



SACU INFLATION REPORT

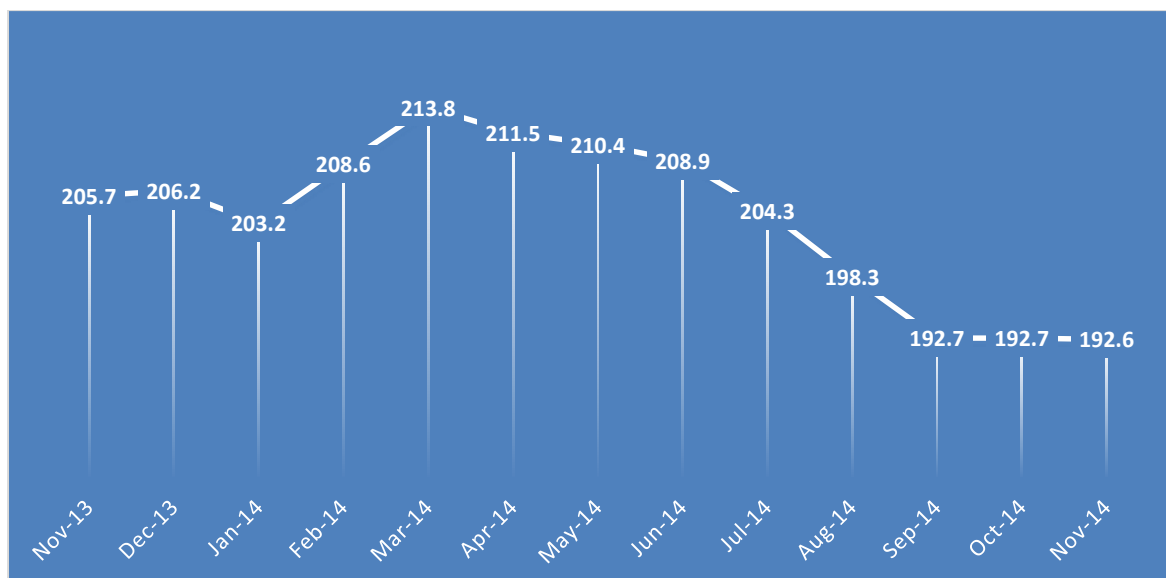
November 2014

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FAO Food Price Index

The Food and Agricultural Organisation (FAO) Food Price Index¹ averaged 192.6 points in November 2014, virtually unchanged from its level in October 2014, but 13 points below November 2013.

