



SACU INFLATION REPORT

March 2013

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Selected Global Inflation Rates

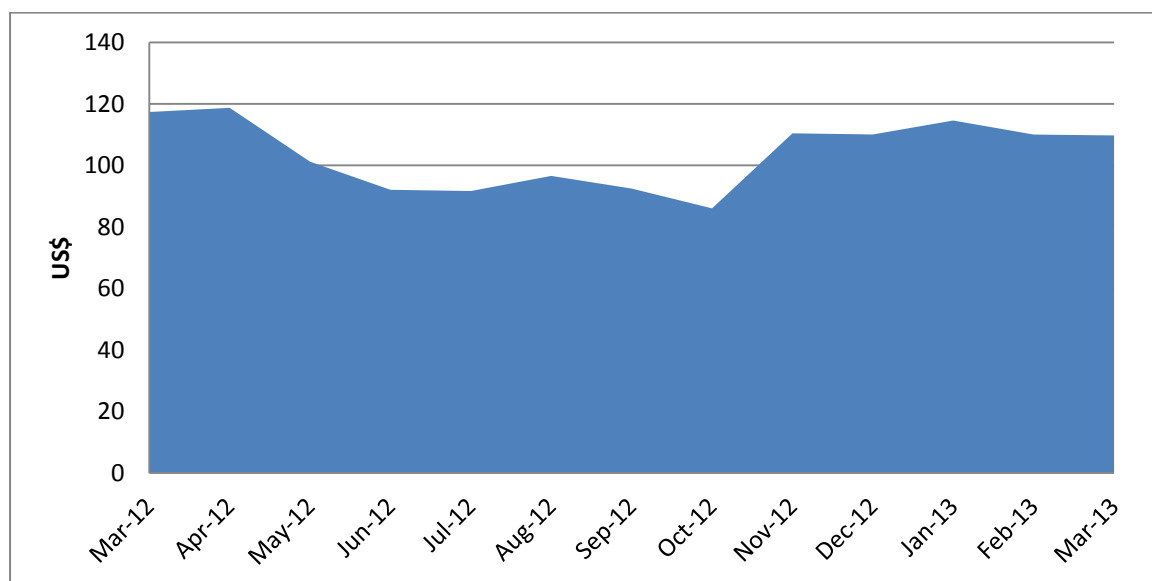
The Food and Agricultural Organisation (FAO) Food Price Index remained increased by 1.0 per cent in March 2013 compared with a month before, driven mainly by an 11.0 per cent increase in dairy.

The FAO Cereal Price Index averaged 244 points in March 2013, unchanged from February 2013. While, the FAO Oils/Fats Price Index fell by 2.5 per cent from February 2013, mainly due to soy oil prices, which dropped on account of favourable weather conditions in South America.

The FAO Meat Price Index averaged 176 points in March 2013, down by 2.0 per cent from February 2013. While, the FAO Dairy Price Index averaged 225 points in March 2013, 22 points higher than in February 2013. The price surge was caused by hot, dry weather in Oceania, which led to milk production falling off steeply and a concomitant reduction in the processing of dairy products in the region. The FAO Sugar Price Index edged higher with 2.8 points in March 2013 from February 2013.

Brent crude oil price closed at USD109.71 per barrel at the end of March 2013, which was 0.3 per cent lower than at the end of February 2013, and lower than the USD117.33 per barrel recorded at the end of March 2012.

