



SACU INFLATION REPORT

January 2013

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Selected Global Inflation Rates

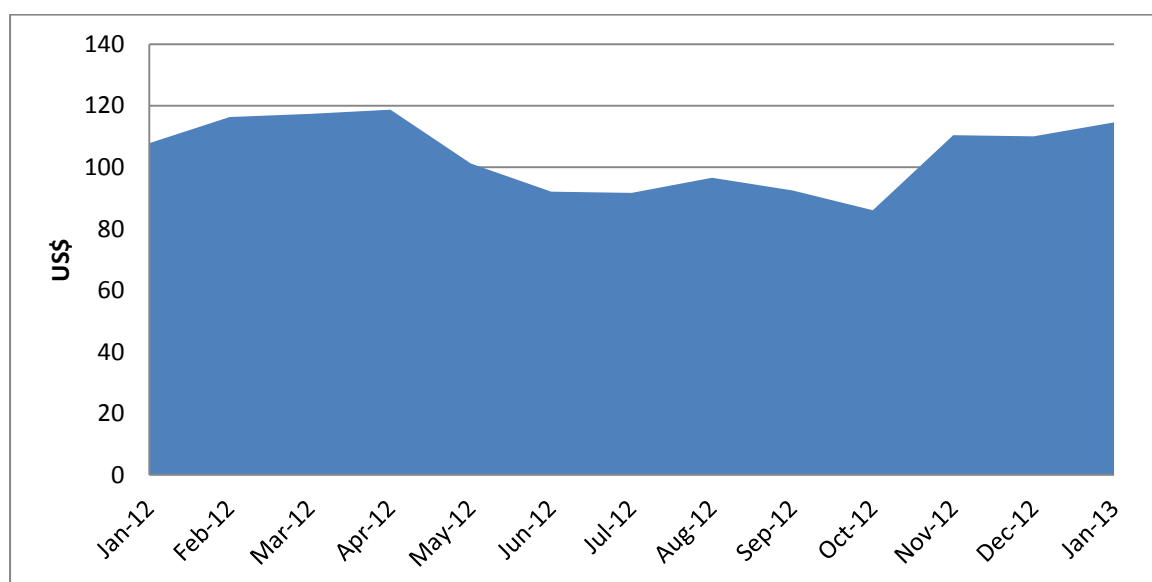
The Food and Agricultural Organisation (FAO) Food Price Index averaged 210 points in January 2013, unchanged from December 2012. Following three months of consecutive declines, the Index stabilized in January, as a rebound in oils/fats prices offset a decline for cereals and sugar. Dairy and meat values remained generally steady.

The FAO Cereal Price Index averaged 247 points in January 2013, down by 3 points from December 2012. The values of the monthly index have been falling since October, mostly on improved crop conditions. While, the FAO Oils/Fats Price Index averaged 205 points in January 2013, up by 9 points from December 2012, reversing the declines observed in the last four months. The rebound was mainly driven by palm oil on account of fresh import demand and concerns that abundant rains could disrupt harvesting operations in Southeast Asia.

The FAO Meat Price Index averaged 176 points in January 2013, down marginally from December 2012. Similarly, the FAO Dairy Price Index averaged 198 points in January 2013, slightly higher than in December 2012. The FAO Sugar Price Index averaged 268 points in January 2013, down by 2.2 per cent from December 2012. Prices have declined for the third consecutive month, driven by the expectation of a large global production surplus and hefty export availabilities in the 2012/13 marketing season, notably in Brazil and Thailand.

Brent crude oil price closed at USD114.56 per barrel at the end of January 2013, which was 4.1 per cent higher than at the end of December 2012, and higher than the USD107.80 per barrel recorded at the end of January 2012.