Chart 1: FAO Food Price Index



Source: Food and Agriculture Organization of the United Nations

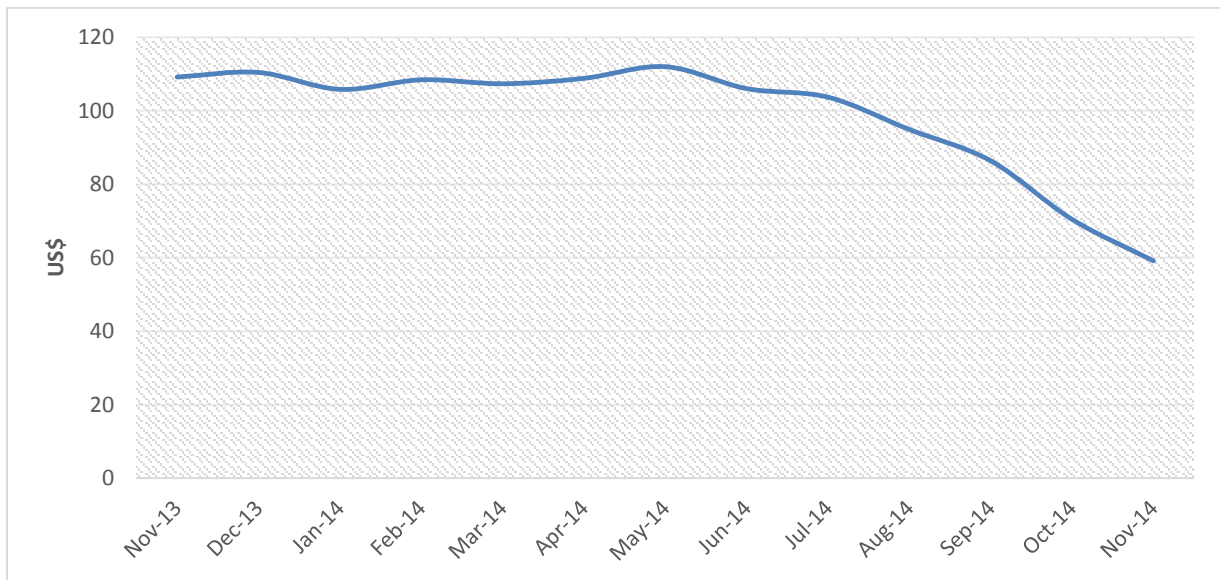
The FAO Cereal Price Index averaged 183 points in November 2014, up by 4.7 points from October 2014, but 5.8 per cent lower year-on-year. Similarly, the FAO Vegetable Oil Price Index averaged 164.9 points in November 2014, up by 1.2 points from October 2014, the increase in the index was driven by a rise in the price of palm oil due to a global import demand. The FAO Dairy Price Index averaged 178.1 points in November 2014, down by 6.2 points from October 2014. The fall in dairy prices is as a result of increased export availability and a reduction in the pace of importation by some of the major markets especially China and Russia. The FAO Meat Price Index averaged 210.4 points in November 2014, unchanged from its level in October 2014. The FAO Sugar Price Index averaged 230 points in November 2014, down by 7.6 points from October 2014.

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

Selected Commodity Prices

Brent crude oil price continued with the downward trend since May 2014 closing at the lowest level to date of USD59.17 per barrel at the end of November 2014, which was 16.0 per cent lower than at the end of October 2014, and lower than the USD109.15 per barrel recorded at the end of November 2013.

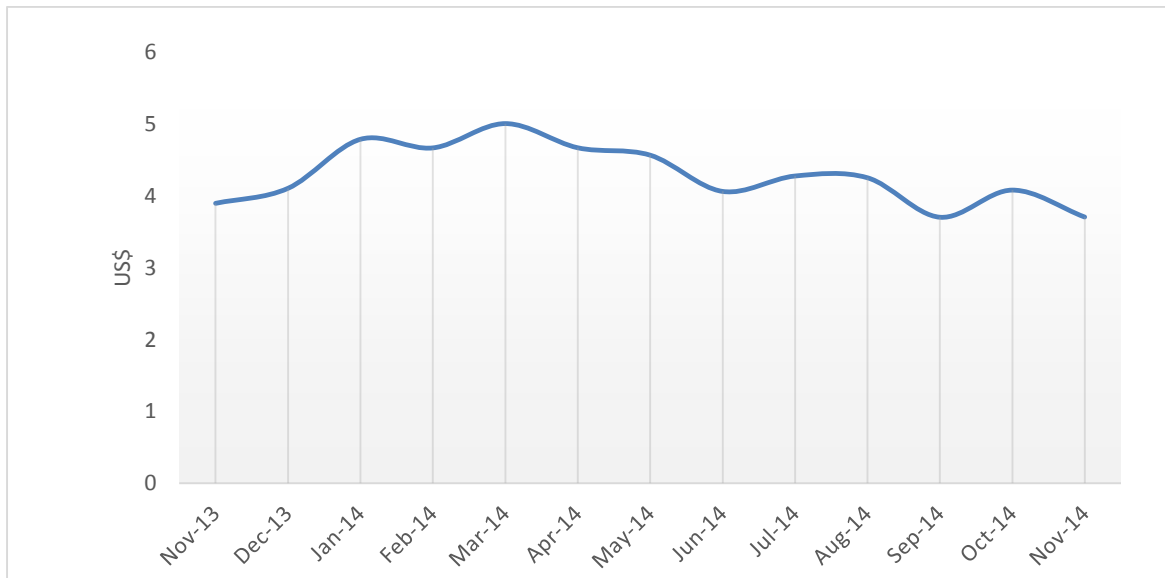
Chart 2: Crude Oil



Source: www.cnn.com

The Natural gas price closed at USD3.71 at the end of November 2014, which was 9.2 per cent lower than at the end of October 2014.

