



SACU INFLATION REPORT

December 2012

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Selected Global Inflation Rates

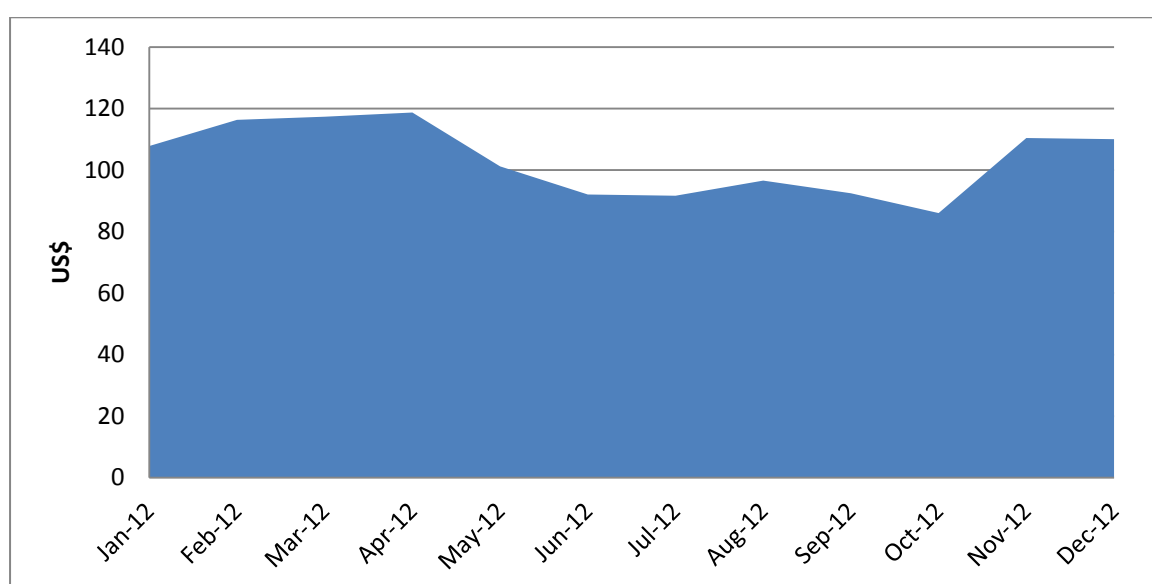
The Food and Agricultural Organisation (FAO) Food Price Index averaged 209 in December 2012, down by 1.1 per cent from November and the lowest since June 2012, when the Index stood at 200. The decline in the index was led by drops in the international prices of major cereals and oils/fats. For 2012 as a whole, the Index averaged 212, down by 7.0 per cent compared to 2011, with the sharpest declines registered by sugar (17.1 per cent), dairy products (14.5 per cent) and oils (10.7 per cent). The 2012 price falls were much more modest for cereals (2.4 per cent) and meat (1.1 per cent).

The FAO Cereal Price Index averaged 250 points in December, down by 2.3 per cent from November, due to lower rice and maize prices. Similarly, the FAO Oils/Fats Price Index averaged 197 points in December, down by 4 points from November, the fourth consecutive month of decline, mainly due to the large global build-up of palm oil inventories as abundant production in Southeast Asia coincided with a protracted weakness of import demand.

The FAO Meat Price Index averaged 176 points in December, down marginally from November. While, the FAO Dairy Price Index averaged 197 points in December, up by 0.9 per cent from November. The FAO Sugar Price Index averaged 274 points in December, down marginally from November, and its lowest value since August 2010.

Brent crude oil price closed at USD 110.03 per barrel at the end of December 2012, which was 0.3 per cent lower than at the end of November 2012, but higher than the USD 103.66 per barrel recorded at the end of December 2011. For the year 2012, Brent crude oil price averaged USD 103.36 per barrel compared to USD 107.11 per barrel recorded in 2011.

