



SACU INFLATION REPORT

December 2013

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

FAO Food Price Index

The Food and Agricultural Organisation (FAO) Food Price Index¹ averaged 206.2 points in December 2013, almost unchanged from its level in November 2013. The sharp increase in dairy prices was offset by a drop in prices for sugar in December 2013. Overall, the Food Price Index averaged 209.8 points in 2013, down by 4.5 points from 2012, however, 2013 levels were the third highest annual value recorded since 2000.

The FAO Cereal Price Index averaged 191.5 points in December 2013, down by 2.8 points from November 2013. In 2013, the Cereal Price Index fell by 16.9 points from 2012. The FAO Vegetable Oil Price Index averaged 196.0 points in December 2013, down by 2.5 points from November 2013. Overall, Vegetable Oil Price Index averaged 193.0 points in 2013, down by 30.9 points from 2012 recording the lowest annual value in four years.

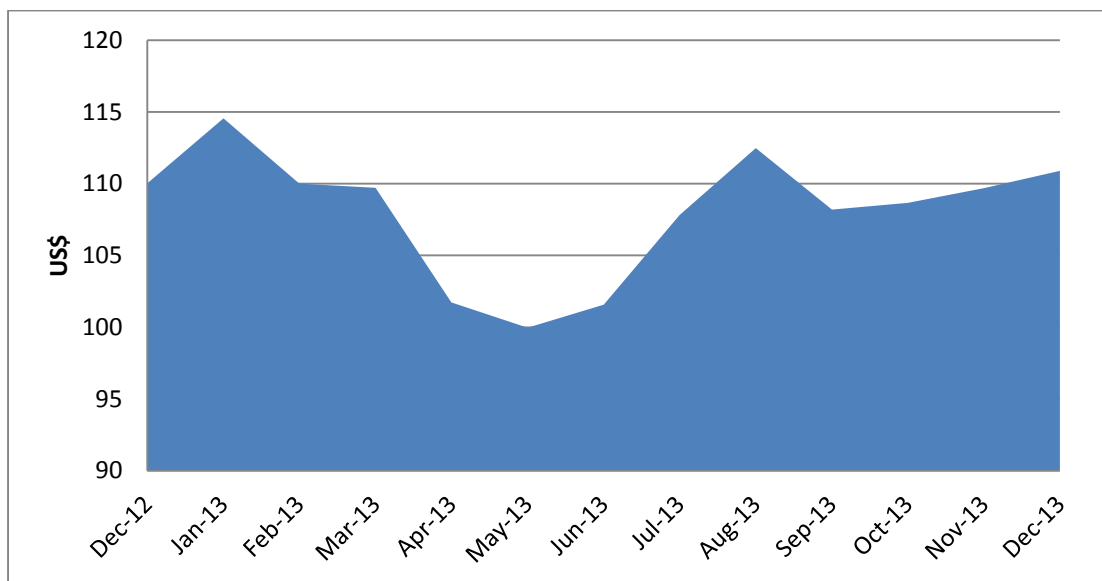
The FAO Meat Price Index averaged 186.8 points in December 2013, up by 1.1 points from November 2013. In 2013, meat prices increased by 2.2 points from 2012 level, recording the highest level since 2000. The FAO Dairy Price Index averaged 264.1 points in December 2013, up by 13.3 points from November 2013. Overall, Dairy Price Index averaged 242.7 points in 2013, up by 49.1 points from 2012. The FAO Sugar Price Index averaged 234.9 points in December 2013, down by 15.7 points from November 2013. Overall, Sugar Price Index averaged 251.0 points in 2013, down by 54.7 points from 2012.

Selected Commodity Prices

Brent crude oil price closed at USD110.9 per barrel at the end of December 2013, which was 1.1 per cent higher than at the end of November 2013, and slightly higher than the USD110.03 per barrel recorded at the end of December 2012. Overall, Brent crude oil prices averaged USD107.94 in 2013, an increase of 4.4 per cent compared to 2012.