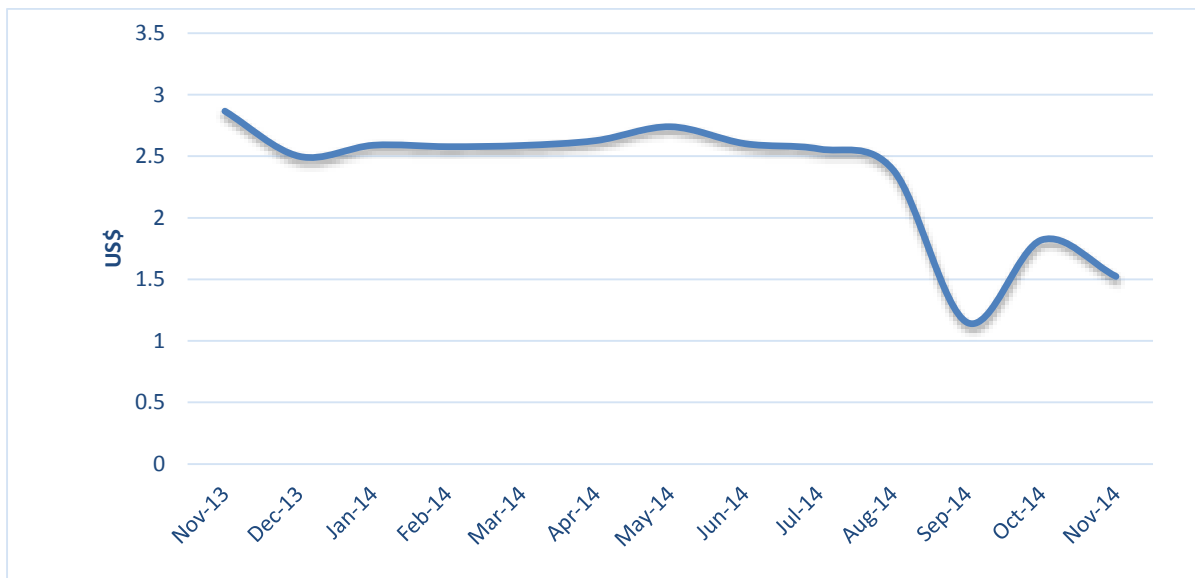
Chart 3: Natural Gas



Source: www.cnbc.com

RBOB gasoline price closed at USD1.52 per barrel at the end of November 2014, which was 16.3 per cent lower than at the end of October 2014.

Chart 4: RBOB Gas



Source: www.cnbc.com

Inflation Rate for a Selected Economies

Euro Area

The annual inflation rate was 0.3 per cent in November 2014, down from 0.4 per cent in October 2014. A year earlier the rate was 0.9 per cent. The largest upward impact to annual inflation came from restaurants & cafes (0.09 percentage points), rents (0.08 percentage points) and tobacco (0.06 percentage points), while fuels for transport (-0.22 percentage points) had the biggest downward impact. The annual rate recorded for November 2014 remained below the European Central Bank inflation target of below but close to 2.0 per cent.

United Kingdom

The annual inflation rate decelerated to 1.0 per cent in November 2014 from 1.3 per cent registered in October 2014. The rate was 2.1 per cent during a similar period a year earlier. The main components with the highest annual rates were *education (10.0 per cent)*, *alcohol beverages & tobacco (4.0 per cent)*, and *housing & utilities (3.3 per cent)*, while the lowest annual rates were observed in *food & non-alcoholic beverages (-1.7 per cent)*. The annual inflation rate for November 2014 remained below the Bank of England's inflation target of 2.0 per cent.