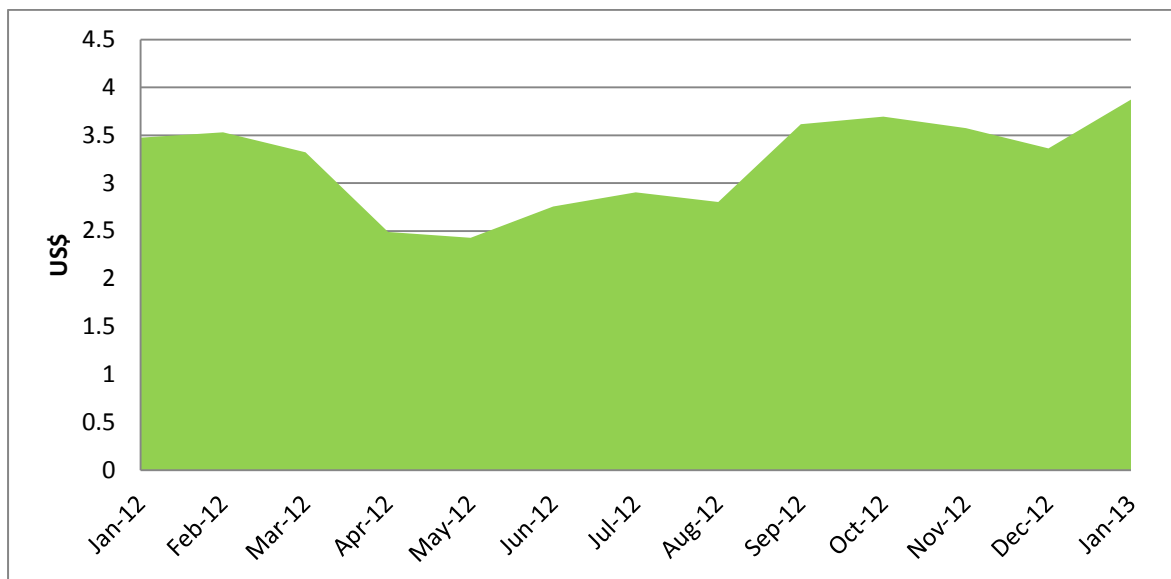
Chart 1: Crude Oil



Source: www.cnbc.com

The Natural gas price closed at USD3.87 at the end of January 2013, which was 15.2 per cent higher than at the end of December 2012.

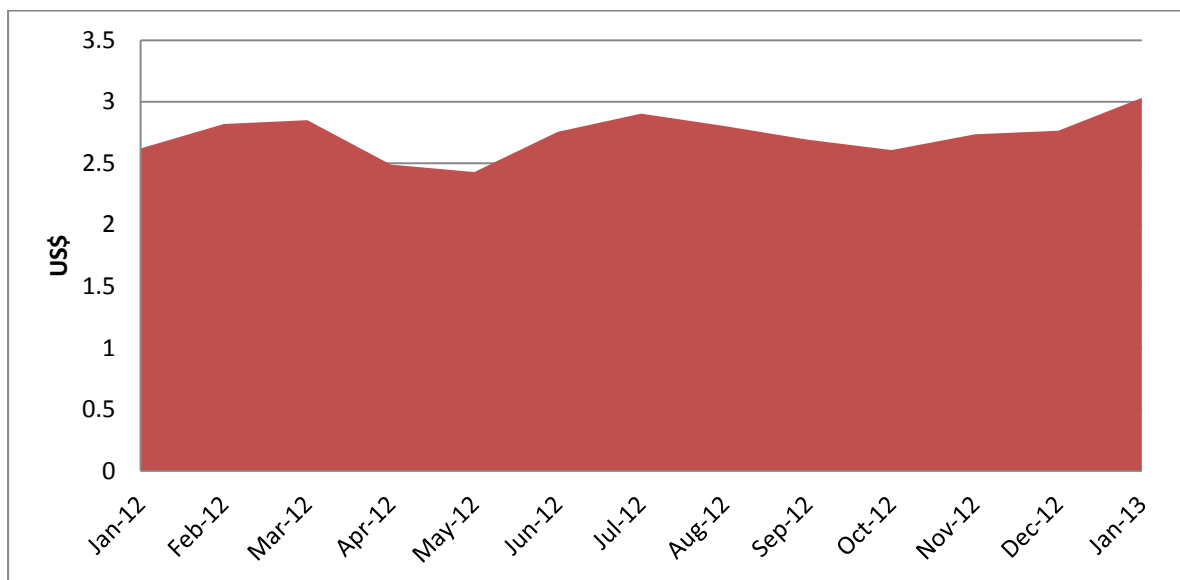
Chart 2: Natural Gas



Source: www.cnbc.com

RBOB gasoline price closed at USD3.03 per barrel at the end of January 2013, which was 9.7 per cent higher than at the end of December 2012.