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

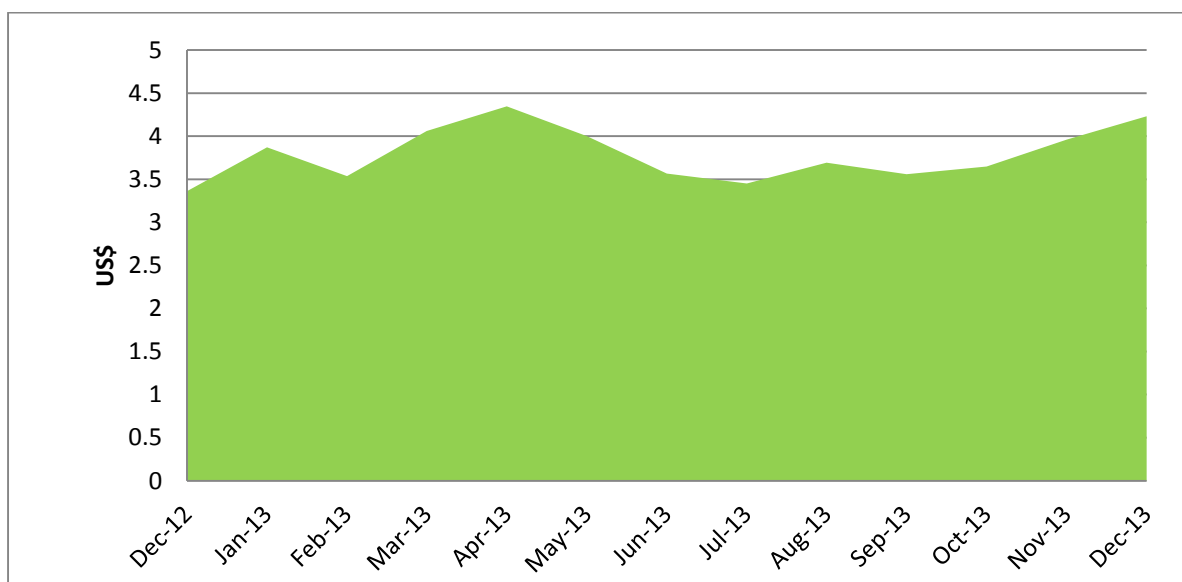
Chart 1: Crude Oil



Source: www.cnbc.com

The Natural gas price closed at USD4.23 at the end of December 2013, which was 6.8 per cent higher than at the end of November 2013. Overall, Natural gas prices averaged USD3.83 in 2013, an increase of 21.0 per cent compared to 2012.

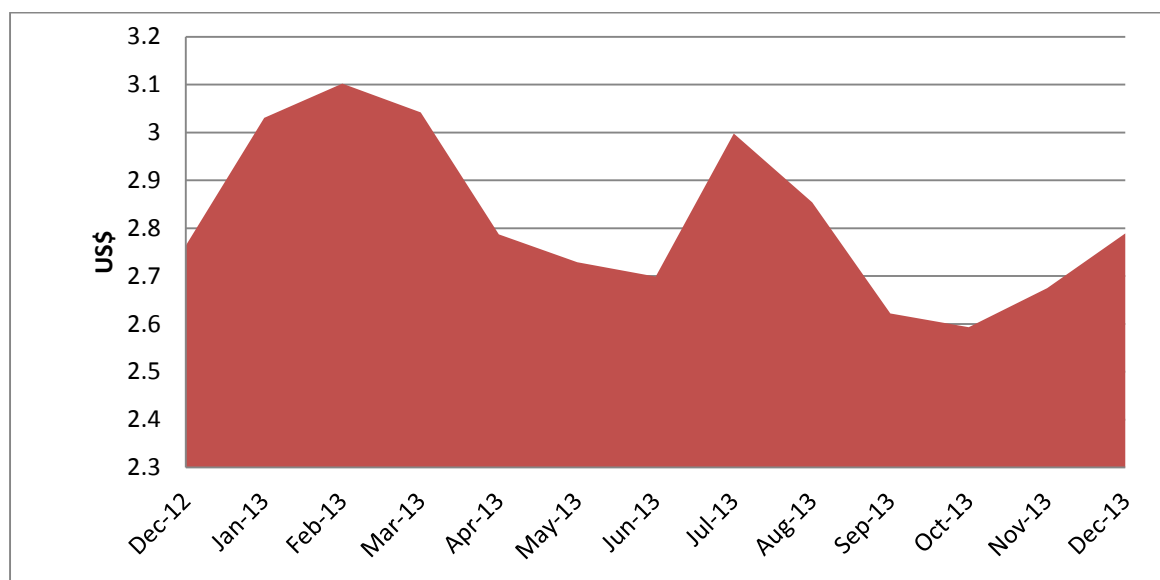
Chart 2: Natural Gas



Source: www.cnbc.com

RBOB gasoline price closed at USD2.78 per barrel at the end of December 2013, which was 4.3 per cent higher than at the end of November 2013. Overall, RBOB gasoline prices averaged USD2.83 in 2013, an increase of 4.5 per cent when compared to 2012.

