



SACU INFLATION REPORT

May 2013

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Selected Global Inflation Rates

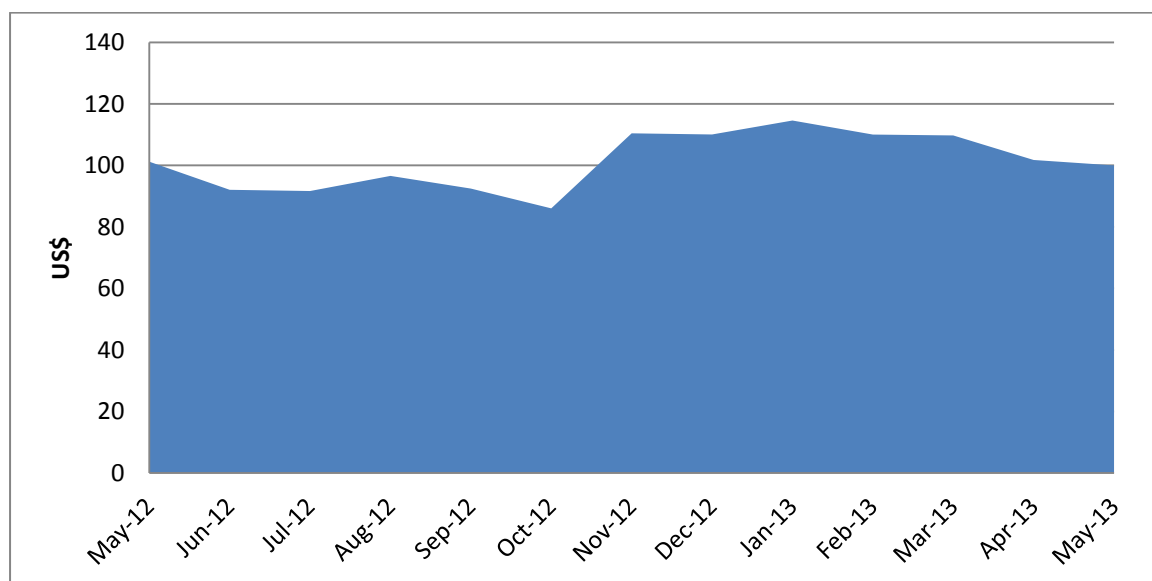
The Food and Agricultural Organisation (FAO) Food Price Index slightly declined to 215.2 points in May 2013 from its April value of 215.8 points. The decline in May was the result of falling dairy and sugar prices, which more than offset an increase in cereals.

The FAO Cereal Price Index averaged 238.9 points in May 2013, up from 234.6 points in April 2013. The increase was mostly associated with a strong rebound in maize prices, mostly due to a reaction to tightening export supplies and planting delays in the United States. While, the FAO Oils/Fats Price Index, averaged 199.0 points in May 2013, unchanged from April 2013.

The FAO Meat Price Index averaged 179.3 points in May 2013, up from 178.7 points in April 2013. While, the FAO Dairy Price Index averaged 249.8 points in May 2013, 9 points lower than in April 2013. The FAO Sugar Price Index edged lower with 2.6 points in May 2013 from April 2013.

Brent crude oil price closed at USD99.97 per barrel at the end of May 2013, which was 1.7 per cent lower than at the end of April 2013, and lower than the USD101.18 per barrel recorded at the end of May 2012.