Chart 3: RBOB Gas



Source: www.cnbc.com

Developed Economies

Euro Area

The annual inflation rate was 2.0 per cent in January 2013, down from 2.2 per cent in December 2012. A year earlier the rate was 2.7 per cent. The largest upward impacts on the annual inflation in January 2013 came from *electricity (0.16 percentage points)*, *vegetables (0.09 percentage points)*, *tobacco (0.07 percentage points)*, while *communications (-0.20 percentage points)*, *medical & paramedical services (-0.08 percentage points)* and *garments (-0.06 percentage points)* exerted a downwards pressure. The annual rate recorded for January 2013 was in line with the European Central Bank inflation target of below but close to 2.0 per cent.

Japan

The annual deflation rate for January 2013 stood at 0.3 per cent, compared to a deflation of 0.1 per cent in the previous month. A year earlier the inflation rate was 0.1 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 (-5.3 per cent)*, and *culture & recreation (-0.8 per cent)*.

United Kingdom

The annual inflation rate was 2.7 per cent in January 2013, unchanged for the fourth month in a row, making it the longest period for which CPI growth has remained unchanged. The rate was 3.6 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 (8.5 per cent)*, and *food & non-alcoholic beverages (4.2 per cent)*, while the lowest annual rates were observed for *clothing & footwear (0.2 per cent)*, *recreation & culture (0.5 per cent)*, and *furniture & household goods (0.8 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 1.6 per cent during January 2013 compared to 1.7 per cent in the preceding month. The rate was 2.9 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 January 2013, from the preceding month. The food index rose by 1.6 per cent in January 2013, compared to 1.8 per cent in the preceding month. The energy index declined by 1.0 per cent in January 2013 compared to 0.5 per cent in the preceding month. The inflation rate registered during January 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 6.2 per cent in January 2013, compared to 5.8 per cent in the preceding month. The rate was 6.2 per cent during the same period a year earlier. The annual rate recorded for January 2013 was within the Brazilian Central Bank inflation target of 4.5 percent with a floating range of 2 percentage points.

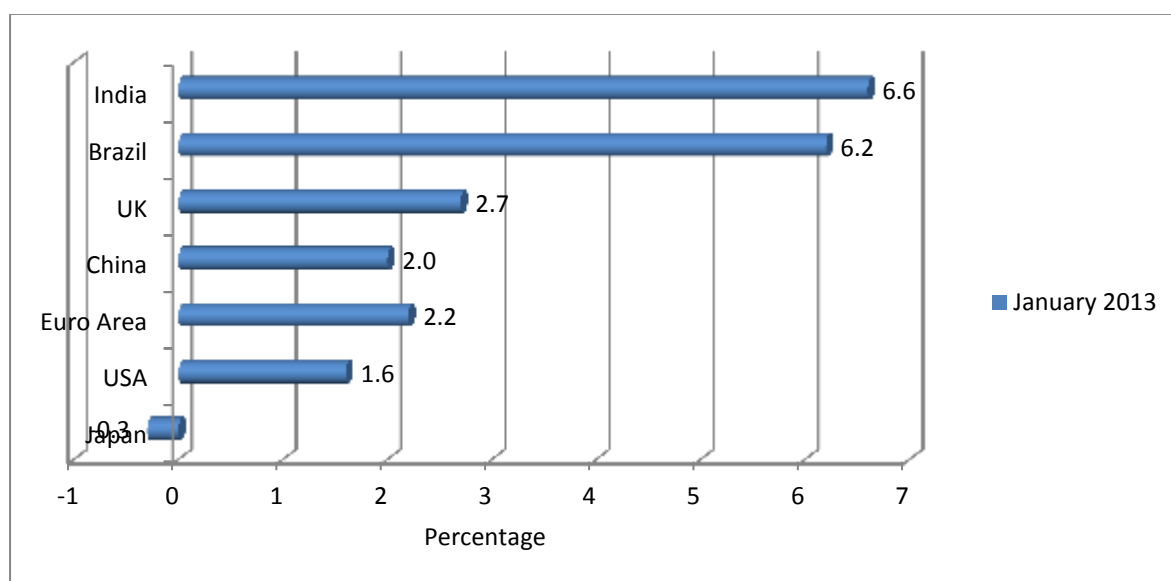
China

The annual inflation rate was 2.0 per cent in January 2013, up from 2.5 per cent during the preceding month. The rate was 4.5 per cent during the same period a year earlier. The main components with the highest annual rates were *food (2.9 per cent)*, *residence (2.9 per cent)*, and *clothing (2.5 per cent)*, while the lowest annual rates were observed on *transport & communication (-0.3 per cent)*. The annual inflation rate for January 2013 remained below the Government's inflation target of 3.0 per cent.