Chart 3: RBOB Gas



Source: www.cnbc.com

Inflation Rate for a Selected Developed Economies

Euro Area

The annual inflation rate was 0.8 per cent in December 2013, down from 0.9 per cent in November 2013. A year earlier the rate was 2.2 per cent. Overall, average annual inflation rate eased to 1.4 per cent for the year 2013 compared to 2.5 per cent for the year 2012.

The largest upward impact on the annual inflation in December 2013 came from *electricity (0.11 percentage point)*, *tobacco (0.08 percentage points)* and *restaurants & cafes (0.05 percentage points)*, while *telecommunications (-0.14 percentage points)*, *fuels for transport (-0.13 percentage points)*, and *medical & paramedical services (-0.07 percentage points)* exerted downwards pressure. The annual rate recorded for December 2013 remained below the European Central Bank inflation target of below but close to 2.0 per cent.

Japan

The annual inflation rate for December 2013 stood at 1.6 per cent, slightly up from 1.5 per cent in the previous month. A year earlier the deflation rate was 0.1 per cent.

Overall, average annual inflation rate increased to 0.4 per cent for the year 2013 compared to a deflation rate of 0.1 per cent for the year 2012.

The main components with the highest annual rates were *fuel, light and water charges (5.5 per cent)*, and *miscellaneous (3.4 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 eased to 2.0 per cent in December 2013, down from 2.1 per cent in November 2013. The rate was 2.7 per cent during the similar period a year earlier. Overall, average annual inflation rate eased to 2.6 per cent for the year 2013 compared to 2.8 per cent for the year 2012.

The main components with the highest annual rates were *education (10.3 per cent)*, *alcohol beverages & tobacco (5.8 per cent)*, and *housing & utilities (3.7 per cent)*, while the lowest annual rates were observed for *miscellaneous goods & services (0.3 per cent)*, and *transport (0.5 per cent)*. The annual inflation rate for December 2013 was in line with 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 December 2013 compared to 1.2 per cent in the preceding month. The rate was 1.7 per cent during the similar period a year earlier. Overall, average annual inflation rate eased to 1.5 per cent for the year 2013 compared to 2.1 per cent for the year 2012.

The index for all items less food and energy rose by 1.7 per cent in December 2013, unchanged from the preceding month. The food index rose by 1.1 per cent in December 2013 compared to 1.2 per cent in the preceding month. The energy index rose by 0.5 per cent in December 2013 compared to a decline of 2.4 per cent in the preceding month. The inflation rate for December 2013 remained below the Federal Reserve Bank's long term inflation estimate of 2.0 per cent.

Inflation Rate for a Selected Developing Economies

Brazil

The annual inflation rate was 5.9 per cent in December 2013, up from 5.8 per cent in the preceding month. The rate was 5.8 per cent during the similar period a year earlier. Overall, average annual inflation rate increased by 6.2 per cent for the year 2013 compared to 5.4 per cent for the year 2012. The annual rate recorded for December 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 2.5 per cent in December 2013, compared to 3.0 per cent in the preceding month. The rate was 2.5 per cent during the similar period a year earlier. Overall, average annual inflation rate eased to 2.6 per cent for the year 2013 compared to 2.7 per cent for the year 2012.

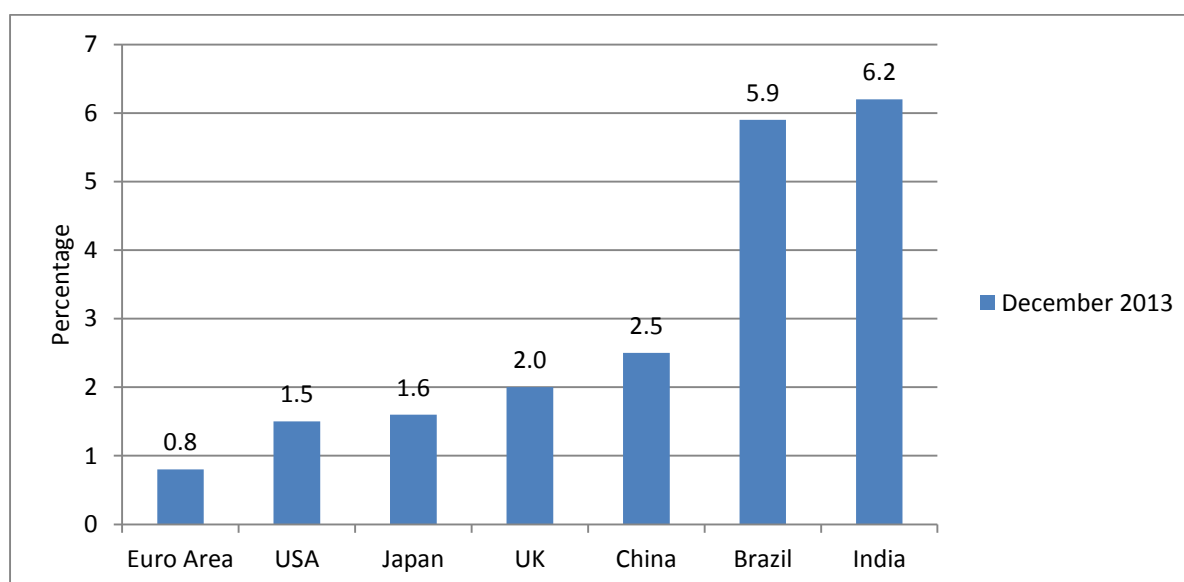
The main components with the highest annual rates were *food (4.1 per cent), recreation, education, culture articles & services (2.9 per cent), and residence (2.8 per cent)*, while the lowest annual rates were observed on *tobacco, liquor & articles (-0.4 per cent)* and *transport & communication (-0.1 per cent)*. The annual inflation rate for December 2013 was below the Government's inflation target of 3.0 per cent.