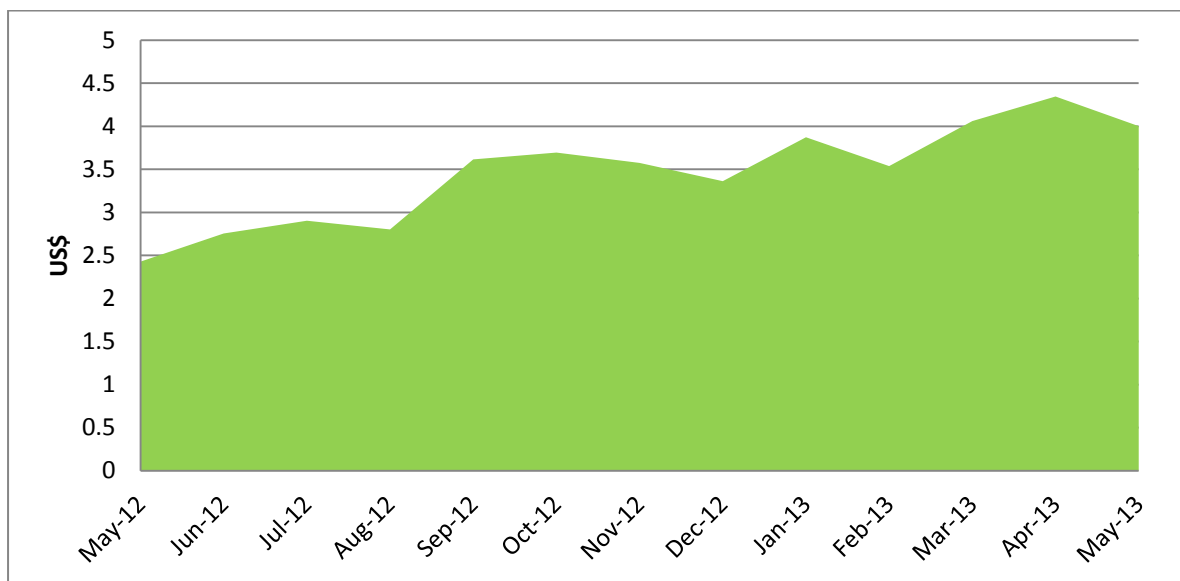
Chart 1: Crude Oil



Source: www.cnbc.com

The Natural gas price closed at USD4.00 at the end of May 2013, which was 7.9 per cent lower than at the end of April 2013.

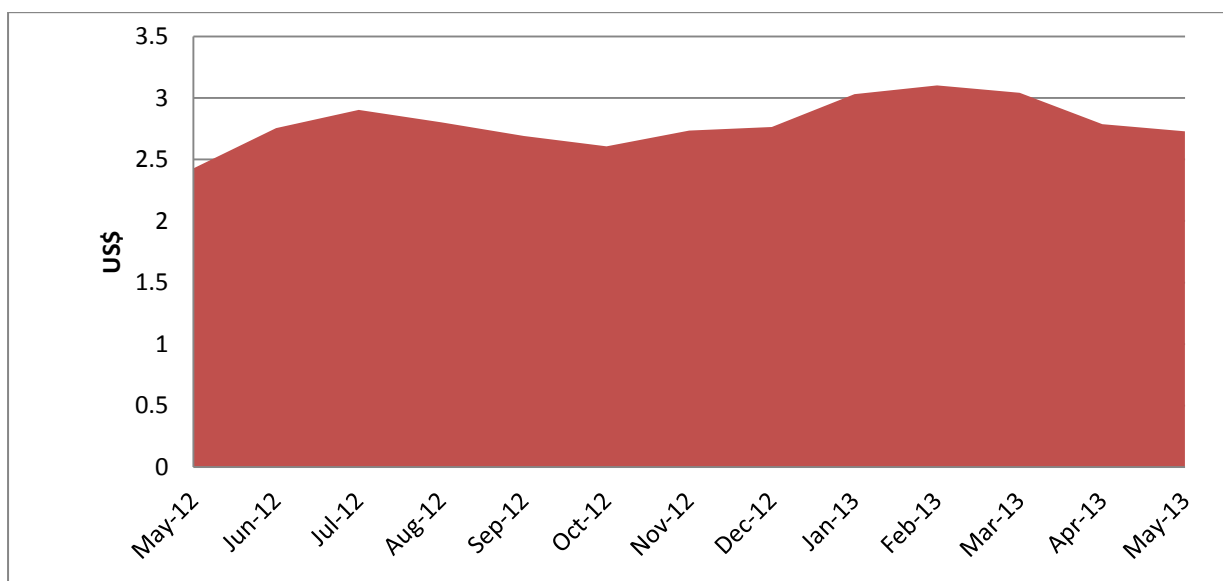
Chart 2: Natural Gas



Source: www.cnbc.com

RBOB gasoline price closed at USD2.73 per barrel at the end of May 2013, which was 2.1 per cent lower than at the end of April 2013.