India

The annual inflation rate was 6.6 per cent in January 2013 as compared to 7.2 per cent in the preceding month and 7.2 per cent during the corresponding month the previous year. The main components with the highest annual rate were *primary articles (0.6 per cent)*, and *fuel & power (0.3 per cent)*, while the lowest annual rates were observed on *manufactured products (0.2 per cent)*. The inflation rate registered during January 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

The recent developments in the compilation of CPI in SACU is that South Africa and Swaziland have introduced new 2012 baskets and weights for the Consumer Price Index since January 2013. One of the international best practices in the compilation of CPI is that it should be rebased periodically to accurately reflect consumer patterns. The purpose of rebasing is to introduce new weights which reflect current consumption patterns of the population based on their expenditure.

Botswana registered the highest annual inflation rate among the Member States, registering an inflation rate of 7.5 per cent in January 2013 followed by Namibia and Swaziland both at 6.6 per cent. The lowest annual inflation was observed in Lesotho recording inflation rate of 5.1 per cent, while South Africa recorded 5.4 per cent

All Member States recorded a single digit annual inflation rate during January 2013 as shown in Table 1. Month-on-month inflation rates varied between 0.2 and 1.6 per cent in Member States between December 2012 and January 2013, as shown in Table 2.

Table 1: Annual Inflation Rates in SACU Member States

	Botswana	Lesotho	Namibia	South Africa	Swaziland
December 2012	7.4	4.5	6.3	5.7	8.3
January 2013	7.5	5.1	6.6	5.4	6.6

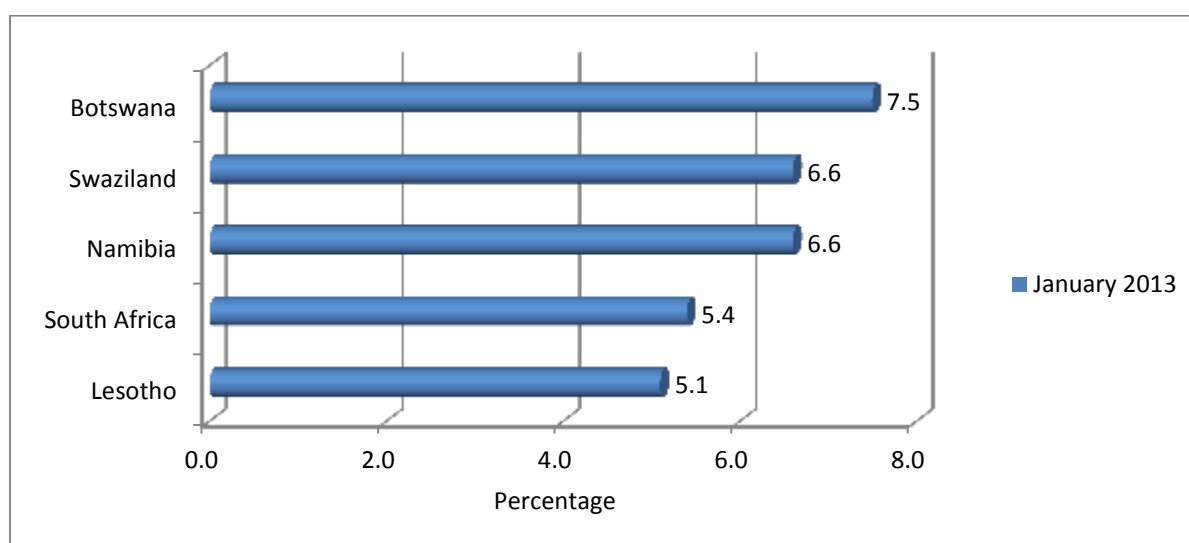
Source: Member States Statistics Offices