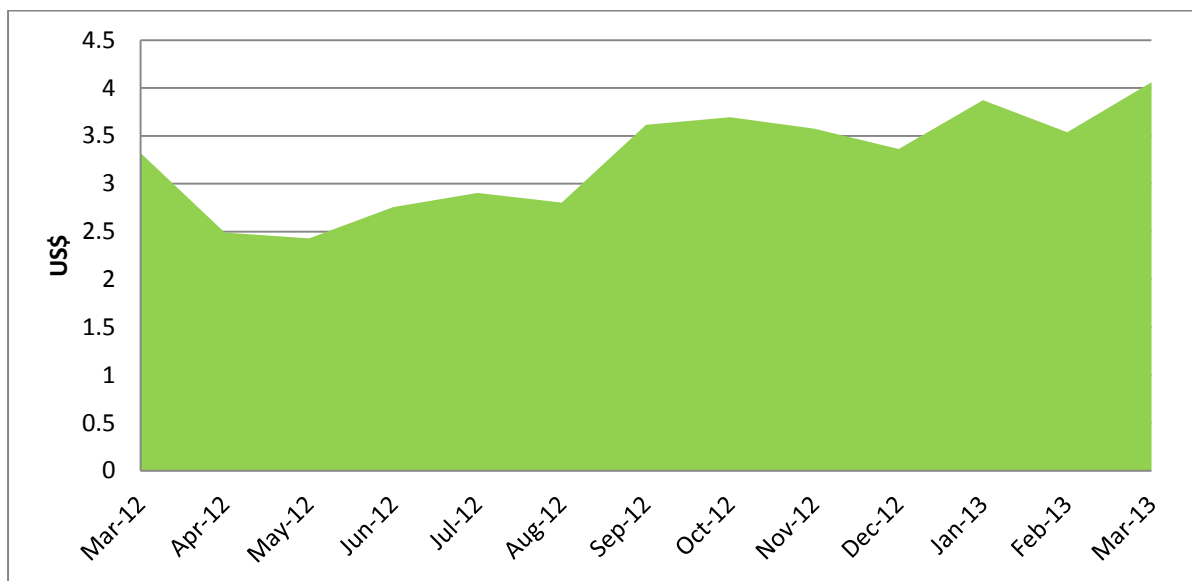
Chart 1: Crude Oil



Source: www.cnbc.com

The Natural gas price closed at USD4.06 at the end of March 2013, which was 14.8 per cent higher than at the end of February 2013.

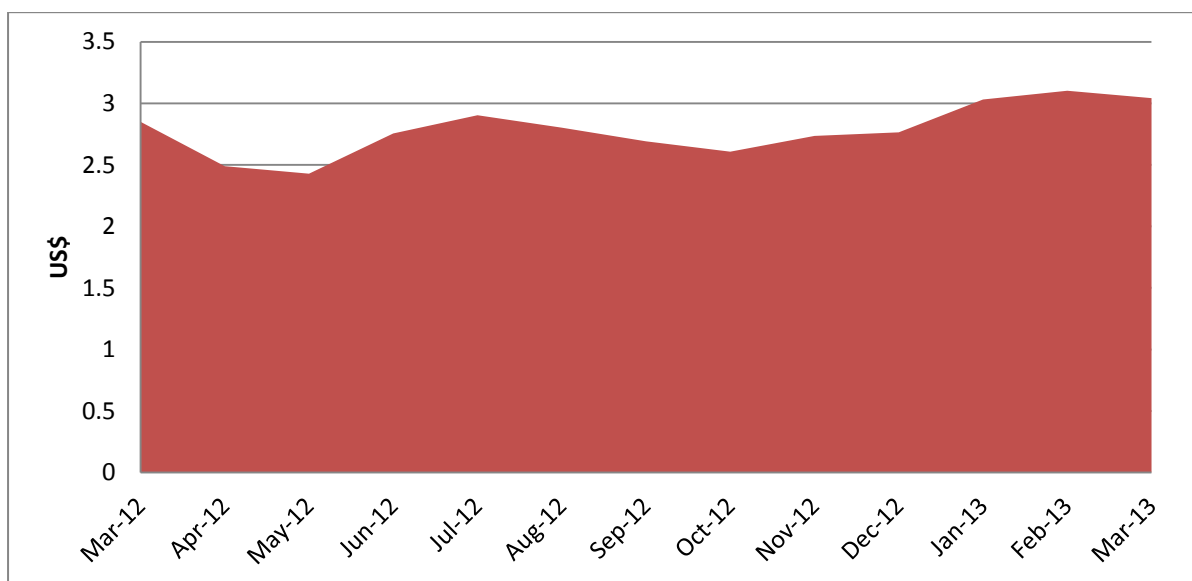
Chart 2: Natural Gas



Source: www.cnbc.com

RBOB gasoline price closed at USD3.04 per barrel at the end of March 2013, which was 1.9 per cent lower than at the end of February 2013.