Chart 3: RBOB Gas



Source: www.cnbc.com

Developed Economies

Euro Area

The annual inflation rate was 1.4 per cent in May 2013, up from 1.2 per cent in April 2013. A year earlier the rate was 2.4 per cent. The largest upward impacts on the annual inflation in May 2013 came from *fruits & vegetables (0.11 percentage points each)*, and *electricity (0.09 percentage points)*, while *fuels for transport (-0.28 percentage points)*, *telecommunications (-0.18 percentage points)*, and *medical & paramedical services (-0.11 percentage points)* exerted downwards pressure. The annual rate recorded for May 2013 remained below the European Central Bank inflation target of below but close to 2.0 per cent.

Japan

The annual deflation rate for May 2013 stood at 0.3 per cent, compared to a deflation of 0.7 per cent in the previous month. A year earlier the inflation rate was 0.2 per cent. The main components with the highest annual rates were *fuel, light and water charges (4.6 per cent)*, and *miscellaneous (0.6 per cent)*, while the lowest annual rates were observed for *furniture & household utensils (-2.5 per cent)*, and *culture & recreation (-1.6 per cent)*.

United Kingdom

The annual inflation rate grew by 2.7 per cent in May 2013, up from 2.4 per cent in April 2013. The rate was 2.8 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 (6.2 per cent)*, and *food & non-alcoholic beverages (4.3 per cent)*, while the lowest annual rates were observed for *furniture & household goods (0.6 per cent)*, *clothing & footwear (0.7 per cent)*, and *miscellaneous (1.0 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 1.4 per cent during May 2013 compared to 1.1 per cent in the preceding month. The rate was 1.7 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 May 2013, unchanged from the preceding month. The food index rose by 1.4 per cent in May 2013, compared to 1.5 per cent in the preceding month. The energy index declined by 1.0 per cent in May 2013 compared to a decline of 4.3 per cent in the preceding month. The inflation rate for May 2013 remained below the Federal Reserve Bank's long term inflation estimate of 2.0 per cent.

Developing Economies

Brazil

The annual inflation rate rose by 6.5 per cent in May 2013, unchanged from the preceding month. The rate was 4.9 per cent during the similar period a year earlier. The annual rate recorded for May 2013 remained in line with the Brazilian Central Bank inflation target of 4.5 percent with a floating range of 2 percentage points.

