



SACU INFLATION REPORT

July 2013

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Selected Global Inflation Rates

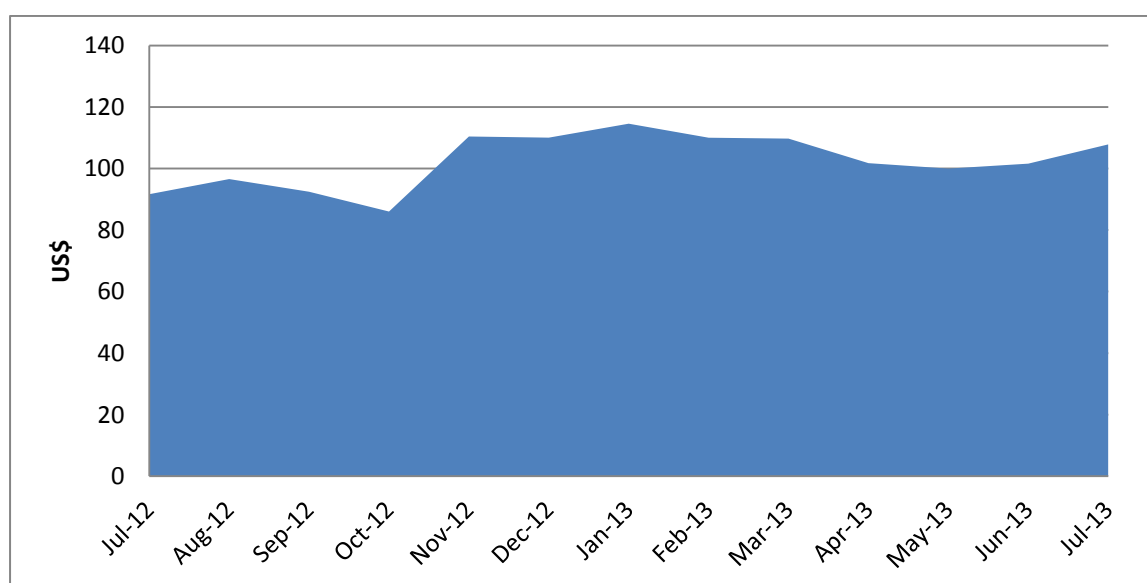
The Food and Agricultural Organisation (FAO) Food Price Index averaged 205.6 points in July 2013, down by 4 points from its level in June 2013. The decline in July was the result of a fall in grain, soy, and oil prices.

The FAO Cereal Price Index averaged 227.3 points in July 2013, down by 9 points from June 2013. The expectation of bumper crops this year is the main reason for the decline in international cereal prices. Similarly, the FAO Oils/Fats Price Index, averaged 191.2 points in July 2013, below 197.8 points of June 2013.

The FAO Meat Price Index averaged 172.8 points in July 2013, down by 0.3 points from June 2013. Similarly, the FAO Dairy Price Index averaged 236.3 points in July 2013, 2.7 points lower than in June 2013. The FAO Sugar Price Index averaged 239.0 points in July 2013, down by 3.6 points from June 2013.

Brent crude oil price closed at USD107.82 per barrel at the end of July 2013, which was 6.2 per cent higher than at the end of June 2013, and higher than the USD91.64 per barrel recorded at the end of July 2012.