USA

The annual inflation rate in the world's largest economy eased to 1.3 per cent in November 2014 from 1.7 per cent in the preceding month. The rate was 1.2 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 2014, unchanged from the preceding month. The food index rose by 3.2 per cent in November 2014 compared to 3.1 per cent in the preceding month. The energy index registered a decline of 4.8 per cent in November 2014 compared to a decline of 1.6 per cent in the preceding month. The inflation rate for November 2014 remained below the Federal Reserve Bank's long- term inflation estimate of 2.0 per cent.

Brazil

The annual inflation rate was 6.6 per cent in November 2014, unchanged from the preceding month. The rate was 5.8 per cent during the similar period a year earlier. The annual rate recorded for November 2014 was higher than the Brazilian Central Bank inflation target of 4.5 per cent with a floating range of 2 percentage points.

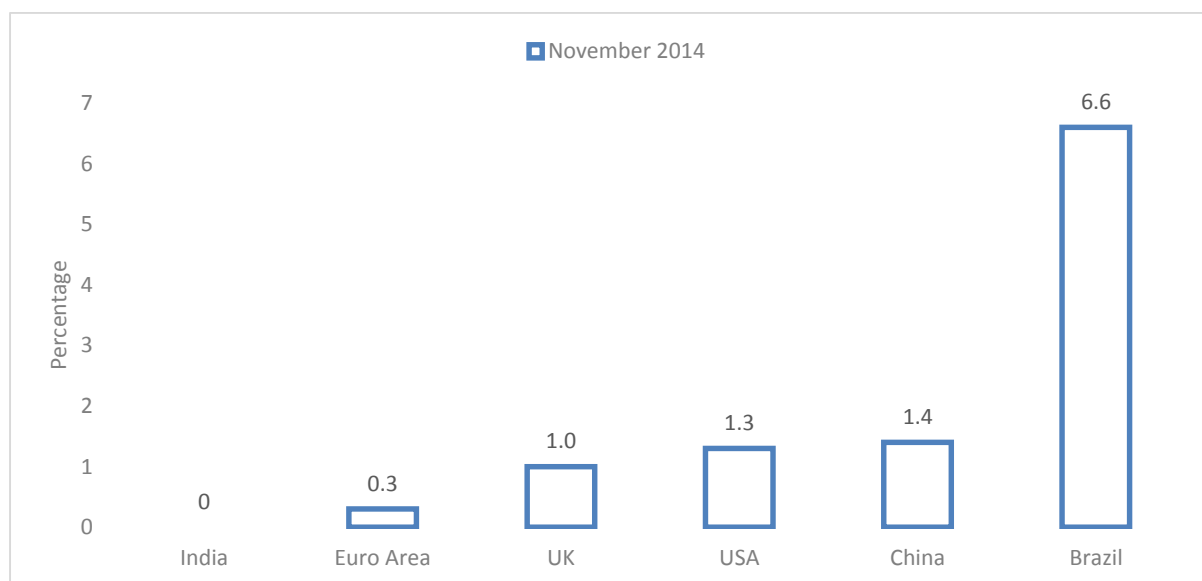
China

The annual inflation rate rose by 1.4 per cent in November 2014, down from 1.6 per cent in the preceding month. The rate was 3.0 per cent during the similar period a year earlier. The main components with the highest annual rates were *food (3.1 per cent)*, and *clothing (2.4 per cent)*, while the lowest annual rates were observed on *tobacco, liquor & articles (-0.6 per cent)*. The annual inflation rate for November 2014 continued to be below the Government's inflation target of 3.0 per cent.

India

The annual inflation rate was stagnant in November 2014 as compared to 1.8 per cent in the preceding month and 7.5 per cent during the corresponding month of the previous year. All major commodity groups declined in November 2014, *manufactured products (-0.3 per cent)*, *primary articles (-1.0 per cent)* and *fuel & power (-5.4 per cent)*. The inflation rate registered during November 2014 continued to be below the Reserve Bank target range of 4.0 – 4.5 per cent.

