October 2013. The FAO Sugar Price Index averaged 250.6 points in November 2013, down by 14.2 points from October 2013. The decline in sugar prices was mainly attributable to improved harvesting operations in Brazil, the world's largest sugar producer and exporter.

Brent crude oil price closed at USD109.70 per barrel at the end of November 2013, which was 1.0 per cent higher than at the end of October 2013, but lower than the USD110.40 per barrel recorded at the end of November 2012.

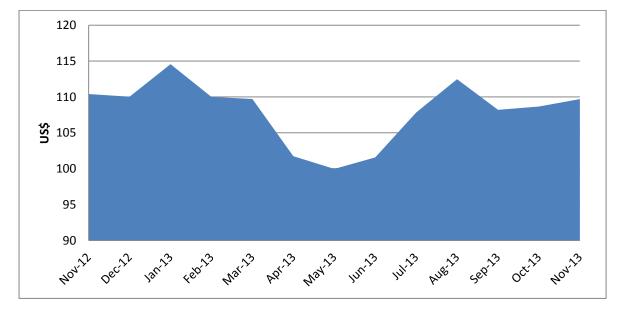


Chart 1: Crude Oil

Source: www.cnbc.com

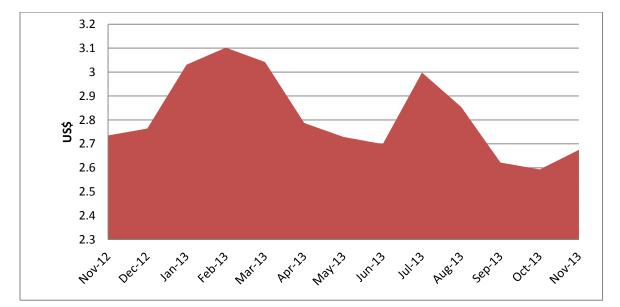
The Natural gas price closed at USD3.96 at the end of November 2013, which was 8.6 per cent higher than at the end of October 2013.





Source: www.cnbc.com

RBOB gasoline price closed at USD2.67 per barrel at the end of November 2013, which was 3.2 per cent higher than at the end of October 2013.



#### Chart 3: RBOB Gas

Source: www.cnbc.com

## **Developed Economies**

## Euro Area

The annual inflation rate was 0.9 per cent in November 2013, up from 0.7 per cent in October 2013. A year earlier the rate was 2.2 per cent. The largest upward impact on the annual inflation in November 2013 came from *electricity* (0.11 percentage point), accommodation services (0.09 percentage points) and tobacco (0.08 percentage points), while fuels for transport (-0.23 percentage points), telecommunications (-0.14 percentage points), and heating oil (-0.07 percentage points) exerted downwards pressure. The annual rate recorded for November 2013 remained below the European Central Bank inflation target of below but close to 2.0 per cent.

## Japan

The annual inflation rate for November 2013 stood at 1.5 per cent, up from 1.1 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* (5.7 per cent), and miscellaneous (3.3 per cent), while the lowest annual rates were observed for *housing* (-0.4 per cent), and medical care (-0.4 per cent).

## **United Kingdom**

The annual inflation rate grew by 2.1 per cent in November 2013, down from 2.2 per cent in October 2013. The rate was 2.7 per cent during the similar period a year earlier. The main components with the highest annual rates were *education (10.3 per cent), alcohol beverages & tobacco (5.8 per cent), and housing & utilities (3.4 per cent),* while the lowest annual rates were observed for *transport (0.2 per cent),* and *recreation & culture (0.7 per cent).* The annual inflation rate remained 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 1.2 per cent in November 2013 compared to 1.0 per cent in the preceding month. The rate was 1.8 per cent during the similar period a year earlier. The index for all items less food and energy rose by 1.7 per cent in November 2013, unchanged from the preceding month. The food index rose by 1.2 per cent in November 2013 compared to 1.3 per cent in the preceding month. The energy index declined by 2.4 per cent in November 2013 compared to a decline of 4.8 per cent in the preceding month. The inflation rate for November 2013 remained below the Federal Reserve Bank's long term inflation estimate of 2.0 per cent.