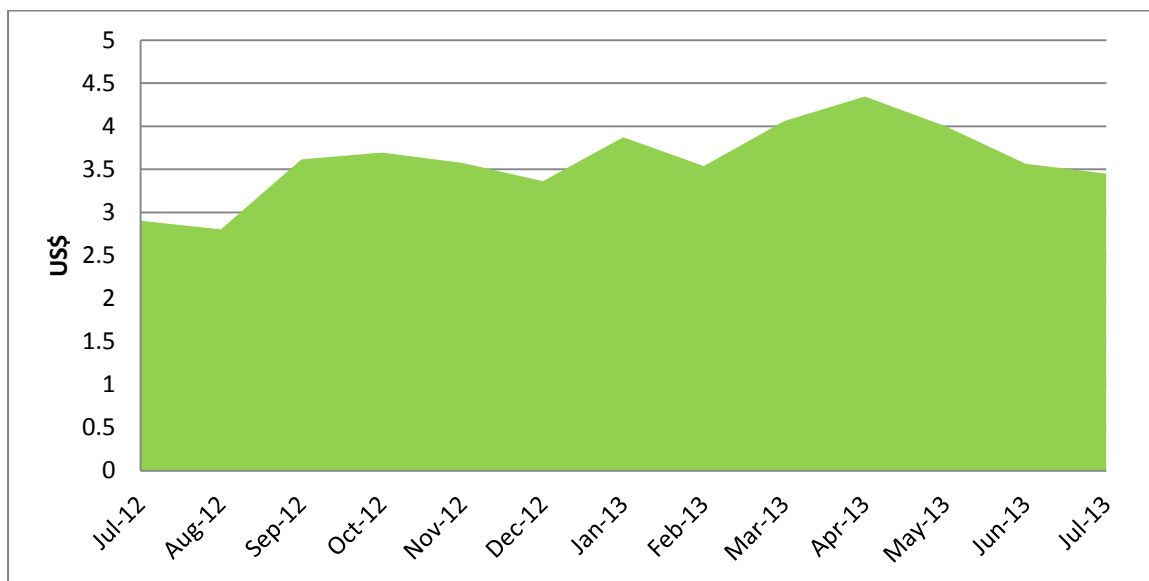
Chart 1: Crude Oil



Source: www.cnbc.com

The Natural gas price closed at USD3.45 at the end of July 2013, which was 3.2 per cent lower than at the end of June 2013.

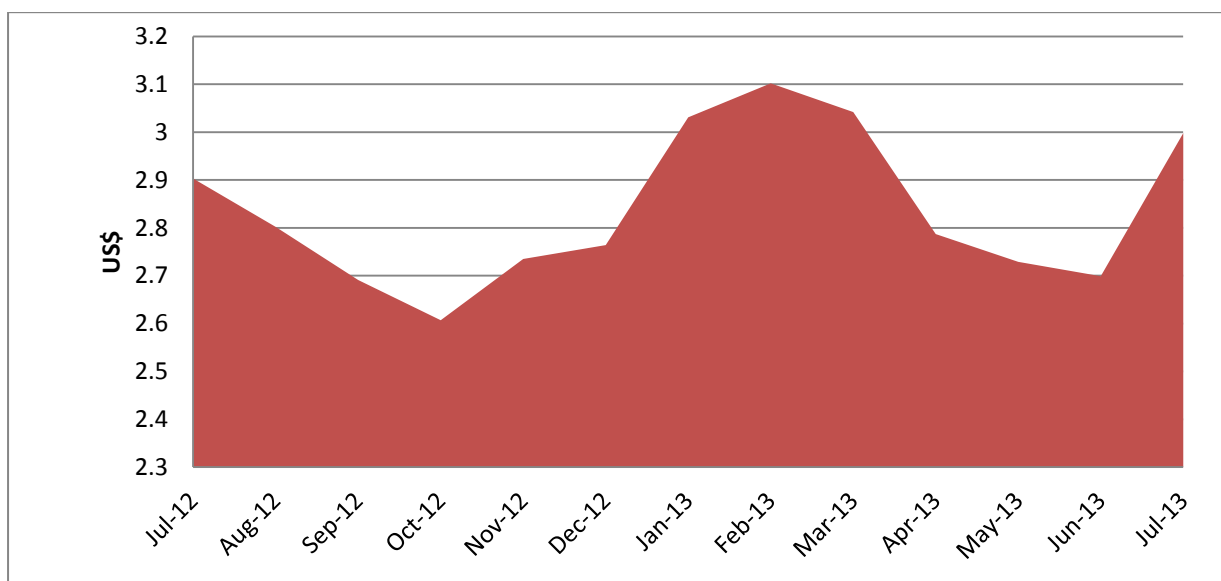
Chart 2: Natural Gas



Source: www.cnbc.com

RBOB gasoline price closed at USD2.99 per barrel at the end of July 2013, which was 11.1 per cent higher than at the end of June 2013.