Chart 3: RBOB Gas



Source: www.cnbc.com

Developed Economies

Euro Area

The annual inflation rate was 1.7 per cent in March 2013, down from 1.8 per cent in February 2013. A year earlier the rate was 2.7 per cent. The largest upward impacts on the annual inflation in March 2013 came from *electricity (0.17 percentage points)*, *package holidays (0.12 percentage points)*, and *accommodation services (0.09 percentage points)*, while *fuels for transport (-0.23 percentage points)*, *telecommunications (-0.22 percentage points)*, and *medical & paramedical services (-0.08 percentage points)* exerted downwards pressure. The annual rate recorded for March 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 March 2013 stood at 0.9 per cent, compared to a deflation of 0.7 per cent in the previous month. A year earlier the inflation rate was 0.5 per cent. The main components with the highest annual rates were *fuel, light and water charges (2.3 per cent)*, and *miscellaneous (0.5 per cent)*, while the lowest annual rates were observed for *furniture & household utensils (-3.3 per cent)*, and *culture & recreation (-2.7 per cent)*.

United Kingdom

The annual inflation rate grew by 2.8 per cent in March 2013, unchanged from February 2013. The rate was 3.5 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 (4.5 per cent)*, while the lowest annual rates were observed for *clothing & footwear (-0.4 per cent)*, *furniture & household goods (0.2 per cent)*, and *miscellaneous goods & services (1.1 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 1.5 per cent during March 2013 compared to 2.0 per cent in the preceding month. The rate was 2.7 per cent during the similar period a year earlier. The index for all items less food and energy rose by 1.9 per cent in March 2013, compared to 2.0 per cent in the preceding month. The food index rose by 1.5 per cent in March 2013, from 1.6 per cent in the preceding month. The energy index declined by 1.6 per cent in March 2013 compared to a rise of 2.3 per cent in the preceding month. The inflation rate for March 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 6.6 per cent in March 2013, compared to 6.3 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 March 2013 was slightly above the Brazilian Central Bank inflation target of 4.5 percent with a floating range of 2 percentage points.