## **Developing Economies**

## Brazil

The annual inflation rate was 5.8 per cent in November 2013, unchanged from the preceding month. The rate was 5.5 per cent during the similar period a year earlier. The annual rate recorded for November 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 3.0 per cent in November 2013, compared to 3.2 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 (5.9 per cent), recreation, education, culture articles & services (2.8 per cent), and residence (2.6 per cent), while the lowest annual rates were observed on transport & communication (-0.5 per cent) and tobacco, liquor & articles (-0.2 per cent). The annual inflation rate for November 2013 was in line with the Government's inflation target of 3.0 per cent.

## India

The annual inflation rate was 7.5 per cent in November 2013 as compared to 7.0 per cent in the preceding month and 7.2 per cent during the corresponding month in the previous year. The main components with the highest annual rates were *primary articles (1.9 per cent), and manufactured products (0.2 per cent),* while the lowest annual rates were observed *on fuel & power (0.1 per cent).* The inflation rate registered during November 2013 remained above the Reserve Bank target range of 4.0 - 4.5 per cent.

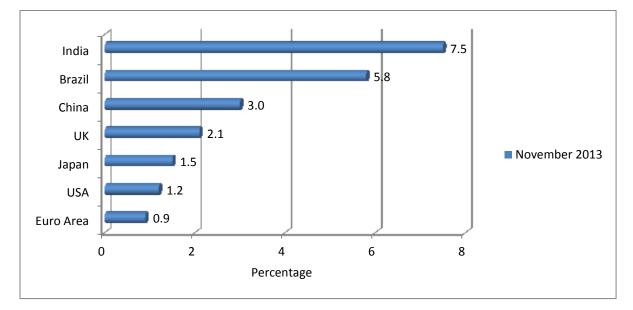


Chart 4: Annual Inflation Rates for Selected Economies

Source: inflation.eu

## **Inflation Rates in SACU Member States**

In November 2013, annual inflation slowed in all Member States, Botswana (4.1%, down from 4.8% in October), Lesotho (5.2%, down from 5.4% in October), Namibia (4.4%, down from 4.9% in October), South Africa (5.3%, down from 5.5% in October), and Swaziland (4.4%, down from 4.7% in October). For the month of November 2013, South Africa registered the highest annual inflation rate among the Member States, registering inflation rate of 5.3 per cent followed by Lesotho at 5.2 per cent, Namibia at 4.4 per cent, Swaziland at 4.4 per cent, and Botswana at 4.1 per cent. All Member States continued to record a single digit annual inflation rate during November 2013 as shown in Table 1.

Month-on-month inflation rates varied marginally at around 0.3 per cent in Member States between October 2013 and November 2013, as shown in Table 2, with Botswana and Lesotho recording the highest month-on-month inflation of 0.3 per cent.

	Botswana	Lesotho	Namibia	South Africa	Swaziland
October 2013	4.8	5.4	4.9	5.5	4.7
November 2013	4.1	5.2	4.4	5.3	4.4

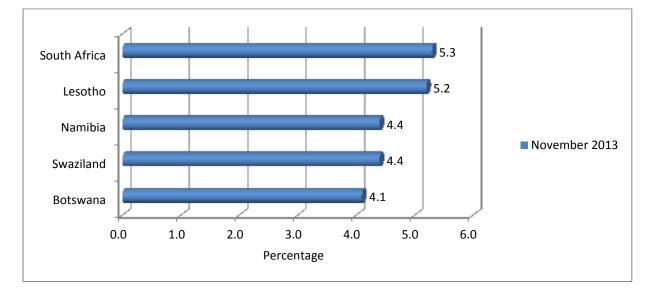
 Table 1: Annual Inflation Rates in SACU Member States

Source: Member States Statistics Offices

	Botswana	Lesotho	Namibia	South Africa	Swaziland
October 2013	0.2	1.3	0.4	0.2	0.1
November 2013	0.3	0.3	0.2	0.1	0.0

 Table 2: Monthly Inflation Rates in SACU Member States

Source: Member States Statistics Offices



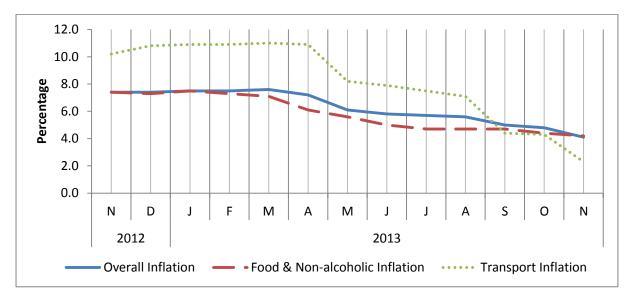
Source: Member States Statistics Offices

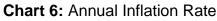
#### Botswana

The annual inflation rate continued to ease since April 2013 registering a rate of 4.1 per cent in November 2013, from 4.8 per cent in the preceding month. The annual rate in November 2013 was lower than the 7.4 per cent recorded during the similar month in 2012. On average, prices increased by 0.3 per cent between October and November 2013.