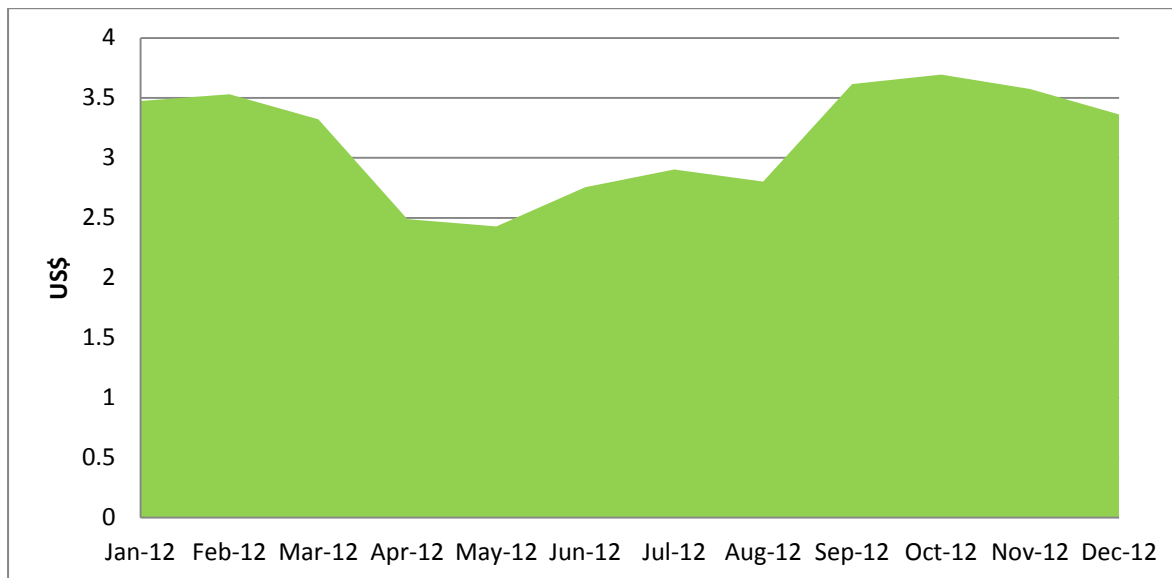
Chart 1: Crude Oil



Source: www.cnbc.com

The Natural gas price closed at USD 3.36 at the end of December 2012, which was 5.9 per cent lower than at the end of November 2012. For the year 2012, Natural gas price averaged USD 3.16 compared to USD 4.16 in 2011.

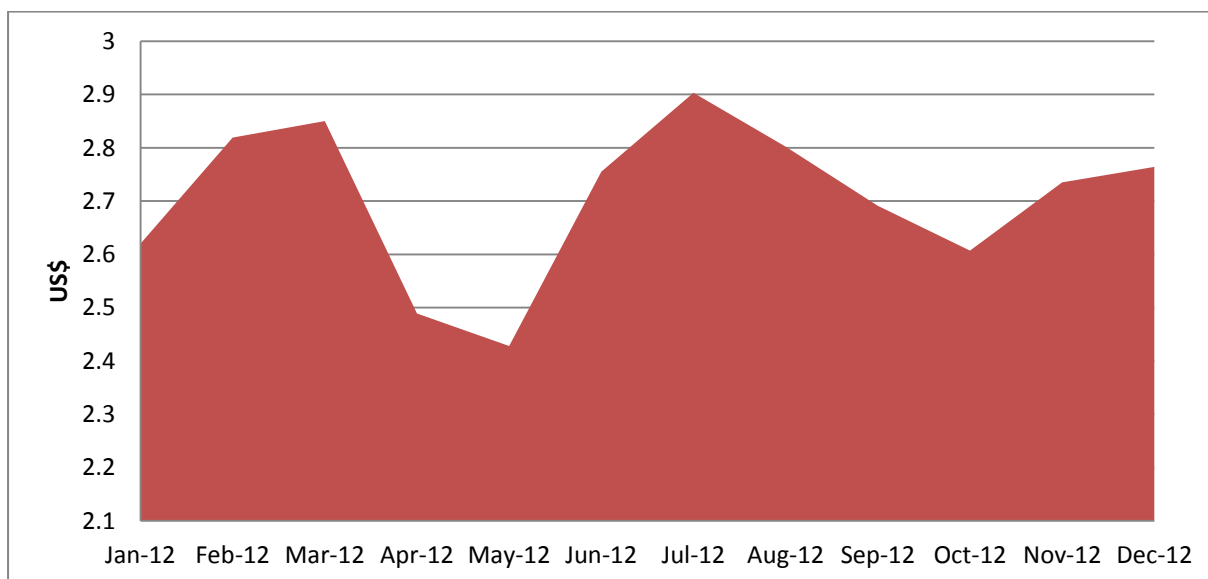
Chart 2: Natural Gas



Source: www.cnbc.com

RBOB gasoline price closed at USD 2.76 per barrel at the end of December 2012, which was 1.1 per cent higher than at the end of November 2012. In 2012, RBOB gasoline price averaged at USD 2.71 per barrel compared to USD 2.63 per barrel in 2011.