India

The annual inflation rate stood at 6.2 per cent in December 2013 as compared to 7.5 per cent in the preceding month and 7.3 per cent during the corresponding month in the previous year. Overall, average annual inflation rate eased to 6.1 per cent for the year 2013 from 7.3 per cent for the year 2012.

The main components with the highest annual rates were *fuel & power (1.9 per cent), and manufactured products (stagnant)*, while the lowest annual rates were observed on *primary articles (-5.0 per cent)*. The inflation rate registered during December 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 December 2013, annual inflation remained unchanged in Botswana (4.1%), and Swaziland (4.4%), while it increased in Namibia (4.9%, up from 4.4% in November), and South Africa (5.4%, up from 5.3% in November). In Lesotho inflation rate eased to 5.1% in December from 5.2% in November 2013. For the month of December 2013, South Africa registered the highest annual inflation rate among the Member States, registering inflation rate of 5.4 per cent followed by Lesotho at 5.1 per cent, Namibia at 4.9 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 December 2013 as shown in Table 1.

Overall, in 2013 average annual inflation rate eased in all Member States with exception of South Africa. Botswana (5.9%, down from 7.5% for the year 2012), Lesotho (5.0%, down from 6.1% for the year 2012), Namibia (5.6%, down from 6.7% for the year 2012), South Africa (5.7%, up from 5.6% for the year 2012), and Swaziland (5.6%, down from 9.0% for the year 2012). The highest average annual inflation rate for 2013 was registered in Botswana followed by South Africa, while Lesotho recorded the lowest rate.

Month-on-month inflation rates varied between 0.1 per cent to 0.3 per cent in Member States between November 2013 and December 2013, as shown in Table 2, with Botswana and South Africa recording the highest month-on-month inflation of 0.3 per cent.

Table 1: Annual Inflation Rates in SACU Member States

	Botswana	Lesotho	Namibia	South Africa	Swaziland
November 2013	4.1	5.2	4.4	5.3	4.4
December 2013	4.1	5.1	4.9	5.4	4.4
Avg (Jan- Dec 2013)	5.9	5.0	5.6	5.7	5.6

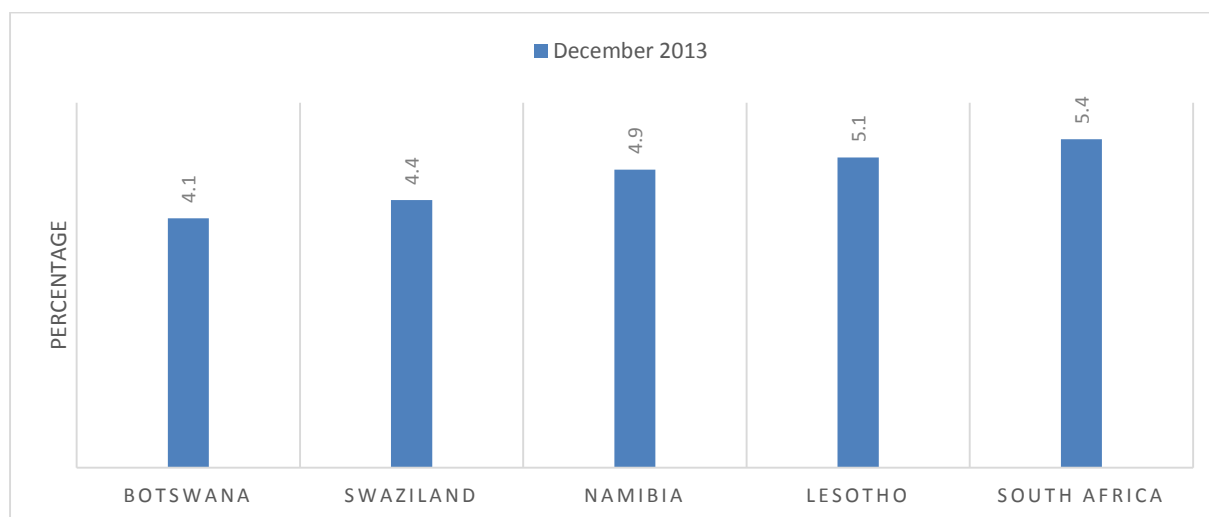
Source: Member States Statistics Offices