Chart 3: RBOB Gas



Source: www.cnbc.com

Developed Economies

Euro Area

The annual inflation rate was 1.6 per cent in July 2013, unchanged when compared with June 2013. A year earlier the rate was 2.4 per cent. The largest upward impacts on the annual inflation in July 2013 came from *fruits (0.12 percentage point)*, *vegetables (0.09 percentage points)* and *tobacco (0.08 percentage points)*, while *telecommunications (-0.18 percentage points)*, *medical & paramedical services (-0.08 percentage points)*, and *fuels for transport (-0.06 percentage points)* exerted downwards pressure. The annual rate recorded for July 2013 remained below the European Central Bank inflation target of below but close to 2.0 per cent.

Japan

The annual inflation rate for July 2013 stood at 0.7 per cent, compared to 0.2 per cent in the previous month. A year earlier the deflation rate was 0.4 per cent. The main components with the highest annual rates were *fuel, light and water charges (6.4 per cent)*, and *transport & communication (2.6 per cent)*, while the lowest annual rates were observed for *furniture & household utensils (-1.9 per cent)*, and *culture & recreation (-0.9 per cent)*.

United Kingdom

The annual inflation rate grew by 2.8 per cent in July 2013, down from 2.9 per cent in June 2013. The rate was 2.6 per cent during the similar period a year earlier. The main components with the highest annual rates were *education (19.7 per cent)*, *alcohol beverages & tobacco (6.3 per cent)*, and *housing & utilities (4.3 per cent)*, while the lowest annual rates were observed for *furniture & household goods (0.1 per cent)*, *recreation & culture (0.7 per cent)*, and *miscellaneous (1.5 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 2.0 per cent in July 2013 compared to 1.8 per cent in the preceding month. The rate was 1.4 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 July 2013, unchanged from the preceding month. The food index rose by 1.4 per cent in July 2013, unchanged from the preceding month. The energy index rose by 4.7 per cent in July 2013 compared to a decline of 3.2 per cent in the preceding month. The inflation rate for July 2013 was in line with the Federal Reserve Bank's long term inflation estimate of 2.0 per cent.

Developing Economies

Brazil

The annual inflation rate rose by 6.3 per cent in July 2013, from 6.7 per cent in the preceding month. The rate was 5.2 per cent during the similar period a year earlier. The annual rate recorded for July 2013 was in line with the Brazilian Central Bank inflation target of 4.5 per cent with a floating range of 2 percentage points.