Chart 3: RBOB Gas



Source: www.cnbc.com

Developed Economies

Euro Area

The annual inflation rate was 2.2 per cent in December 2012, the same as in November 2012. A year earlier the rate was 2.7 per cent. The main components with the highest annual rates were *alcohol & tobacco (3.6 per cent)*, *housing (3.4 per cent)*, *food and education (both 3.0 per cent)*, while the lowest annual rates were observed for *communications (-3.8 per cent)*, *household equipment (1.0 per cent)* and *recreation & culture (1.2 per cent)*. The annual rate recorded for December 2012 was above the European Central Bank inflation target of below but close to 2.0 per cent. On average, the annual inflation rate for the year 2012 eased to 2.5 per cent compared to 2.7 per cent in 2011.

Japan

The annual deflation rate for December 2012 stood at 0.1 per cent, compared to a deflation of 0.2 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 (2.9 per cent)*, and *education (0.4 per cent)*, while the lowest annual rates were observed for *furniture & household utensils (-1.9 per cent)*, and *culture & recreation (-1.2 per cent)*. On average, the annual deflation rate for the year 2012 eased to 0.1 per cent compared to 0.3 per cent in 2011.

United Kingdom

The annual inflation rate was 2.7 per cent in December 2012, unchanged for the third month in a row. The rate was 4.2 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 (6.0 per cent)*, and *housing & household services (3.9 per cent)*, while the lowest annual rates were observed for *clothing & footwear (0.8 per cent)*, *recreation & culture (0.7 per cent)*, and *furniture & household goods (0.8 per cent)*. The annual inflation rate was above the Bank of England's inflation target of 2.0 per cent. On average, the annual inflation rate for the year 2012 eased to 2.8 per cent compared to 4.5 per cent in 2011.

USA

The annual inflation rate in the world's largest economy rose by 1.7 per cent during December 2012 compared to 1.8 per cent in the preceding month. The rate was 3.0 per cent during the same period a year earlier. The index for all items less food and energy remained unchanged at 1.9 per cent in December 2012, from the preceding month. The food index rose by 1.8 per cent in December, the same as in the preceding month. The energy index rose by 0.5 per cent in December compared to 0.3 per cent in the preceding month. The inflation rate registered during December 2012 was below the Federal Reserve Bank's long term inflation estimate of 2.0 per cent. On average, the annual inflation rate for the year 2012 eased to 2.1 per cent compared to 3.1 per cent in 2011.

Developing Economies

Brazil

The annual inflation rate rose by 5.8 per cent in December 2012, compared to 5.5 per cent in the preceding month. The rate was 6.5 per cent during the same period a year earlier. The annual rate recorded for December 2012 was within the Brazilian Central Bank inflation target of 4.5 percent with a floating range of 2 percentage points. On average, the annual inflation rate for the year 2012 eased to 5.4 per cent compared to 6.6 per cent in 2011.