Table 2: Monthly Inflation Rates in SACU Member States

	Botswana	Lesotho	Namibia	South Africa	Swaziland
November 2013	0.3	0.3	0.2	0.1	0.0
December 2013	0.3	0.2	0.1	0.3	0.2

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 4.1 per cent in December 2013, unchanged from the preceding month. The annual rate in December 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 November and December 2013.

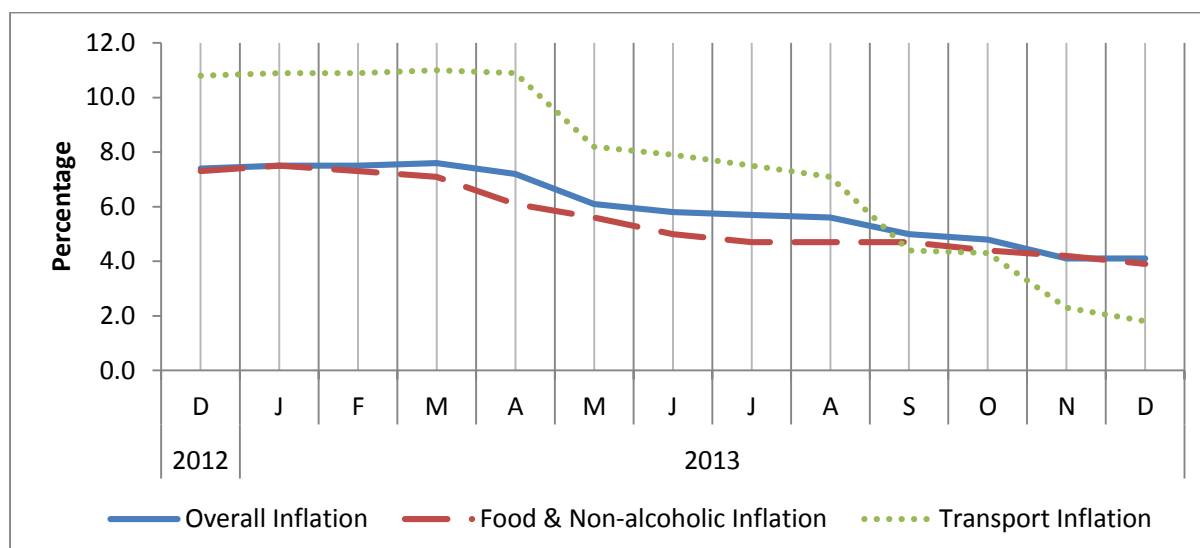
The main components with the highest annual rates were *hotels & restaurants* (7.0 per cent), and *alcoholic beverages & tobacco* (6.8 per cent), while the lowest annual rate was observed in *communication* (0.4 per cent).

The annual inflation rate for December 2013 remained within the inflation target range of 3 – 6 per cent set out by the Bank of Botswana. During the month of December 2013 the bank rate² was to 7.5 per cent, while the prime rate was reduced to 8.5 per cent.

Overall average annual inflation rate for the year 2013 eased to 5.9 per cent compared to 7.5 per cent for the year 2012, recording the lowest annual inflation rate since 2008. The downward movement of annual inflation in 2013 was mainly due to *food & non-alcoholic beverages* (5.4%, down from 8.0% in 2012), *transport* (7.3%, down from 10.8%) and *housing & utilities* (4.3%, down from 7.7% in 2012).