The main components with the highest annual rates were *alcoholic beverages* & *tobacco (6.3 per cent), and hotels* & *restaurants (5.9 per cent), while the lowest* annual rate was observed in *communication (0.4 per cent).* 

The annual inflation rate for November 2013 remained within the inflation target range of 3 - 6 per cent set out by the Bank of Botswana. During the month of November 2013 the bank rate<sup>1</sup> remained at 8.0 per cent, while the prime rate was at 9.5 per cent.





Source: Statistics Botswana

## Lesotho

The annual inflation rate eased to 5.2 per cent in November 2013 from 5.4 per cent in the preceding month. A year earlier inflation rate was 5.4 per cent during the corresponding month. On average, prices increased by 0.3 per cent between October and November 2013.

<sup>&</sup>lt;sup>1</sup> Bank rate is the rate at which the Central Bank lends to Commercial Banks

The main components with the highest annual rates were *transport (13.9 per cent)*, education (13.4 per cent), and housing & utilities (11.2 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 December 2013 was set at USD1.04 billion, which translates to M10.28 billion, a target that is consistent with the maintenance of the exchange rate peg between the Loti and the Rand. During the month of November 2013 the Lombard facility stood at 8.94 per cent, while the prime lending rate was recorded at 9.92 per cent.

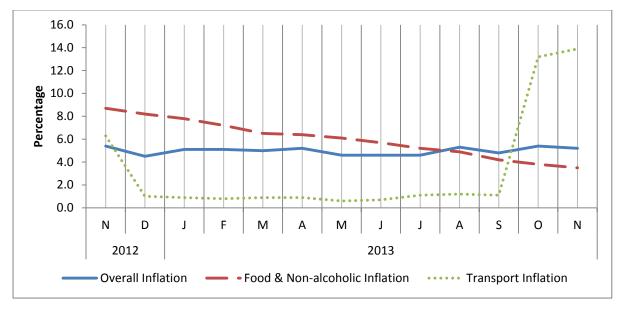


Chart 7: Annual Inflation Rate

Source: Bureau of Statistics of Lesotho

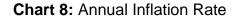
## Namibia

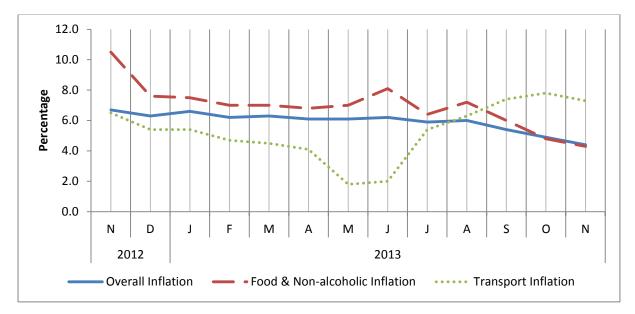
The annual inflation rate eased for the third consecutive month to 4.4 per cent in November 2013 from 4.9 per cent in the preceding month. The annual rate in November 2013 was lower than the 7.5 per cent recorded during the similar month in 2012. On average, prices increased by 0.2 per cent between October and November 2013.

The main components with the highest annual rates were alcoholic beverages & tobacco (7.7 per cent), transport (7.3 per cent), and hotel & restaurants (6.2 per cent), while the lowest annual rate was observed in communications (1.5 per cent).

The NIR level declined to N\$14.8 billion in November 2013 from N\$15.9 billion recorded in the previous month, and it was sufficient to support the Rand parity. During the month of November 2013, the repo rate remained unchanged at 5.5 per

cent. Similarly, the prime rate remained unchanged at 9.25 per cent during November 2013.