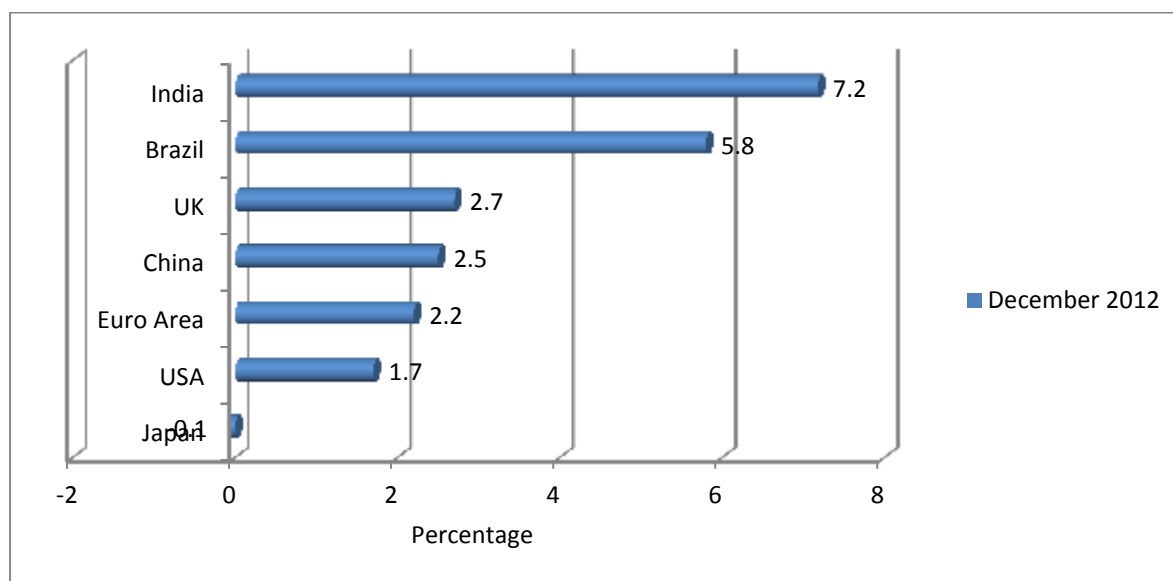
China

The annual inflation rate was 2.5 per cent in December 2012, up from 2.0 per cent during the preceding month. The rate was 4.1 per cent during the same period a year earlier. The main components with the highest annual rates were *food (4.2 per cent)*, *residence (3.0 per cent)*, and *clothing (1.9 per cent)*, while the lowest annual rates were observed on *transport & communication (stagnant)*. The annual inflation rate for December 2012 remained below the Government's inflation target of 3.0 per cent. On average, the annual inflation rate for the year 2012 eased to 2.6 per cent compared to 5.4 per cent in 2011.

India

The annual inflation rate was 7.5 per cent in December 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 December 2012 remained above the Reserve Bank target range of 4.0 – 4.5 percent. On average, the annual inflation rate for the year 2012 eased to 7.2 per cent compared to 9.4 per cent in 2011.

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 8.3 per cent in December 2012 followed by Botswana at 7.4 per cent. The lowest annual inflation was observed in Lesotho recording inflation rate of 4.5 per cent.

All Member States recorded a single digit annual inflation rate during December 2012 as shown in Table 1. Month-on-month inflation rates varied between -0.4 and 0.3 per cent in Member States between November and December 2012, as shown in Table 2.

Table 1: Annual Inflation Rates in SACU Member States

	Botswana	Lesotho	Namibia	South Africa	Swaziland
November 2012	7.1	5.6	7.1	5.6	9.1
December 2012	7.4	4.5	6.3	5.7	8.3
2012 (average)	7.5	6.1	6.5	5.7	9.0

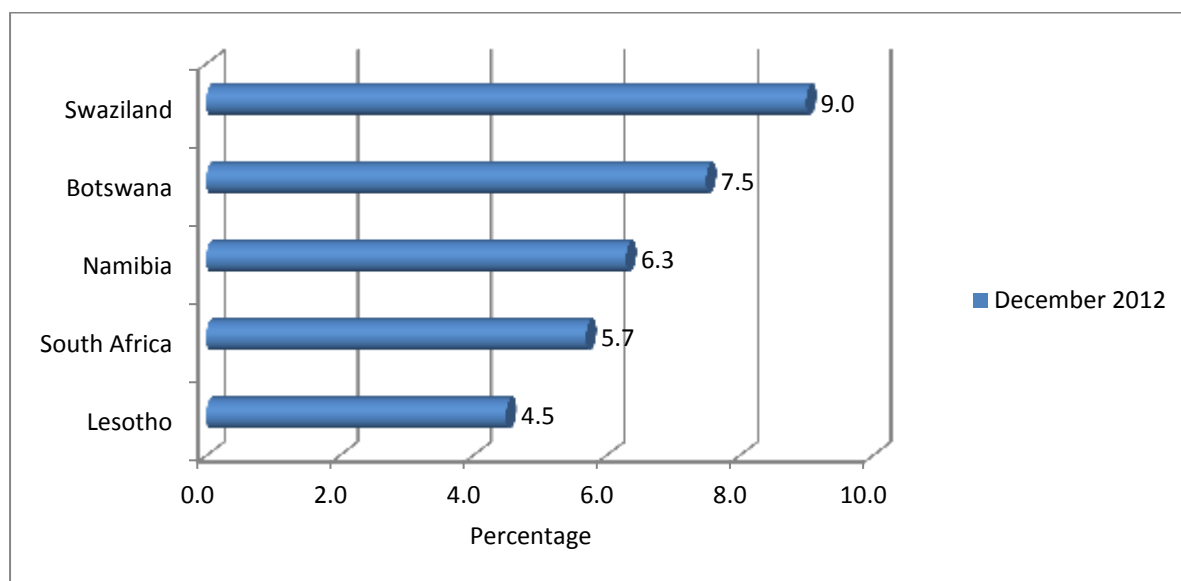
Source: Member States Statistics Offices