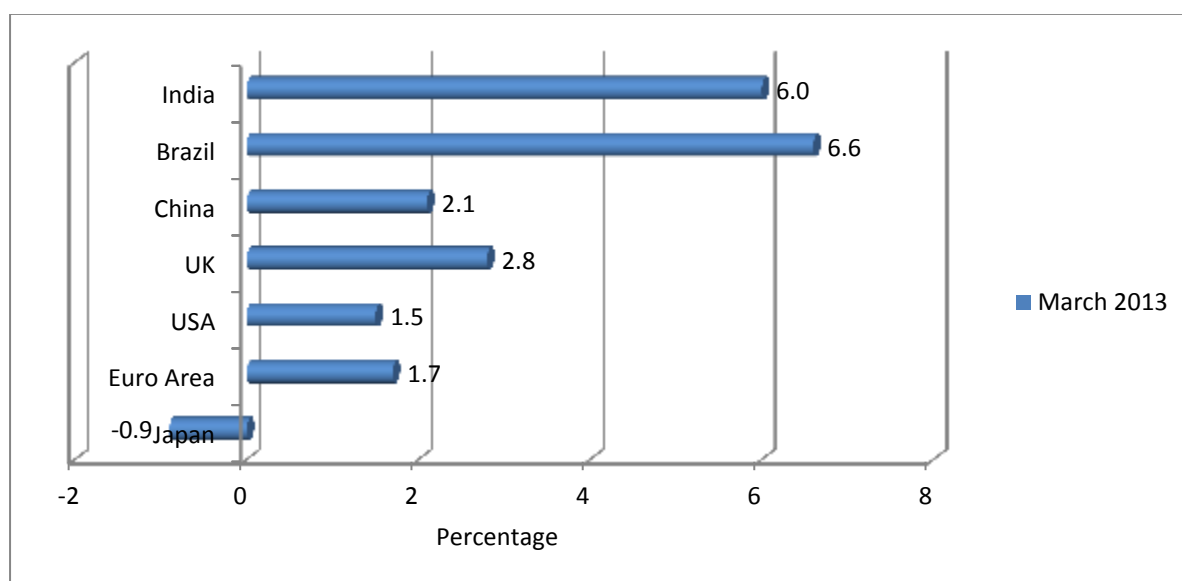
China

The annual inflation rate was 2.1 per cent in March 2013, down from 3.2 per cent during the preceding month. The rate was 3.6 per cent during the similar period a year earlier. The main components with the highest annual rates were *residence (2.9 per cent)*, *food (2.7 per cent)*, and *clothing (2.3 per cent)*, while the lowest annual rates were observed on *transport & communication (-0.3 per cent)*. The annual inflation rate for March 2013 was below the Government's inflation target of 3.0 per cent.

India

The annual inflation rate was 6.0 per cent in March 2013 as compared to 6.8 per cent in the preceding month and 6.9 per cent during the corresponding month in the previous year. The main components with the highest annual rate were *fuel & power (0.4 per cent)*, and *primary articles (0.4 per cent)*, while the lowest annual rates were observed on *manufactured products (0.1 per cent)*. The inflation rate registered during March 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

Botswana registered the highest annual inflation rate among the Member States, registering an inflation rate of 7.6 per cent in March 2013 followed by Swaziland at 6.6 per cent. The lowest annual inflation was observed in Lesotho recording inflation rate of 5.0 per cent. All Member States recorded a single digit annual inflation rate during March 2013 as shown in Table 1.

Month-on-month inflation rates varied between 0.1 and 1.2 per cent in Member States between February 2013 and March 2013, as shown in Table 2.

Table 1: Annual Inflation Rates in SACU Member States

	Botswana	Lesotho	Namibia	South Africa	Swaziland
February 2013	7.5	5.1	6.2	5.9	6.7
March 2013	7.6	5.0	6.3	5.9	6.6

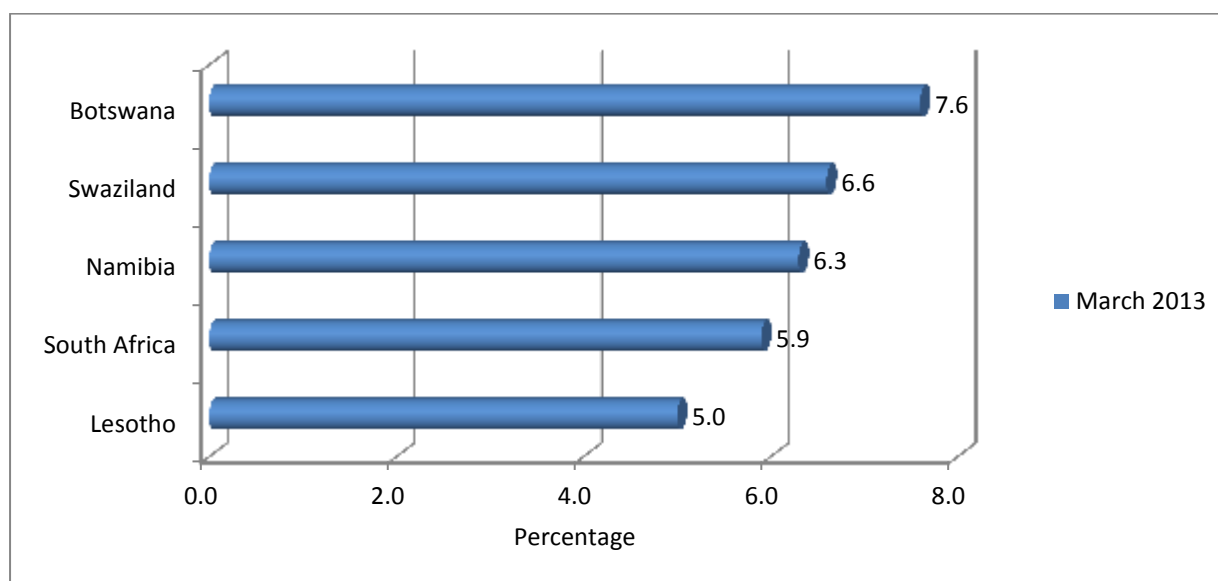
Source: Member States Statistics Offices