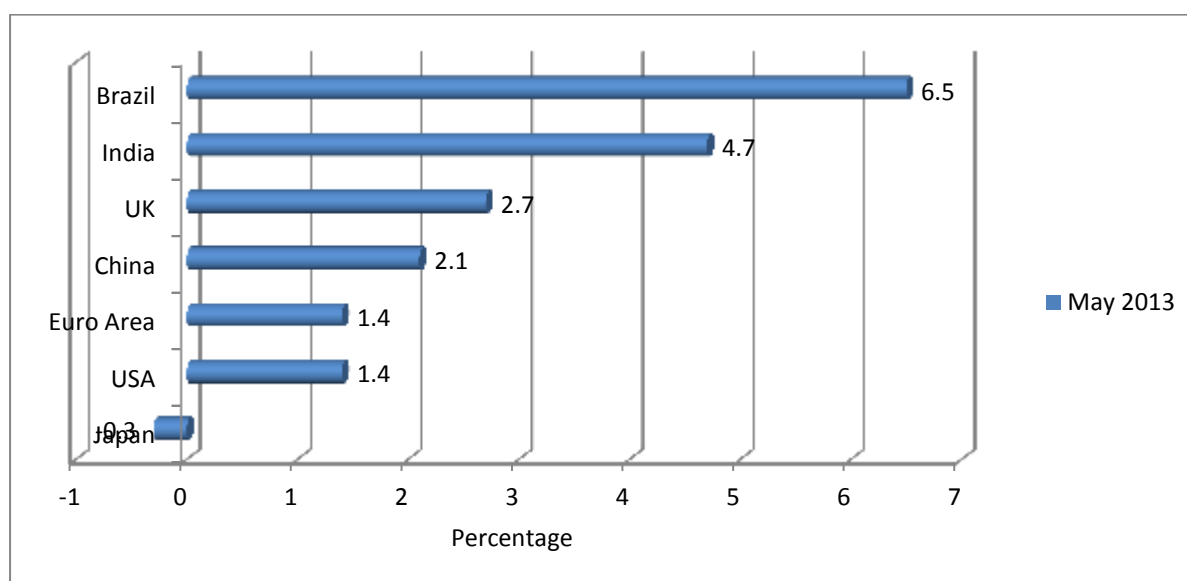
China

The annual inflation rate was 2.1 per cent in May 2013, down from 2.4 per cent during the preceding month. The rate was 3.0 per cent during the similar period a year earlier. The main components with the highest annual rates were *food (3.2 per cent)*, *residence (3.0 per cent)*, and *clothing (2.5 per cent)*, while the lowest annual rates were observed on *transport & communication (-1.2 per cent)*. The annual inflation rate for May 2013 remained below the Government's inflation target of 3.0 per cent.

India

The annual inflation rate was 4.7 per cent in May 2013 as compared to 4.9 per cent in the preceding month and 7.6 per cent during the corresponding month in the previous year. The main components with the highest annual rate were *fuel & power (1.6 per cent)*, and *primary articles (0.6 per cent)*, while the lowest annual rates were observed on *manufactured products (0.3 per cent)*. The inflation rate registered during May 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 and Namibia registered the highest annual inflation rates among the Member States, registering inflation rate of 6.1 per cent each in May 2013 followed by South Africa at 5.6 per cent. The lowest annual inflation was observed in Lesotho recording inflation rate of 4.6 per cent. All Member States recorded a single digit annual inflation rate during May 2013 as shown in Table 1.

Month-on-month inflation rates varied between -0.3 and 0.3 per cent in Member States between April 2013 and May 2013, as shown in Table 2.

Table 1: Annual Inflation Rates in SACU Member States

	Botswana	Lesotho	Namibia	South Africa	Swaziland
April 2013	7.2	5.2	6.1	5.9	5.6
May 2013	6.1	4.6	6.1	5.6	5.5

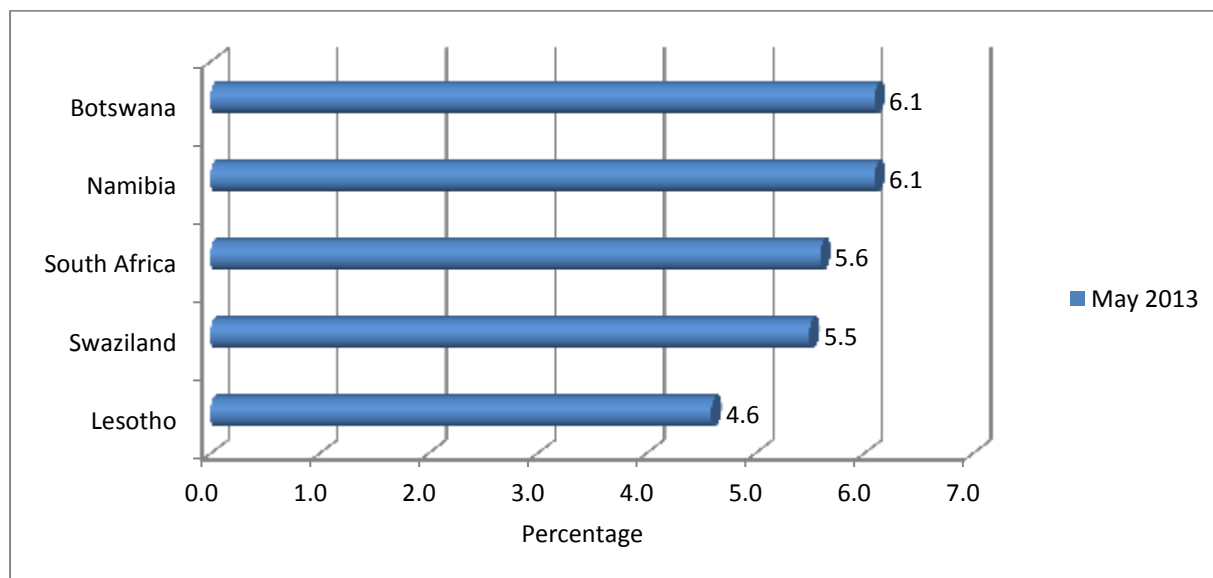
Source: Member States Statistics Offices