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

Chart 6: Annual Inflation Rate



Source: Statistics Botswana

Lesotho

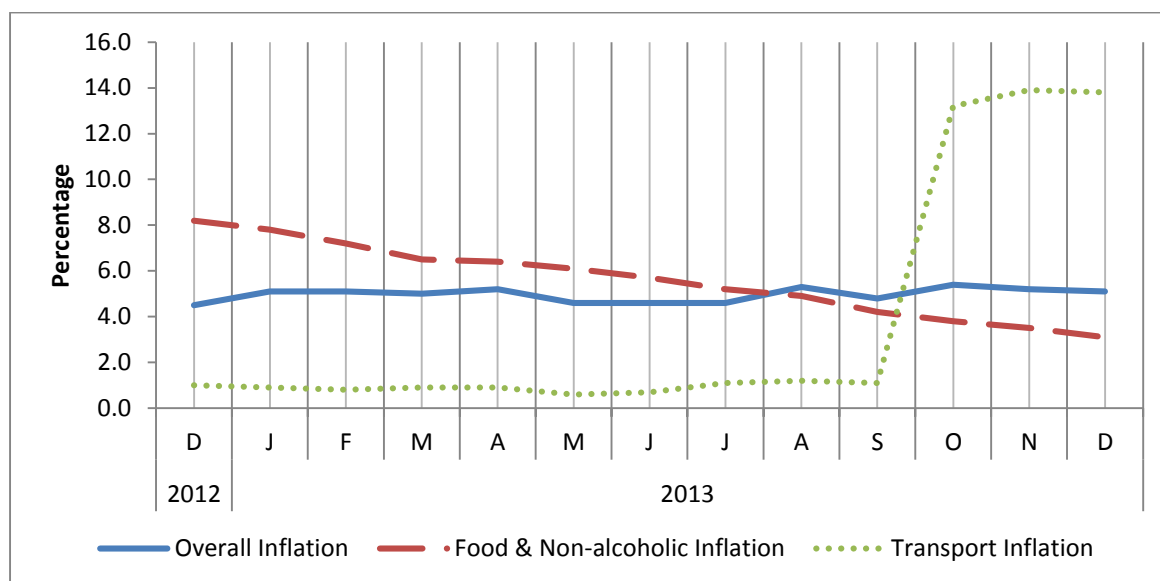
The annual inflation rate eased to 5.1 per cent in December 2013 from 5.2 per cent in the preceding month. A year earlier inflation rate was 4.5 per cent during the corresponding month. On average, prices increased by 0.2 per cent between November and December 2013.

The main components with the highest annual rates were *transport (13.8 per cent)*, *education (13.4 per cent)*, and *housing & utilities (11.9 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 December 2013 the Lombard facility stood at 8.94 per cent, while the prime lending rate was recorded at 9.92 per cent.

Overall average annual inflation rate for the year 2013 eased to 5.0 per cent compared to 6.1 per cent for the year 2012. The downward movement of average annual inflation for the year 2013 was mainly due to *food & non-alcoholic beverages (5.4%, down from 9.9% in 2012)*.

Chart 7: Annual Inflation Rate



Source: Bureau of Statistics of Lesotho

Namibia

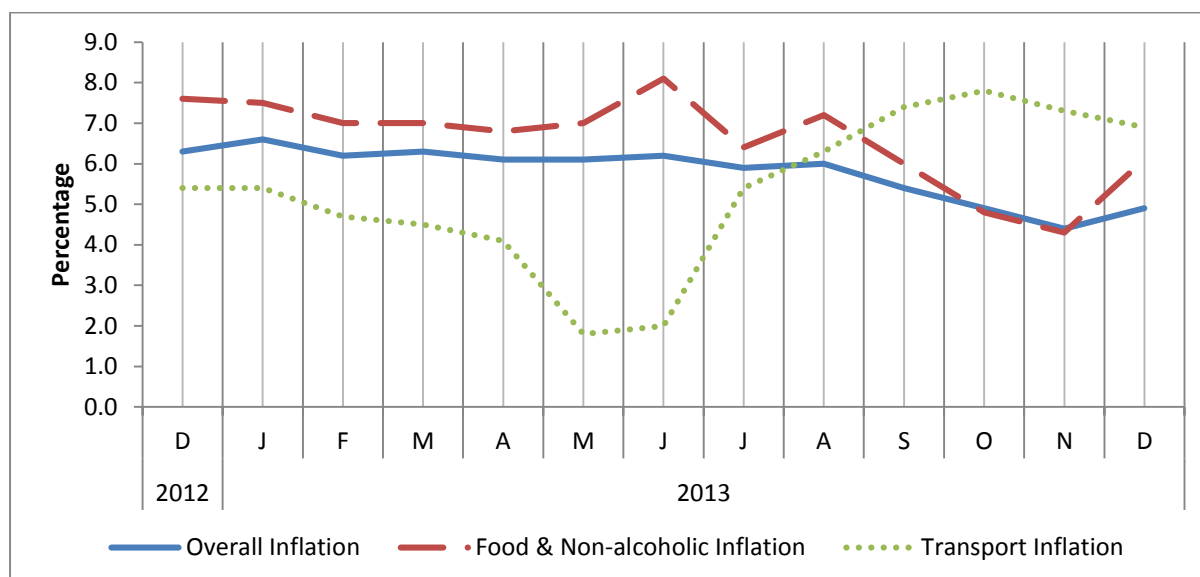
The annual inflation rate rose by 4.9 per cent in December 2013 from 4.4 per cent in the preceding month. The annual rate in December 2013 was lower than the 6.4 per cent recorded during the similar month in 2012. On average, prices increased by 0.1 per cent between November and December 2013.