Table 2: Monthly Inflation Rates in SACU Member States

	Botswana	Lesotho	Namibia	South Africa	Swaziland
February 2013	0.2	0.2	0.4	1.0	1.4
March 2013	0.6	0.6	0.4	1.2	0.1

Source: Member States Statistics Offices

Chart 5: Annual Inflation Rates in SACU Member States



Source: Member States Statistics Offices

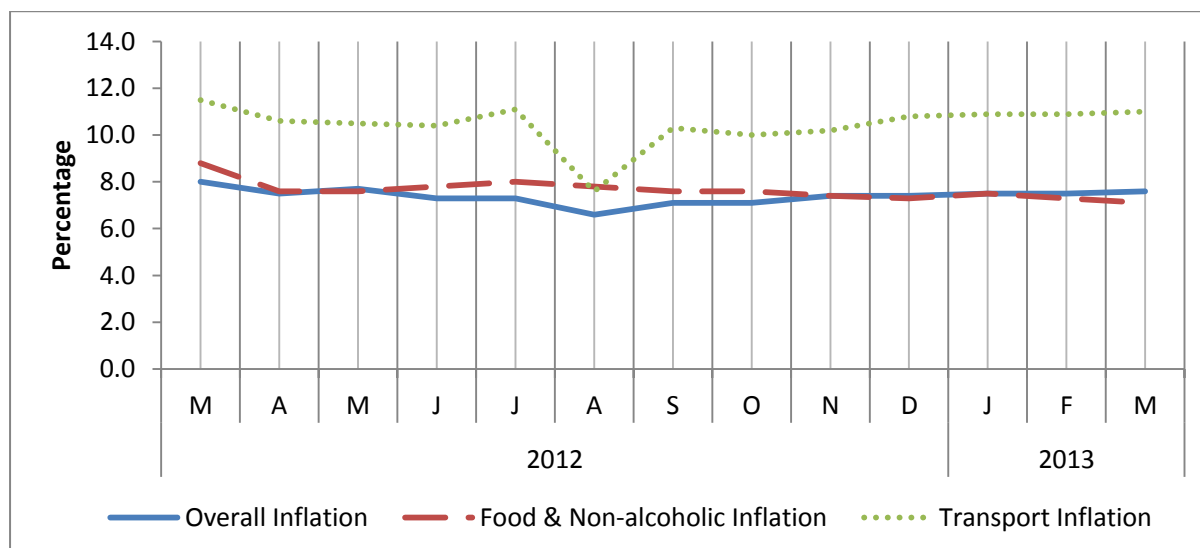
Botswana

The annual inflation rate rose by 7.6 per cent in March 2013, from 7.5 per cent in the preceding month. The annual rate in March 2013 was lower than the 8.0 per cent recorded during the similar month in 2012. On average, prices increased by 0.6 per cent between February and March 2013.

The main components with the highest annual rates were *alcoholic beverages & tobacco (13.3 per cent)*, *transport (11.0 per cent)*, and *hotels & restaurants (8.5 per cent)*, while the lowest annual rate was observed in *communication (0.6 per cent)*.