Table 2: Monthly Inflation Rates in SACU Member States

	Botswana	Lesotho	Namibia	South Africa	Swaziland
December 2012	0.3	0.3	-0.4	0.2	0.4
January 2013	0.6	0.7	1.6	0.3	0.2

Source: Member States Statistics Offices

Chart 5: Annual Inflation Rates in SACU Member States



Source: Member States Statistics Offices

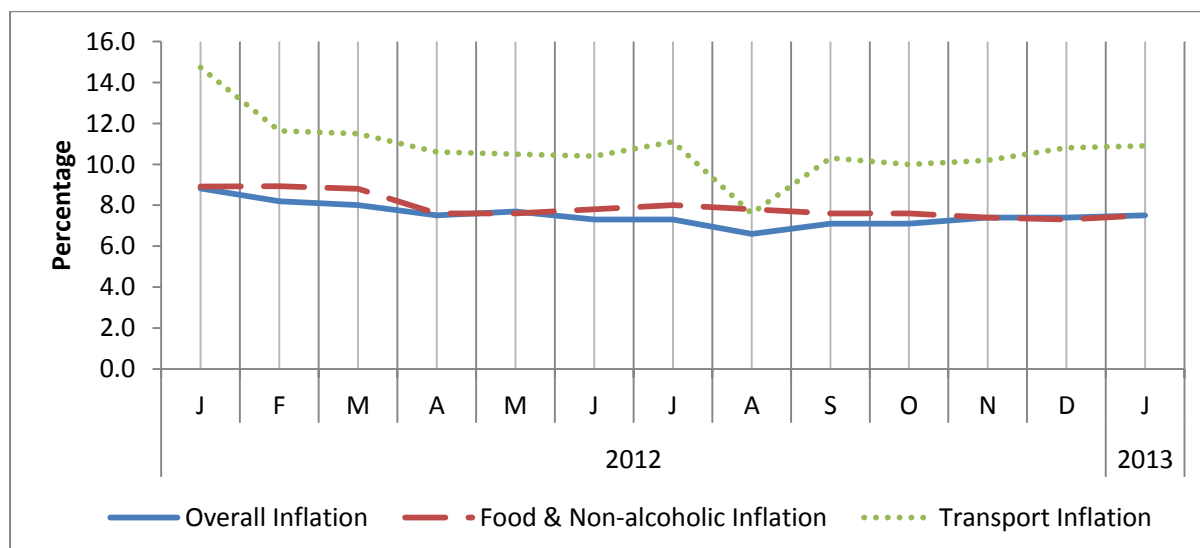
Botswana

The annual inflation rate slightly increased to 7.5 per cent in January 2013, from 7.4 per cent in the preceding month. Annual inflation in January 2013 was lower than the 8.8 per cent recorded during the same month in 2012. On average, prices increased by 0.6 per cent between December 2012 and January 2013.

The main components with the highest annual rates were *alcoholic beverages & tobacco (12.1 per cent)*, *transport (10.9 per cent)*, and *hotels & restaurants (9.3 per cent)*, while the lowest annual rate was observed in *communication (0.6 per cent)*.

The annual inflation rate for January 2013 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.