The main components with the highest annual rates were *alcoholic beverages & tobacco* (8.4 per cent), *transport* (6.9 per cent), *food & non-alcoholic beverages* (6.1 per cent), and *hotel & restaurants* (6.1 per cent), while the lowest annual rate was observed in *communications* (-0.1 per cent).

The NIR level increased to N\$15.7 billion in December 2013 from N\$14.8 billion recorded in the previous month, and it was sufficient to support the Rand parity. During the month of December 2013, the repo rate remained unchanged at 5.5 per cent. Similarly, the prime rate remained unchanged at 9.25 per cent during December 2013.

Overall average annual inflation rate for the year 2013 eased to 5.6 per cent compared to 6.7 per cent for the year 2012. The downward movement of annual inflation in 2013 was mainly due to *housing & utilities* (5.2%, down from 5.9% in 2012), *food & non-alcoholic beverages* (6.7%, down from 9.0%) and *transport* (5.5%, down from 7.1% in 2012).

Chart 8: Annual Inflation Rate



Source: Namibia Statistics Agency

South Africa

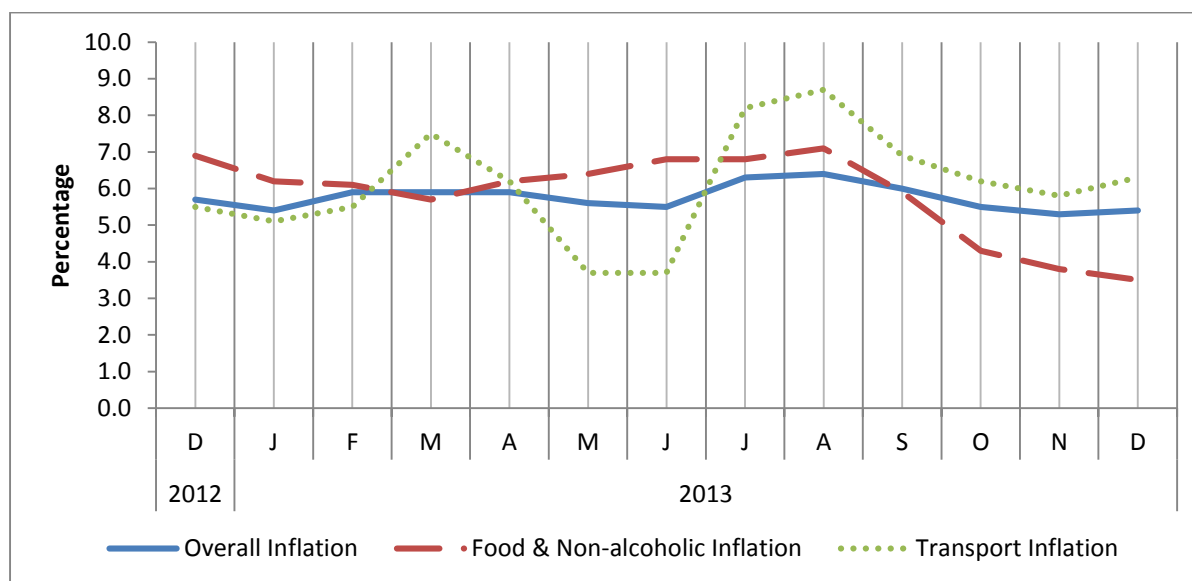
The annual inflation rate rose to 5.4 per cent in December 2013, from 5.3 per cent in the previous month. Annual inflation rate in December 2013 was lower than the 5.7 per cent that was recorded in December 2012. On average, prices increased by 0.3 per cent between November and December 2013.

The main components with the highest annual rates were *education (9.0 per cent)*, *restaurants & hotel (7.2 per cent)*, and *alcoholic beverages & tobacco (7.1 per cent)*, while the lowest annual rate was observed in *communication (1.1 per cent)*.

The annual inflation remained for the fourth consecutive month within the target range of 3-6 per cent during December 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 December 2013.