Chart 5: Annual Inflation Rates for Selected Economies

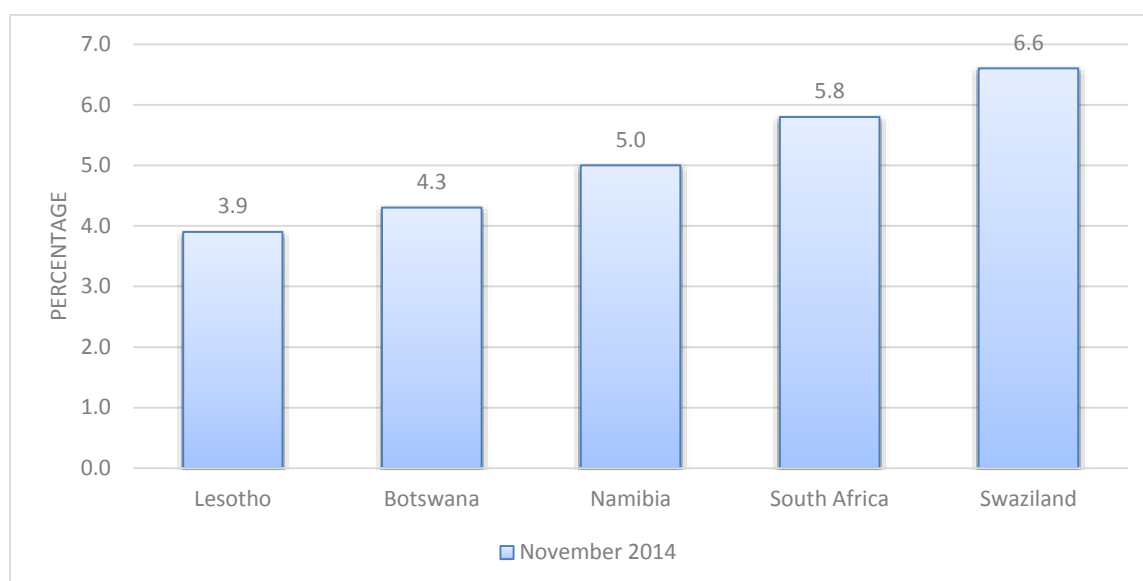


Source: inflation.eu

Inflation Rate in SACU Member States

For the month of November 2014, Swaziland registered the highest annual inflation rates among the Member States registering inflation rate of 6.6 per cent followed by South Africa at 5.9 per cent, Namibia at 5.0 per cent, and Botswana at 4.3 per cent. While, Lesotho recorded the lowest inflation rate of 3.2 per cent. All Member States continued to record a single digit annual inflation rate during November 2014 as shown Chart 6.

Chart 6: Annual Inflation Rates (%) in SACU Member States



Source: Member States Statistics Offices

In **Botswana**, the annual inflation rate rose by 4.3 per cent in November 2014, unchanged from the preceding month. The annual rate in November 2014 was lower than the 4.1 per cent recorded during the similar month in 2013. The increase in the annual inflation rate between November 2014 and November 2013 was mainly due to the increase in prices experienced in *alcoholic beverages & tobacco* category (8.5 per cent from 6.3 per cent in November 2013) outweighing the decreases recorded in *transport and food & non-alcoholic beverages*. On average, prices increased by 0.3 per cent between October and November 2014. The annual inflation rate continued to remain within the inflation target range of 3 – 6 per cent set out by the Bank of Botswana since November 2013. During the month of November 2014 the bank rate² remained at 7.5 per cent, while the prime rate remained at 8.5 per cent.

In **Lesotho**, the annual inflation rate eased to 3.9 per cent in November 2014 compared to 4.2 per cent in the preceding month. A year earlier inflation rate was 5.2 per cent during the corresponding month. The deceleration of annual inflation rate between November 2014 and November 2013 was mainly due to the drop in prices for *transport* (0.8 per cent down from 13.9 per cent in November 2013). On average, prices declined by 0.1 per cent between October 2014 and November 2014. Lesotho monetary policy targets the maintenance of adequate net international reserves (NIR). The NIR target is set to a minimum of USD0.660 billion, which

² Bank rate is the rate at which the Central Bank lends to Commercial Banks

translates to M7.88 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 2014 the Lombard facility stood at 10.11 per cent, while the prime lending rate was recorded at 10.25 per cent.