Table 2: Monthly Inflation Rates in SACU Member States

	Botswana	Lesotho	Namibia	South Africa	Swaziland
November 2012	0.5	0.5	1.1	0.6	1.0
December 2012	0.3	0.3	-0.4	0.2	0.4

Source: Member States Statistics Offices

Chart 5: Annual Inflation Rates in SACU Member States



Source: Member States Statistics Offices

Botswana

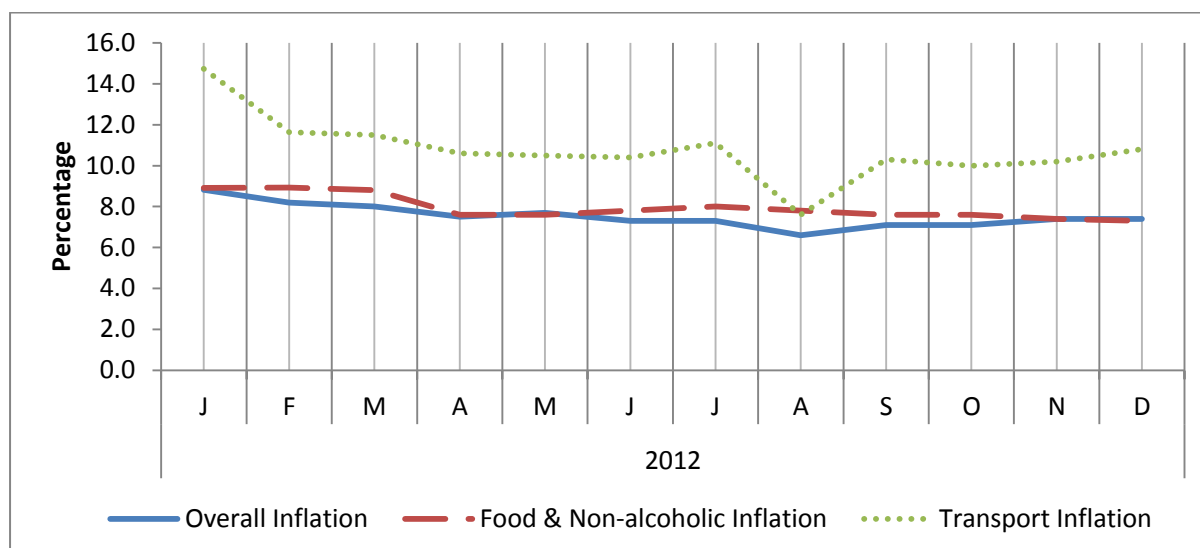
The annual inflation rate was 7.4 per cent in December 2012, unchanged from the preceding month. Annual inflation in December 2012 was lower than the 9.2 per cent recorded during the same month in 2011. On average, prices increased by 0.3 per cent between November and December 2012.

The main components with the highest annual rates were *alcoholic beverages & tobacco (12.2 per cent)*, *transport (10.8 per cent)*, and *hotels & restaurants (9.7 per cent)*, while the lowest annual rate was observed in *communication (0.6 per cent)*.

The annual inflation rate for December 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.