Chart 6: Annual Inflation Rate



Source: Statistics Botswana

Lesotho

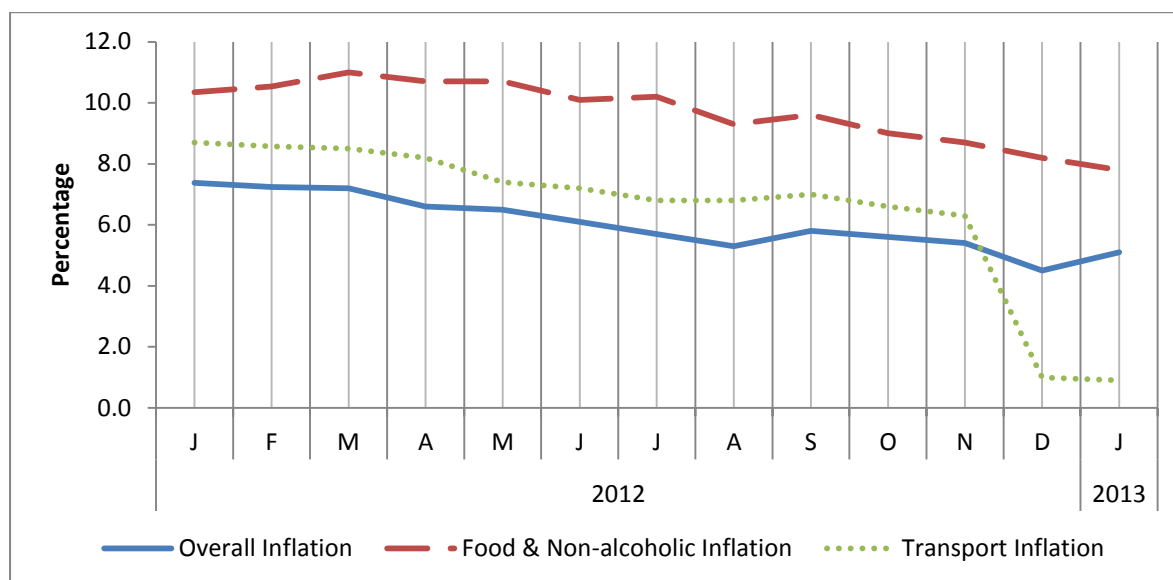
The annual inflation rate rose to 5.1 per cent in January 2013 from 4.5 per cent in December 2012. Annual inflation in January 2013 was lower than the 7.4 per cent recorded during the corresponding month in 2012. On average, prices increased by 0.7 per cent between December and January 2013.

The main components with the highest annual rates were *education (14.1 per cent)*, *food & non-alcoholic beverages (7.8 per cent)*, and *housing & utilities (5.7 per cent)*, while the lowest annual rates were observed in *hotels & restaurants (-1.1 per cent)*.

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

Lesotho monetary policy targets the maintenance of adequate net international reserves (NIR). The NIR target for the quarter ending in March 2013 is set at USD1 083 million, which translates to M9.55 billion, a target that is consistent with the maintenance of the exchange rate peg between the Loti and the Rand. During the month of January 2013 the Lombard facility stood at 9.36 per cent, while the prime lending rate was recorded at 10.08 per cent.

Chart 7: Annual Inflation Rate



Source: Bureau of Statistics of Lesotho

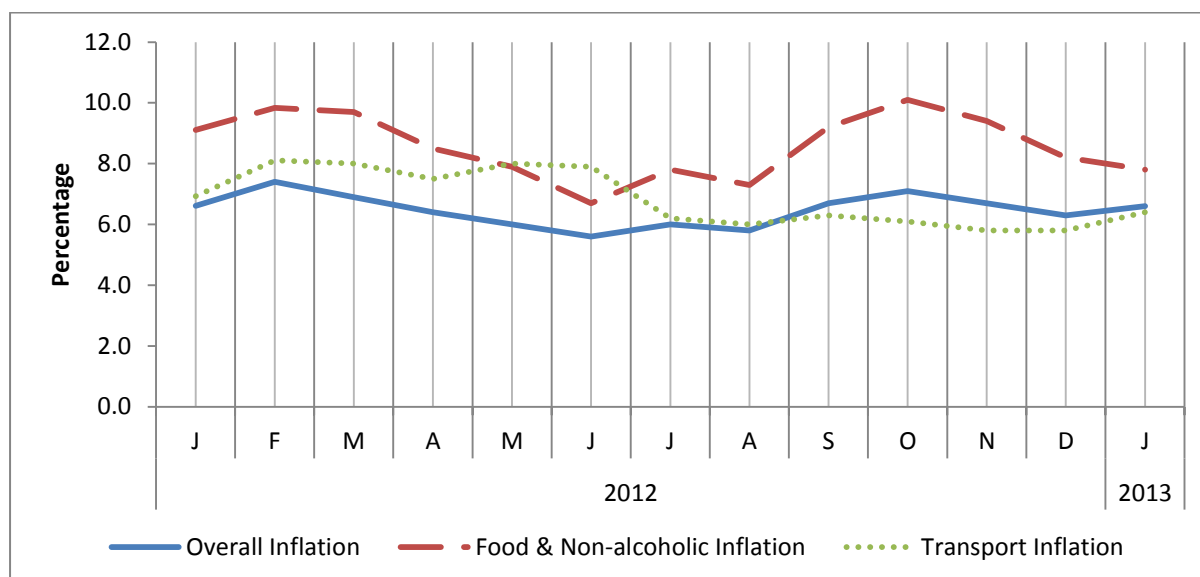
Namibia

The annual inflation rate rose by 6.6 per cent in January 2013, from 6.3 per cent recorded in the preceding month. Annual inflation in January 2013 was the same level as recorded during the same month in 2012. On average, prices declined by 1.6 per cent between December 2012 and January 2013.