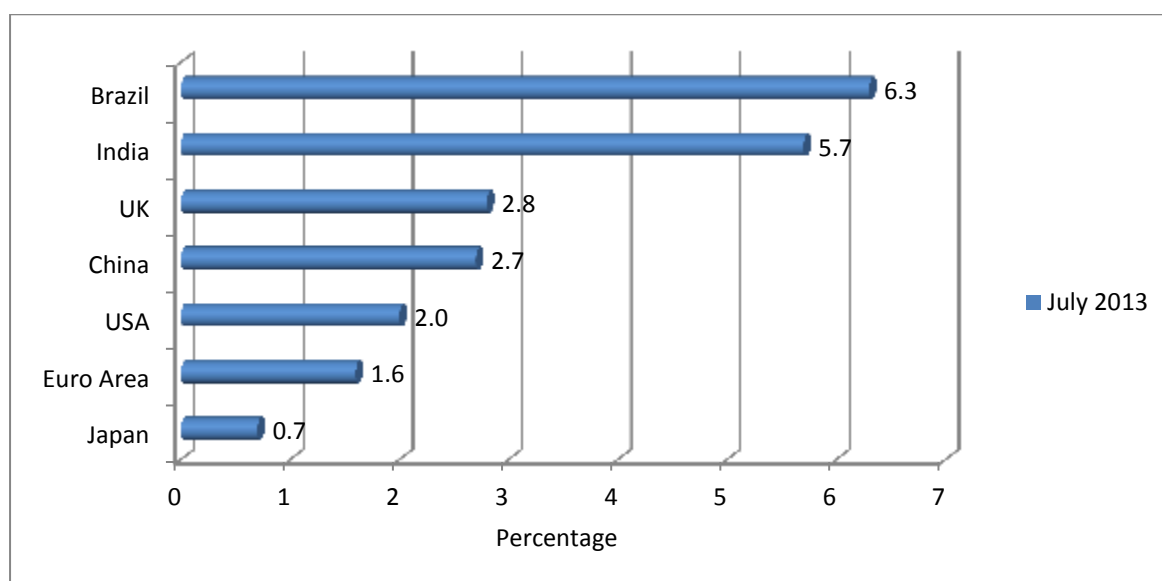
China

The annual inflation rate was 2.7 per cent in July 2013, unchanged from the preceding month. The rate was 1.8 per cent during the similar period a year earlier. The main components with the highest annual rates were *food (5.0 per cent)*, *residence (2.8 per cent)*, and *clothing (2.2 per cent)*, while the lowest annual rates were observed on *transport & communication (-0.1 per cent)*. The annual inflation rate for July 2013 remained below the Government's inflation target of 3.0 per cent.

India

The annual inflation rate was 5.7 per cent in July 2013 as compared to 4.9 per cent in the preceding month and 7.5 per cent during the corresponding month in the previous year. The main components with the highest annual rate were *fuel & power (3.0 per cent)*, and *primary articles (2.7 per cent)*, while the lowest annual rates were observed on *manufactured products (0.6 per cent)*. The inflation rate registered during July 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

South Africa registered the highest annual inflation rate among the Member States, registering inflation rate of 6.3 per cent in July 2013 followed by Swaziland at 6.0 per cent. The lowest annual inflation was observed in Lesotho recording inflation rate of 4.6 per cent for the third consecutive month. Botswana and Namibia recorded inflation rate of 5.7 per cent and 5.8 per cent respectively. All Member States recorded a single digit annual inflation rate during July 2013 as shown in Table 1.

Month-on-month inflation rates varied between 0.2 and 1.1 per cent in Member States between June 2013 and July 2013, as shown in Table 2.

Table 1: Annual Inflation Rates in SACU Member States

	Botswana	Lesotho	Namibia	South Africa	Swaziland
June 2013	5.8	4.6	6.2	5.5	5.6
July 2013	5.7	4.6	5.8	6.3	6.0

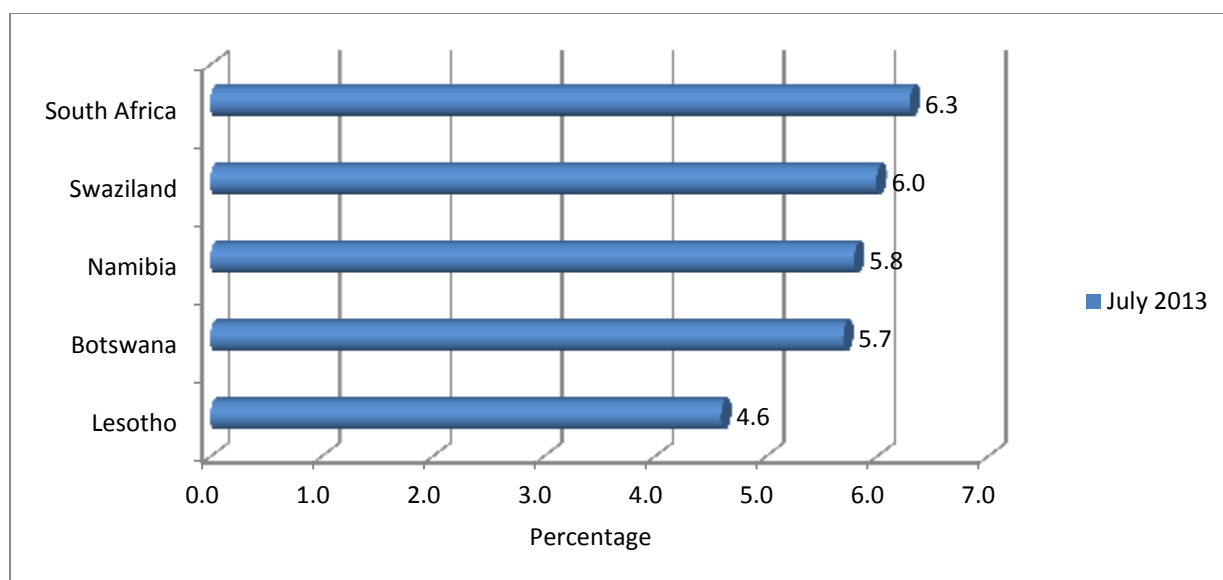
Source: Member States Statistics Offices