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

Chart 6: Annual Inflation Rate



Source: Statistics Botswana

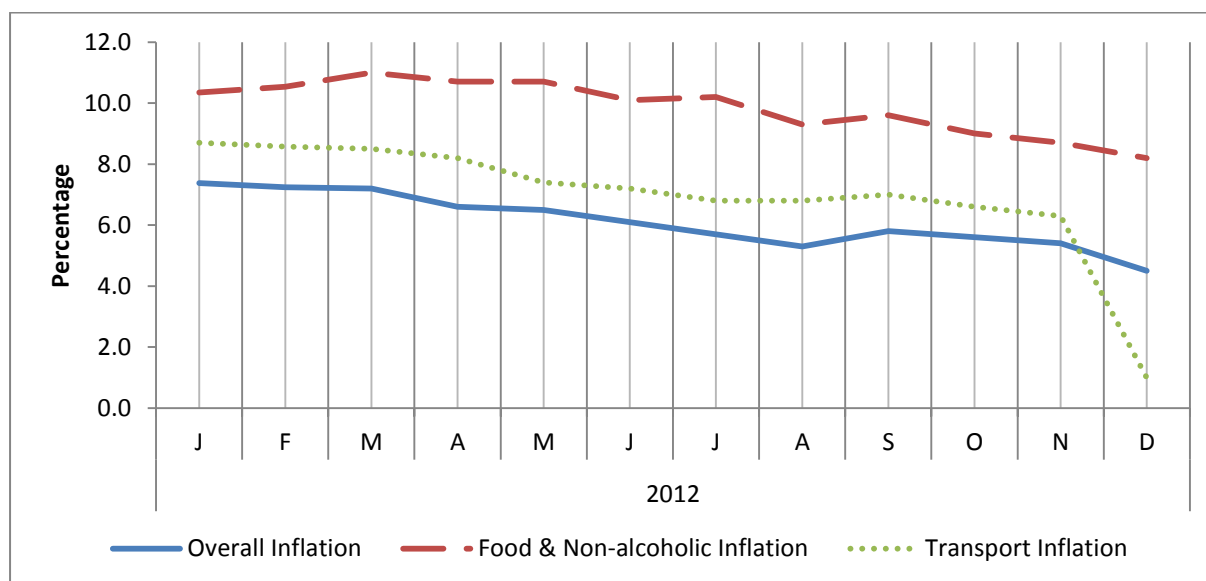
Lesotho

The annual inflation rate continued to ease in December 2012 to 4.5 per cent from 5.8 per cent in November 2012. Annual inflation in December 2012 was lower than the 7.7 per cent recorded during the corresponding month in 2011. On average, prices increased by 0.3 per cent between November and December 2012.

The main components with the highest annual rates were *food & non-alcoholic beverages* (8.2 per cent), *alcohol & tobacco* (5.8 per cent), and *household contents* (3.9 per cent), while the lowest annual rates were observed in both *communication* and *hotels & restaurants* (stagnant).

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 December 2012 the Lombard facility stood at 9.48 per cent, while the prime lending rate was recorded at 10.25 per cent.