Source: Namibia Statistics Agency

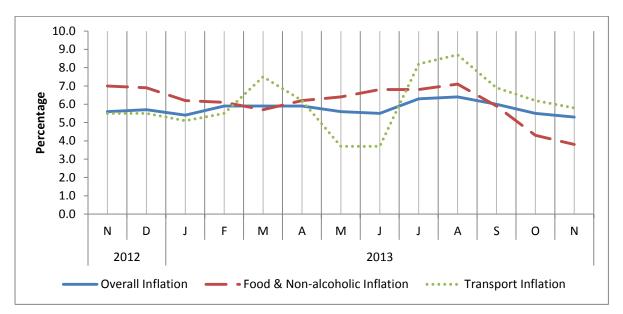
#### South Africa

The annual inflation rate eased to 5.3 per cent in November 2013, from 5.5 per cent in the previous month. Annual inflation rate in November 2013 was lower than the 5.6 per cent that was recorded in November 2012. On average, prices increased by 0.2 per cent between October and November 2013.

The main components with the highest annual rates were education (9.0 per cent), miscellaneous goods & services (7.3 per cent), and alcoholic beverages & tobacco (6.7 per cent), while the lowest annual rate was observed in communication (1.1 per cent).

The annual inflation was within the target range of 3-6 per cent during November 2013. 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 November 2013.

## Chart 9: Annual Inflation Rate



#### Source: Stats SA

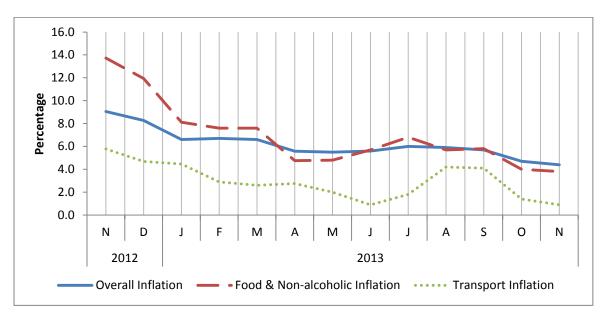
## Swaziland

The annual inflation rate continued to ease for the fourth consecutive month to 4.4 per cent in November 2013, from 4.7 per cent in the previous month. The annual inflation rate for November 2013 was lower than the 9.1 per cent recorded during the similar period in the previous year. On average, prices were stagnant between October and November 2013.

The main components with the highest annual rates were health (10.8 per cent), education (8.6 per cent), and recreation & culture (5.4 per cent), while the lowest annual rate was observed in communications (stagnant) and transport (0.9 per cent).

The NIR level for November 2013 remained unchanged at E8.2 billion from the previous month, enough to cover 4.8 months of imports of goods and services 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

Main Categories	Botswana	Lesotho	Namibia	South Africa	Swaziland
Food & non-alcoholic beverages	4.2	3.5	4.3	3.8	3.8
Alcoholic beverages & tobacco	6.3	5.2	7.7	6.7	4.1
Clothing & footwear	5.8	2.2	3.2	3.3	4.9
Housing, water, electricity, gas & other fuels	4.2	11.2	3.1	5.3	5.2
Furnishings, household equipment &	4.8	3.0	5.3	3.7	3.2
Health	5.4	0.7	4.0	4.6	10.8
Transport	2.3	13.9	7.3	5.8	0.9
Communications	0.4	0.0	1.5	1.1	0.0
Recreation & Culture	4.5	0.8	4.7	2.7	5.4
Education	4.7	13.4	4.0	9.0	8.6
Hotels, cafés & restaurants	5.9	0.5	6.2	7.0	1.9
Miscellaneous goods & services	2.0	3.3	1.9	7.3	1.6
All Item	4.1	5.2	4.4	5.3	4.4

## Annual inflation rates by main categories (November 2013)

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	16.45	15.41	29.22
Alcoholic beverages & tobacco	9.29	1.22	12.59	5.43	0.39
Clothing & footwear	7.52	17.43	3.05	4.07	3.42
Housing, water, electricity, gas & other fuels	11.46	10.60	28.36	24.52	29.15
Furnishings, household equipment &	6.76	9.42	5.47	4.79	4.75
Health	2.71	1.88	2.01	1.46	3.39
Transport	18.98	8.47	14.28	16.43	10.50
Communications	3.01	1.24	3.81	2.63	2.74
Recreation & Culture	2.22	2.39	3.55	4.09	1.07
Education	3.37	2.75	3.65	2.95	9.11
Hotels, cafés & restaurants	3.27	0.66	1.39	3.50	1.79
Miscellaneous goods & services	9.57	5.81	5.39	14.72	4.47
All Item	100.00	100.00	100.00	100.00	100.00

Source: SACU Member States Statistics Offices