Table 2: Monthly Inflation Rates in SACU Member States

	Botswana	Lesotho	Namibia	South Africa	Swaziland
June 2013	0.2	0.5	-0.2	0.3	0.2
July 2013	0.2	0.2	0.6	1.1	0.4

Source: Member States Statistics Offices

Chart 5: Annual Inflation Rates in SACU Member States



Source: Member States Statistics Offices

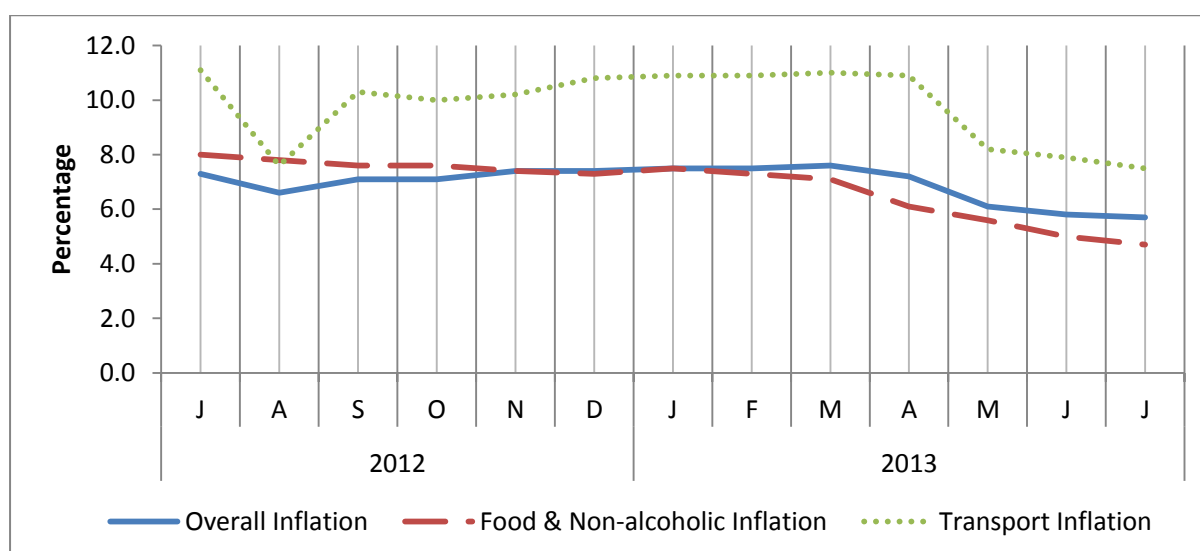
Botswana

The annual inflation rate continued to ease in July 2013 registering a rate of 5.7 per cent, from 5.8 per cent in the preceding month. The annual rate in July 2013 was lower than the 7.3 per cent recorded during the similar month in 2012. On average, prices increased by 0.2 per cent between June and July 2013.

The main components with the highest annual rates were *alcoholic beverages & tobacco (10.7 per cent)*, *hotels & restaurants (8.0 per cent)*, and *transport (7.5 per cent)*, while the lowest annual rate was observed in *communication (stagnant)*.

The annual inflation rate for July 2013 was within the inflation target range of 3-6 per cent set out by the Bank of Botswana. During the month of July 2013 the bank rate¹ remained unchanged at 8.5 per cent. Similarly, the prime rate remained at 10.0 per cent in July 2013.