The main components with the highest annual rates were *alcoholic beverages & tobacco (8.6 per cent)*, *hotels & restaurants (8.6 per cent)*, and *housing & utilities (8.3 per cent)*, while the lowest annual rates were observed in *communication (2.2 per cent)*.

The NIR level increased to N\$17.4 billion in January 2013 from N\$14.7 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 January 2013. Similarly, the prime rate remained at 9.25 per cent during January 2013.

Chart 8: Annual Inflation Rate



Source: Namibia Statistics Agency

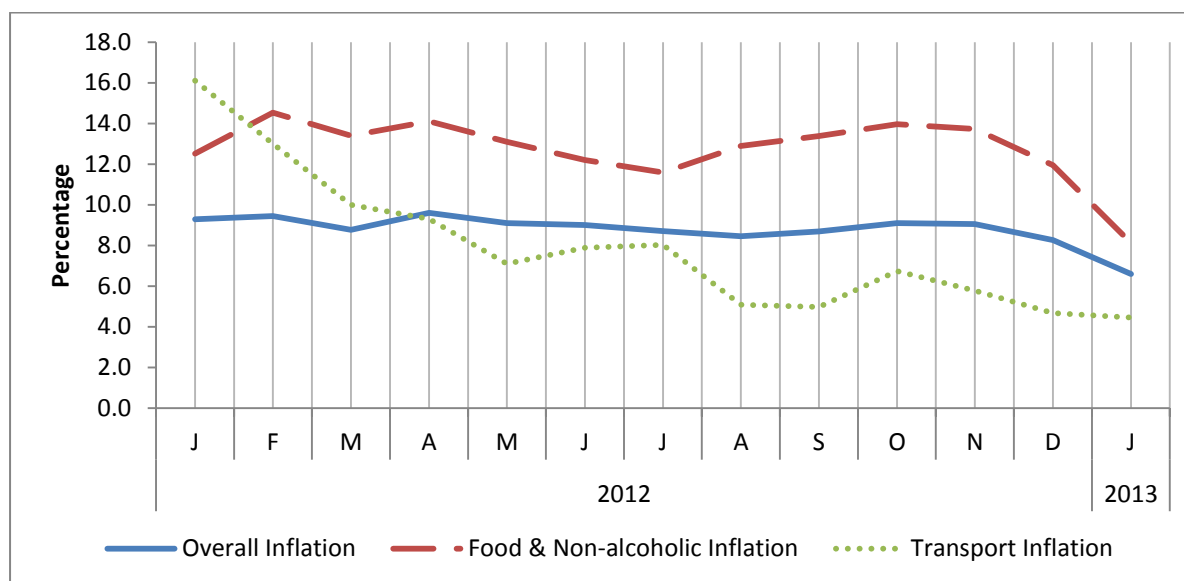
South Africa

The annual inflation rate stood at 5.4 per cent in January 2013, down from 5.7 per cent recorded in the previous month. Annual inflation in January 2013 was lower than the 6.3 per cent recorded during the same period in 2012. On average, prices increased by 0.3 per cent between December 2012 and January 2013.

The main components with the highest annual rates were *education (8.9 per cent)*, *hotel & restaurants (7.3 per cent)*, and *alcoholic beverages & tobacco (7.1 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 January 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 January 2013.