In **Namibia**, the annual inflation rate rose by 5.0 per cent in November 2014, unchanged from the preceding month. A year earlier inflation rate was 4.4 per cent during the corresponding month. The rise in annual inflation rate between November 2014 and November 2013 was mainly reflected in *food & non-alcoholic beverages (7.2 per cent up from 4.3 per cent in November 2013)*, and *housing & utilities (3.5 per cent up from 3.1 per cent in November 2013)*. On average, prices increased by 0.2 per cent between October 2014 and November 2014. During the month of November 2014, the repo rate remained at 6.0 per cent, and similarly the prime rate remained at 9.75 per cent.

In **South Africa**, the annual inflation rate eased to 5.8 per cent in November 2014, down from 5.9 per cent in the previous month. The annual rate in November 2014 was higher than the 5.3 per cent recorded during the similar month in 2013. The main contributors to the annual inflation rate in November 2014 were *housing & utilities (1.4 percentage points)* and *food & non-alcoholic beverages (1.2 percentage points)*. On average, prices were stagnant between October 2014 and November 2014. The annual inflation rate continued to remain within the target range of 3-6 per cent set out by the South African Reserve Bank. Interest rate policy remained accommodative for growth with the repo rate at 5.75 per cent in November 2014 and the prime rate at 9.25 per cent.

In **Swaziland**, the annual inflation rate rose by 0.3 percentage point to 6.6 per cent in November 2014 from the previous month. Annual inflation rate in November 2014 was higher than the 4.4 per cent recorded during the similar month in 2013. The rise in annual inflation rate between November 2014 and November 2013 was mainly due to the increase in prices for *food & non-alcoholic beverages (7.3 per cent from 3.8 per cent in November 2013)* and *transport (15.9 per cent from 0.9 per cent in November 2013)* which accounts for 29.2 and 10.5 per cent of the overall inflation basket, respectively. On average, prices increased by 0.3 per cent between October 2014 and November 2014. Interest rate policy remained accommodative for growth in November 2014 with the bank rate recorded at 5.25 per cent, and the prime rate at 8.75 per cent.

Appendix

Annual inflation rates by main categories (November 2014)

Main Categories	Botswana	Lesotho	Namibia	South Africa	Swaziland
Food & non-alcoholic beverages	2.5	5.0	7.2	7.6	7.3
Alcoholic beverages & tobacco	8.5	6.9	7.8	7.8	7.4
Clothing & footwear	6.3	4.6	3.5	6.2	8.5
Housing, water, electricity, gas & other fuels	3.3	1.2	3.5	5.8	2.6
Furnishings, household equipment &...	4.8	2.6	5.0	2.2	5.1
Health	8.6	1.3	1.1	6.1	2.9
Transport	1.8	0.8	3.9	4.2	15.9
Communications	0.0	0.0	-1.4	-0.9	-0.9
Recreation & Culture	3.4	2.7	5.4	2.8	1.8
Education	7.4	7.1	8.1	8.7	11.4
Hotels, cafés & restaurants	6.5	4.7	6.9	9.1	7.0
Miscellaneous goods & services	6.0	4.0	5.0	6.9	5.8
All Item	4.3	3.9	5.0	5.8	6.6

Source: SACU Member States Statistics Offices

Annual inflation rates (%) for the year 2014

Main Categories	Botswana	Lesotho	Namibia	South Africa	Swaziland
January	4.4	5.4	4.9	5.8	4.7
February	4.6	5.7	5.2	5.9	4.7
March	4.4	5.6	5.2	6.0	5.1
April	4.5	5.9	5.9	6.1	5.3
May	4.5	6.7	6.1	6.6	5.5
June	4.6	6.5	6.1	6.6	5.3
July	4.5	6.5	5.6	6.3	6.2
August	4.6	5.9	5.4	6.4	6.0
September	4.5	5.4	5.3	5.9	6.2
October	4.3	4.2	5.0	5.9	6.3
November	4.3	3.9	5.0	5.8	6.6

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