Chart 6: Annual Inflation Rate



Source: Statistics Botswana

Lesotho

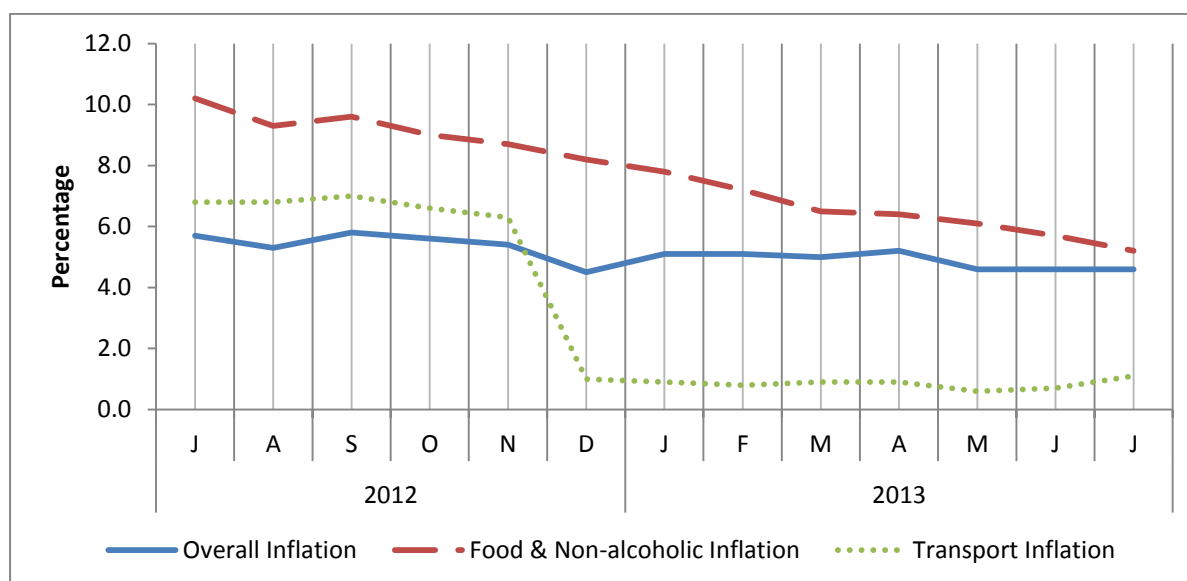
The annual inflation rate remained at 4.6 per cent in July 2013 for the third consecutive month. Annual inflation in July 2013 was lower than the 5.7 per cent recorded during the corresponding month in 2012. On average, prices increased by 0.2 per cent between June and July 2013.

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

The main components with the highest annual rates were *education (13.4 per cent)*, *housing & utilities (11.4 per cent)*, and *alcohol & tobacco (5.6 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 June 2013 was set at USD1.08 billion, 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 July 2013 the Lombard facility stood at 9.27 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