Chart 7: Annual Inflation Rate



Source: Bureau of Statistics of Lesotho

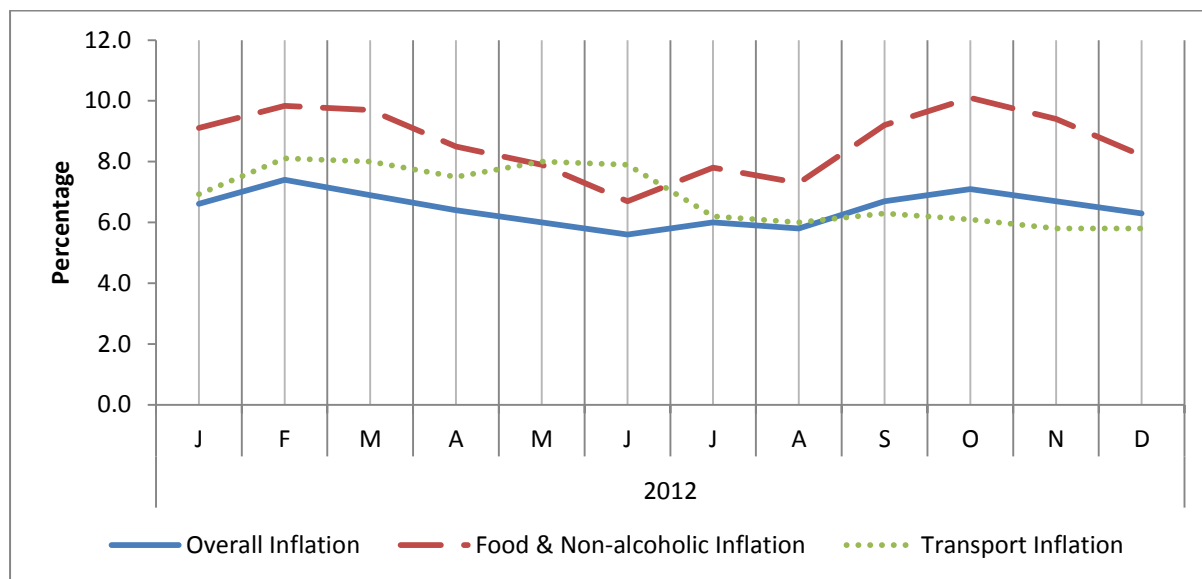
Namibia

The annual inflation rate rose by 6.3 per cent in December 2012, from 7.6 per cent recorded in the preceding month. Annual inflation in December 2012 was below the 7.2 per cent recorded during the same month in 2011. On average, prices declined by 0.4 per cent between November and December 2012.

The main components with the highest annual rates were *alcoholic beverages & tobacco (8.6 per cent)*, *food & non-alcoholic beverages (8.2 per cent)*, and *housing & utilities (7.6 per cent)*, while the lowest annual rates were observed in *communication (2.3 per cent)*.

The NIR level declined to N\$14.9 billion in December 2012 from N\$15.4 billion recorded in the previous month, and it was sufficient to support the Rand parity. The repo rate remained at 5.5 per cent during December 2012. Similarly, the prime rate remained at 9.25 per cent during December 2012.

Chart 8: Annual Inflation Rate



Source: Namibia Statistics Agency

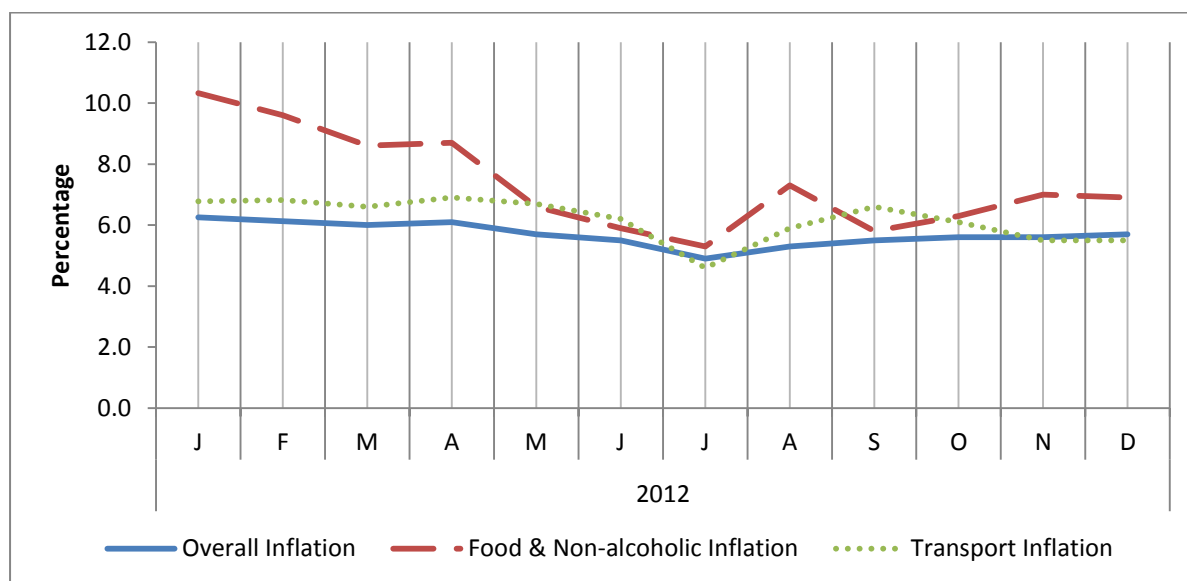
South Africa

The annual inflation rate stood at 5.7 per cent in December 2012, from 5.6 per cent recorded in the previous month. Annual inflation in December 2012 was lower than the 6.1 per cent recorded during the same period in 2011. On average, prices increased by 0.2 per cent between November and December 2012.