The annual inflation rate for March 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

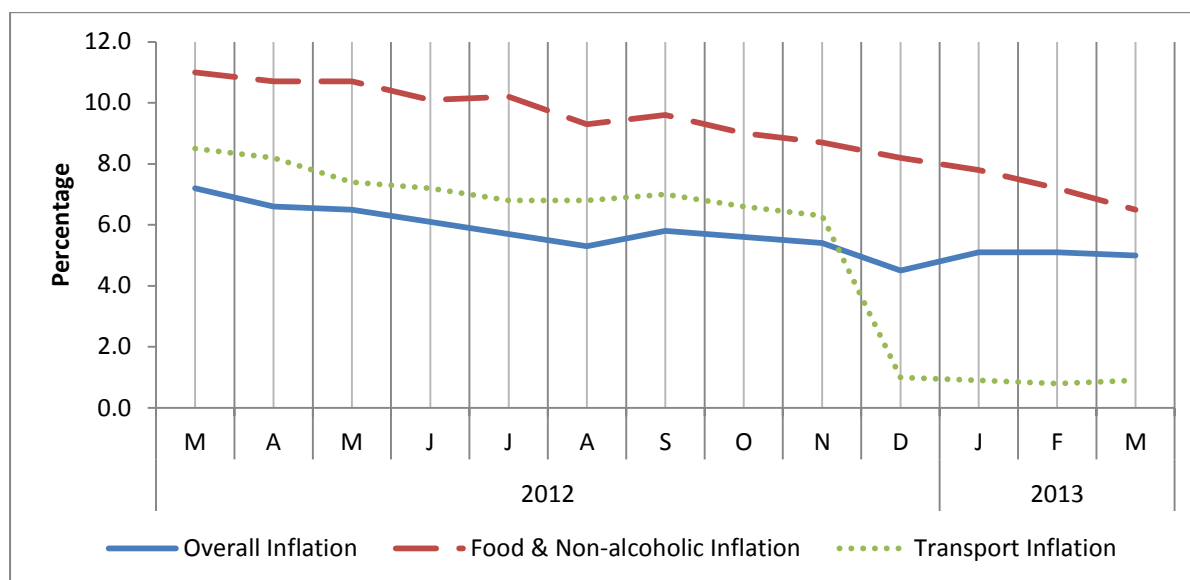
The annual inflation rate rose by 5.0 per cent in March 2013, from 5.1 per cent in February 2013. Annual inflation in March 2013 was lower than the 7.2 per cent recorded during the corresponding month in 2012. On average, prices increased by 0.6 per cent between February and March 2013.

The main components with the highest annual rates were *education (13.4 per cent)*, *housing & utilities (9.8 per cent)*, and *food & non-alcoholic beverages (6.5 per cent)*, while the lowest annual rates was observed in *transport (stagnant)*.

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 March 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