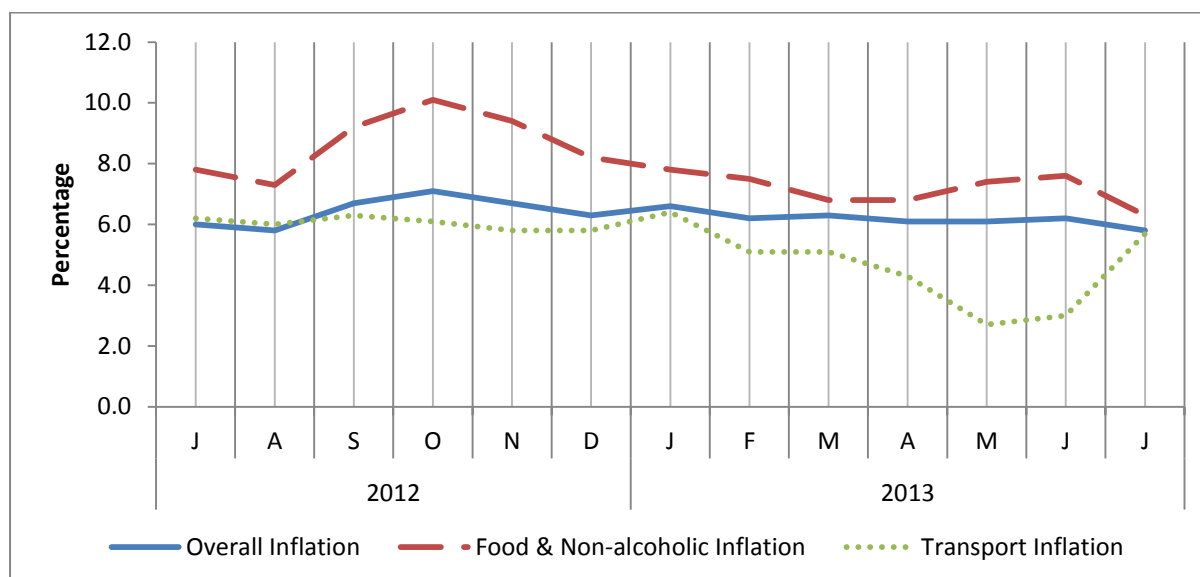
Namibia

The annual inflation rate eased to 5.8 per cent in July 2013 from 6.2 per cent in the preceding month. The annual rate in July 2013 was higher than the 6.0 per cent recorded during the similar month in 2012. On average, prices declined by 0.6 per cent between June and July 2013.

The main components with the highest annual rates were *alcoholic beverages & tobacco (9.1 per cent)*, *hotels & restaurants (8.6 per cent)*, and *housing & utilities (7.2 per cent)*, while the lowest annual rate was observed in *clothing & footwear (2.0 per cent)*.

The NIR level rose to N\$18.1 billion in July 2013 from N\$16.1 billion recorded in the previous month, and it was sufficient to support the Rand parity. During the month of July 2013, the repo rate remained unchanged at 5.5 per cent. Similarly, the prime rate remained unchanged at 9.25 per cent during July 2013.

Chart 8: Annual Inflation Rate



Source: Namibia Statistics Agency

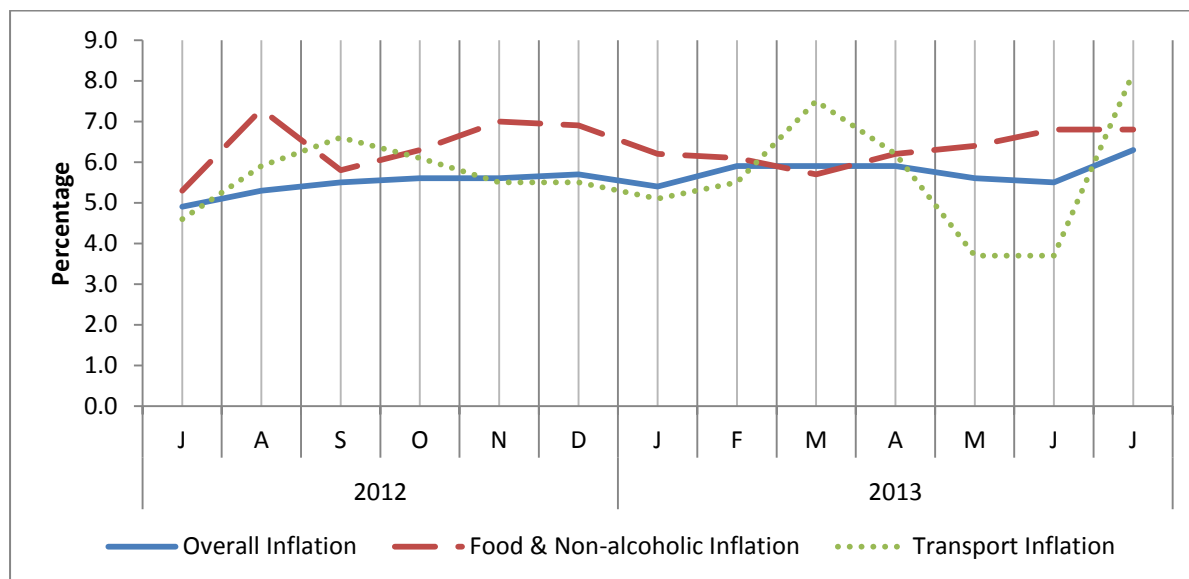
South Africa

The annual inflation rate rose to 6.3 per cent in July 2013, from 5.5 per cent in the previous month. Annual inflation rate in July 2013 was higher than the 4.9 per cent that was recorded in July 2012. On average, prices increased by 1.1 per cent between June and July 2013.

The main components with the highest annual rates were *education (9.0 per cent)*, *transport (8.2 per cent)*, and *miscellaneous goods & services (7.6 per cent)*, while the lowest annual rate was observed in *communication (1.8 per cent)*.