Chart 9: Annual Inflation Rate



Source: Stats SA

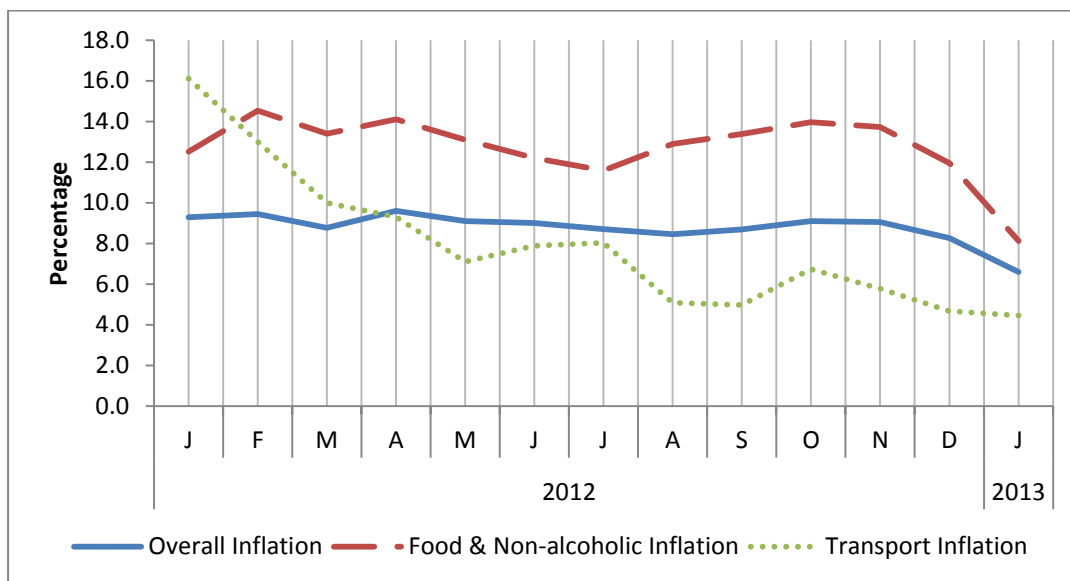
Swaziland

The annual inflation rate eased to 6.6 per cent in January 2013, from 8.3 per cent in the previous month. The annual inflation rate for January 2013 was lower than the 9.3 per cent recorded during the same period in the previous year. On average, prices increased by 0.2 per cent between December 2012 and January 2013.

The main components with the highest annual rates were *health (11.6 per cent)*, *food & non-alcoholic beverages (8.1 per cent)*, and *housing & utilities (7.8 per cent)*, while the lowest annual rates were observed in *communications (-1.5 per cent)*.

The NIR level for January 2013 was E6.9 billion compared to E5.6 billion in December 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 (January 2013)

Main Categories	Botswana	Lesotho	Namibia	South Africa	Swaziland
Food & non-alcoholic beverages	7.5	7.8	7.8	6.2	8.2
Alcoholic beverages & tobacco	12.1	5.7	8.9	7.1	4.5
Clothing & footwear	6.0	0.8	2.5	3.2	4.4
Housing, water, electricity, gas & other fuels	4.9	5.7	8.3	6.0	7.8
Furnishings, household equipment &...	5.4	4.1	5.7	3.2	5.6
Health	7.5	0.4	3.9	5.5	11.6
Transport	10.9	0.9	6.4	5.1	4.5
Communications	0.6	0.0	2.2	0.0	-1.5
Recreation & Culture	5.6	1.5	8.0	3.0	4.3
Education	4.8	14.1	6.5	8.9	5.4
Hotels, cafés & restaurants	9.3	-1.1	8.9	7.3	5.9
Miscellaneous goods & services	1.2	2.4	7.2	4.9	1.5
All Item	7.5	5.1	6.6	5.4	6.6

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

Consumer Price Index Basket Weights (South Africa and Swaziland)

Main Categories	South Africa	South Africa (New)	Swaziland	Swaziland (New)
Food & non-alcoholic beverages	15.68	15.41	37.73	29.22
Alcoholic beverages & tobacco	5.58	5.43	0.96	0.39
Clothing & footwear	4.11	4.07	6.16	3.42
Housing, water, electricity, gas & other fuels	22.56	24.52	14.33	29.15
Furnishings, household equipment &...	5.86	4.79	11.88	4.75
Health	1.47	1.46	3.58	3.39
Transport	18.8	16.43	8.6	10.50
Communications	3.22	2.63	1.43	2.74
Recreation & Culture	4.19	4.09	4.62	1.07
Education	2.19	2.95	5.38	9.11
Hotels, cafés & restaurants	2.78	3.50	0.72	1.79
Miscellaneous goods & services	13.56	14.72	4.67	4.47
All Item	100.00	100.00	100.00	100.00

Source: SACU Member States Statistics Offices