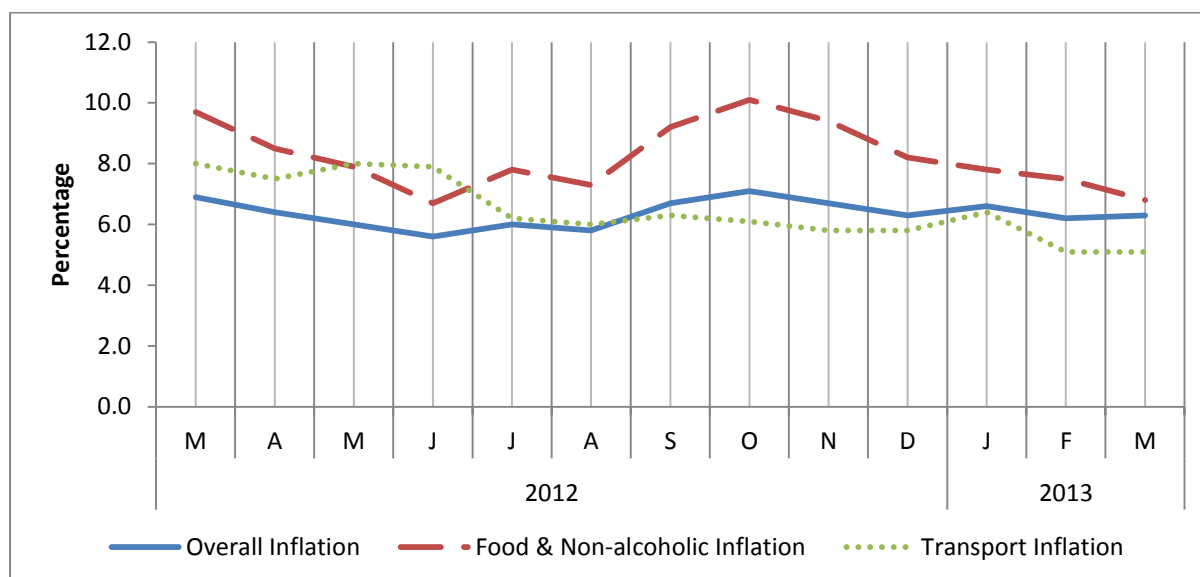
Namibia

The annual inflation rate rose by 6.3 per cent in March 2013, from 6.2 per cent recorded in the preceding month. The annual rate in March 2013 was lower than the 6.9 per cent recorded during the similar month in 2012. On average, prices increased by 0.4 per cent between February and March 2013.

The main components with the highest annual rates were *housing & utilities (9.5 per cent)*, *hotels & restaurants (9.4 per cent)*, *recreation & culture (7.5 per cent)*, while the lowest annual rate was observed in *clothing & footwear (1.2 per cent)*.

The NIR level stood at N\$17.4 billion in March 2013 from N\$16.3 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 March 2013. Similarly, the prime rate remained at 9.25 per cent during March 2013.

Chart 8: Annual Inflation Rate



Source: Namibia Statistics Agency

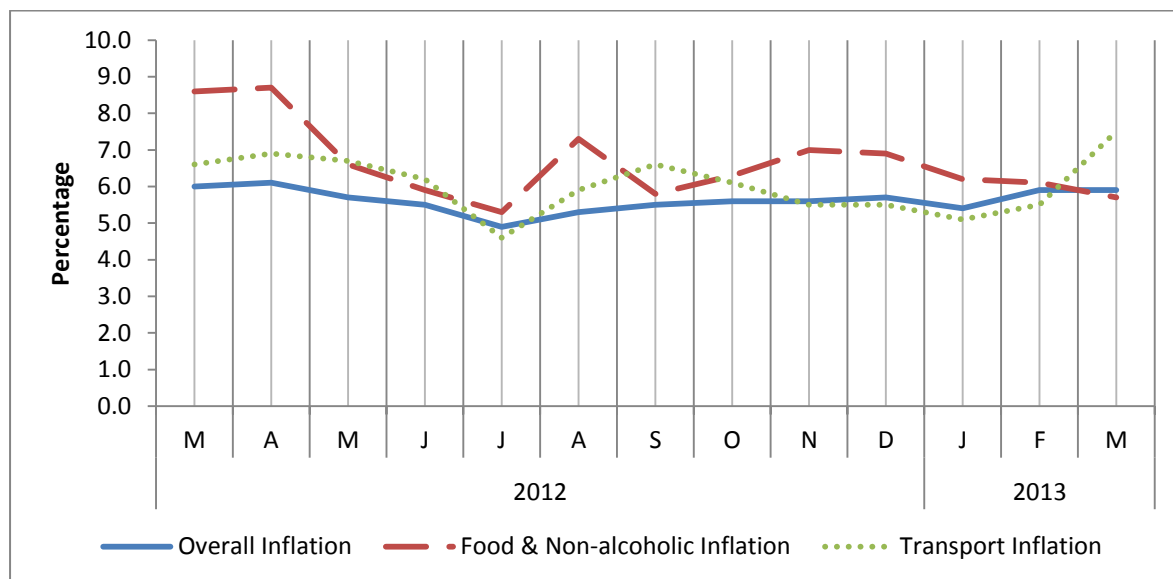
South Africa

The annual inflation rate stood at 5.9 per cent in March 2013, unchanged from the previous month. Annual inflation rate in March 2013 was lower than the 6.0 per cent recorded during the similar period in 2012. On average, prices increased by 1.2 per cent between February and March 2013.

The main components with the highest annual rates were *education (9.0 per cent)*, *transport (7.5 per cent)*, and *miscellaneous goods & services (7.4 per cent)*, while the lowest annual rate was observed in *communication (1.0 per cent)*.