The annual inflation was slightly above the target range of 3-6 per cent during July 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 July 2013.

Chart 9: Annual Inflation Rate



Source: Stats SA

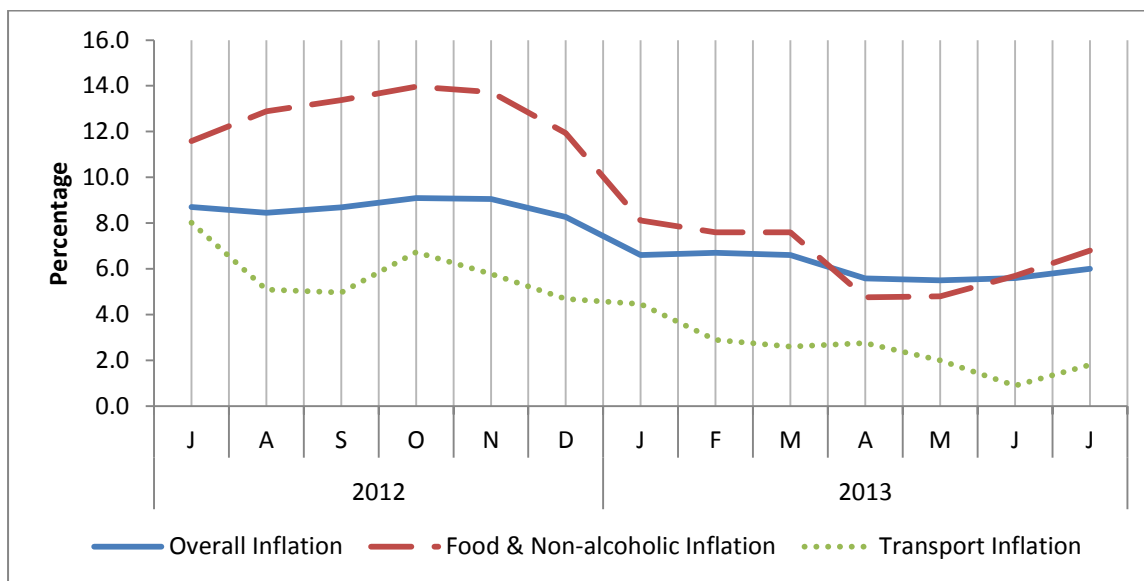
Swaziland

The annual inflation rate rose to 6.0 per cent in July 2013, from 5.6 per cent in the previous month. The annual inflation rate for July 2013 was lower than the 8.7 per cent recorded during the similar period in the previous year. On average, prices increased by 0.4 per cent between June and July 2013.

The main components with the highest annual rates were *health (13.7 per cent)*, *education (9.0 per cent)*, and *recreation & culture (7.4 per cent)*, while the lowest annual rate was observed in *restaurants & hotels (-2.3 per cent)* and *miscellaneous goods & services (-0.7 per cent)*.

The NIR level for July 2013 increased to E8.0 billion compared to E7.0 billion in June 2013, 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 (July 2013)

Main Categories	Botswana	Lesotho	Namibia	South Africa	Swaziland
Food & non-alcoholic beverages	4.7	5.2	6.3	6.8	6.8
Alcoholic beverages & tobacco	10.4	5.6	9.1	7.0	6.7
Clothing & footwear	7.3	1.5	2.0	3.1	3.2
Housing, water, electricity, gas & other fuels	3.4	11.4	7.2	5.5	5.4
Furnishings, household equipment &...	4.6	3.4	6.0	2.9	4.1
Health	4.6	0.6	4.5	4.8	13.7
Transport	7.5	1.1	5.7	8.2	1.8
Communications	0.0	0.0	3.3	1.8	0.0
Recreation & Culture	4.2	0.7	5.0	3.4	7.4
Education	4.7	13.4	6.5	9.0	9.0
Hotels, cafés & restaurants	8.0	1.4	8.6	6.5	-2.3
Miscellaneous goods & services	0.8	2.7	6.2	7.6	-0.7
All Item	5.7	4.6	5.8	6.3	6.0

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