Overall average annual inflation rate for the year 2013 slightly rose to 5.7 per cent compared to 5.6 per cent for the year 2012. The slight increase in the average annual inflation for the year 2013 was mainly due to *transport (6.2%*, up from 6.1% in 2012).

Chart 9: Annual Inflation Rate



Source: Stats SA

Swaziland

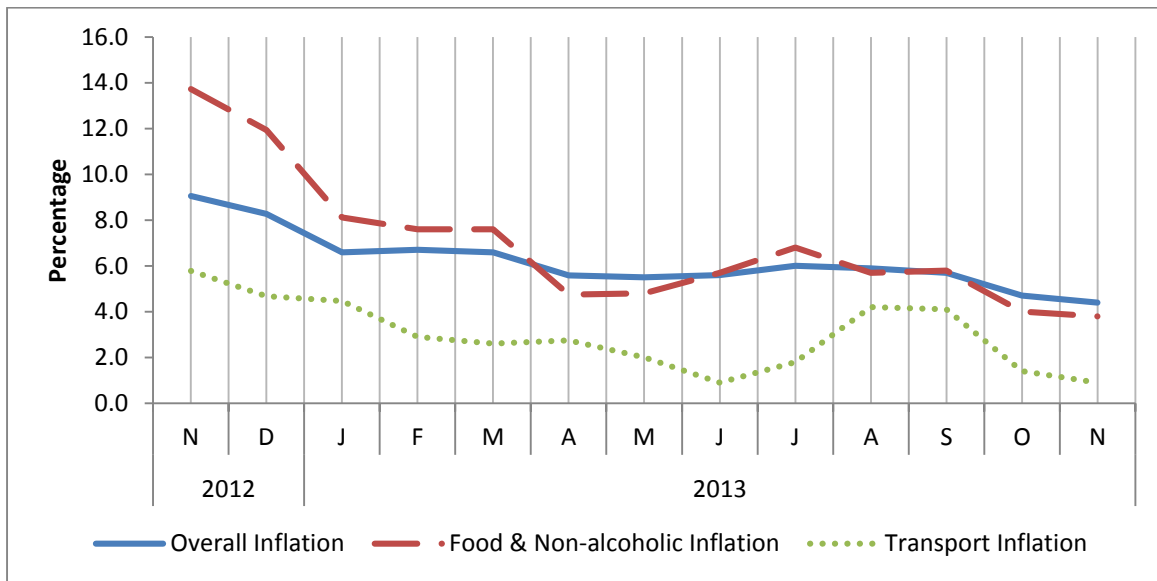
The annual inflation rate was 4.4 per cent in December 2013, unchanged from the previous month. The annual inflation rate for December 2013 was lower than the 8.3 per cent recorded during the similar period in the previous year. On average, prices rose by 0.2 per cent between November and December 2013.

The main components with the highest annual rates were *health (10.6 per cent)*, *education (8.5 per cent)*, and *recreation & culture (6.0 per cent)*, while the lowest annual rate was observed in *communications (stagnant)*.

The NIR level for December 2013 declined to E7.9 billion compared to E8.2 billion in the previous month, enough to cover 3.9 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.

Overall average annual inflation rate for the year 2013 eased to 5.6 per cent from 9.0 per cent for the year 2012. The downward movement of average annual inflation in 2013 was mainly due to *food & non-alcoholic beverages (5.7%, down from 13.1% in 2012)*, *housing & utilities (5.6%, down from 8.6%)* and *transport (2.4%, down from 8.2% in 2012)*.

Chart 10: Annual Inflation Rate



Source: Central Statistics Office of Swaziland

Appendix

Annual inflation rates by main categories (December 2013)

Main Categories	Botswana	Lesotho	Namibia	South Africa	Swaziland
Food & non-alcoholic beverages	3.9	3.1	6.1	3.5	3.9
Alcoholic beverages & tobacco	6.8	5.4	8.4	7.1	3.8
Clothing & footwear	5.7	2.3	3.9	3.4	5.2
Housing, water, electricity, gas & other fuels	4.4	11.9	2.9	5.5	5.4
Furnishings, household equipment &...	4.9	2.9	4.9	3.4	3.5
Health	5.3	0.8	4.4	4.5	10.6
Transport	1.8	13.8	6.9	6.3	0.9
Communications	0.4	0.0	-0.1	1.1	0.0
Recreation & Culture	4.5	0.7	5.2	2.9	6.0
Education	4.7	13.4	4.0	9.0	8.5
Hotels, cafés & restaurants	7.0	0.6	6.1	7.2	2.1
Miscellaneous goods & services	1.9	4.1	2.3	7.0	1.4
All Item	4.1	5.1	4.9	5.4	4.4

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