The main components with the highest annual rates were *education (9.0 per cent)*, *alcoholic beverages & tobacco (6.9 per cent)*, and *food & non-alcoholic beverages (6.9 per cent)* while the lowest annual rates were observed in *communication (stagnant)*.

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

Chart 9: Annual Inflation Rate



Source: Stats SA

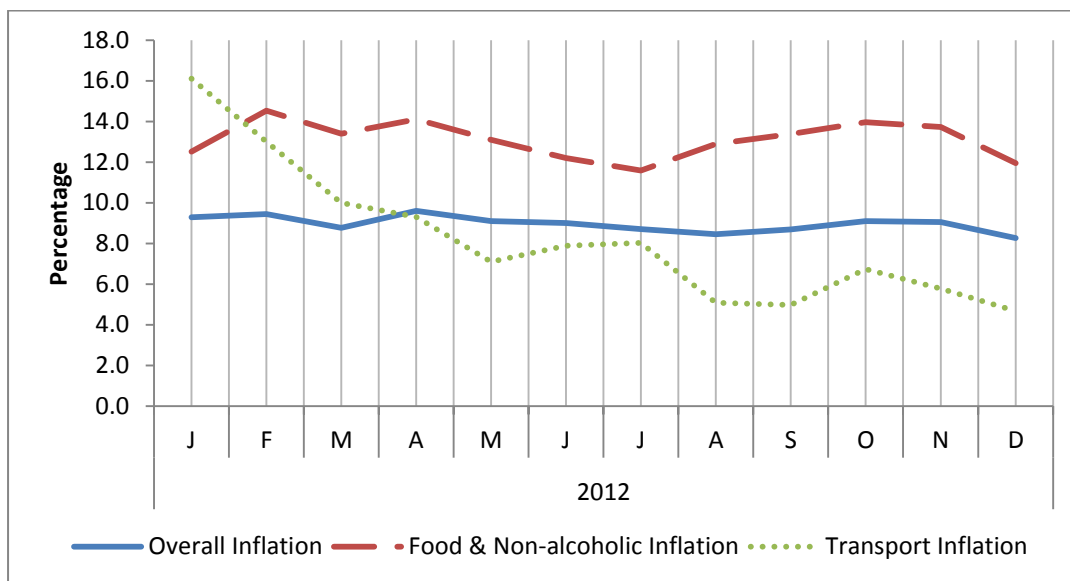
Swaziland

The annual inflation rate eased to 8.3 per cent in December 2012, from 9.1 per cent in the previous month. The annual inflation rate for December 2012 was higher than the 7.8 per cent recorded during the same period in the previous year. On average, prices increased by 0.2 per cent between November and December 2012.

The main components with the highest annual rates were *health (15.3 per cent)*, *food & non-alcoholic beverages (11.9 per cent)*, and *furnishing & household equipment (7.4 per cent)*, while the lowest annual rates were observed in *communications (-0.1 per cent)*.

The NIR level for December 2012 was E 5.6 billion compared to E 6.0 billion in November 2012, 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 (December 2012)

Main Categories	Botswana	Lesotho	Namibia	South Africa	Swaziland
Food & non-alcoholic beverages	7.3	8.2	8.2	6.9	11.9
Alcoholic beverages & tobacco	12.2	5.8	8.6	6.9	5.8
Clothing & footwear	6.3	0.8	1.6	3.2	3.2
Housing, water, electricity, gas & other fuels	4.8	3.8	7.6	6.0	5.9
Furnishings, household equipment &...	5.4	3.9	6.6	3.3	7.4
Health	4.9	0.4	3.3	5.4	15.3
Transport	10.8	1.0	5.8	5.5	4.6
Communications	0.6	0.0	2.3	0.0	-0.1
Recreation & Culture	5.8	1.7	7.1	1.4	6.8
Education	6.4	1.0	3.6	9.0	6.7
Hotels, cafés & restaurants	9.7	0.0	7.0	6.7	3.5
Miscellaneous goods & services	1.1	2.4	3.6	5.6	0.8
All Item	7.4	4.5	6.3	5.7	8.3

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