The annual inflation continued to remain within the target range of 3-6 per cent during March 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 March 2013.

Chart 9: Annual Inflation Rate



Source: Stats SA

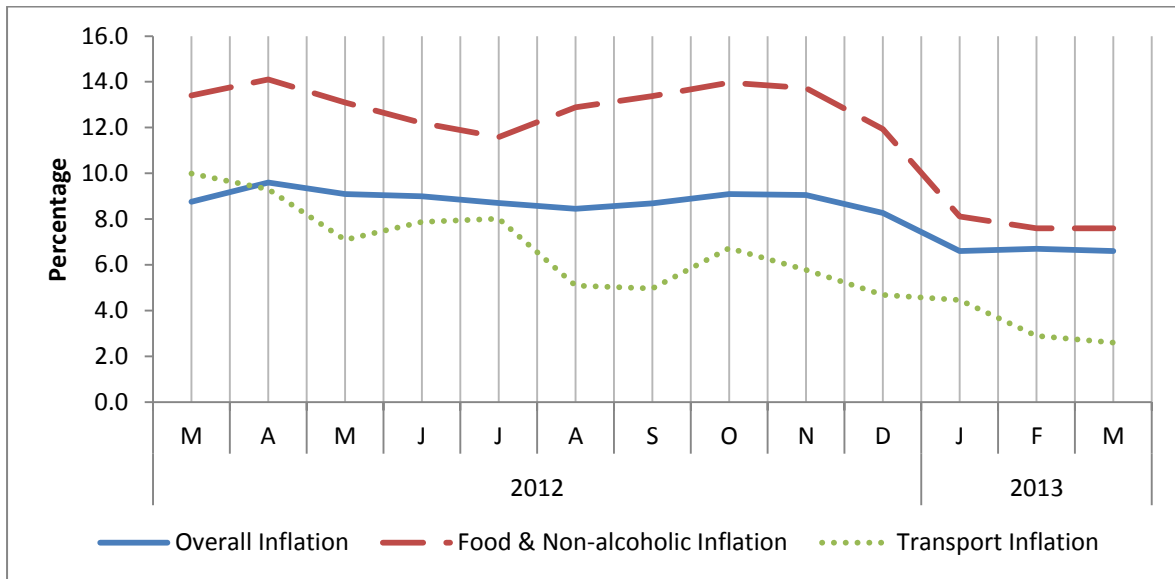
Swaziland

The annual inflation rate rose by 6.6 per cent in March 2013, from 6.7 per cent in the previous month. The annual inflation rate for March 2013 was lower than the 8.8 per cent recorded during the similar period in the previous year. On average, prices increased by 0.1 per cent between February and March 2013.

The main components with the highest annual rates were *health (14.7 per cent)*, *education (12.0 per cent)*, and *food & non-alcoholic beverages (7.6 per cent)*, while the lowest annual rate was observed in *communications (-0.1 per cent)*.

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 (March 2013)

Main Categories	Botswana	Lesotho	Namibia	South Africa	Swaziland
Food & non-alcoholic beverages	7.1	6.5	6.8	5.7	7.6
Alcoholic beverages & tobacco	13.3	5.8	7.3	5.8	3.4
Clothing & footwear	6.0	1.5	1.2	2.9	2.2
Housing, water, electricity, gas & other fuels	5.0	9.8	9.5	5.9	5.7
Furnishings, household equipment &...	5.5	4.4	6.3	3.2	7.6
Health	7.4	0.5	3.9	4.0	14.7
Transport	11.0	0.9	5.1	7.5	2.6
Communications	0.6	0.0	2.1	1.0	-0.1
Recreation & Culture	5.6	1.2	7.5	4.5	6.0
Education	4.7	13.4	6.5	9.0	12.0
Hotels, cafés & restaurants	8.5	1.0	9.4	6.0	0.6
Miscellaneous goods & services	1.2	2.3	4.2	7.4	0.8
All Item	7.6	5.0	6.3	5.9	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