Table 2: Monthly Inflation Rates in SACU Member States

	Botswana	Lesotho	Namibia	South Africa	Swaziland
April 2013	0.6	0.5	0.2	0.4	0.7
May 2013	0.3	-0.1	0.2	-0.3	0.2

Source: Member States Statistics Offices

Chart 5: Annual Inflation Rates in SACU Member States



Source: Member States Statistics Offices

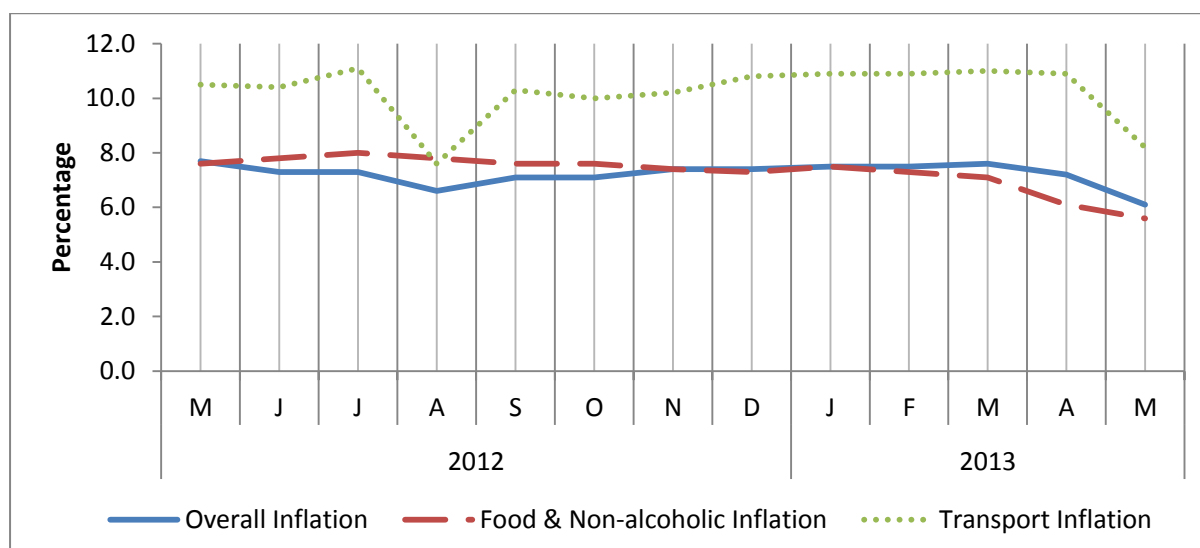
Botswana

The annual inflation rate eased to 6.1 per cent in May 2013, from 7.2 per cent in the preceding month. The annual rate in May 2013 was lower than the 7.7 per cent recorded during the similar month in 2012. On average, prices increased by 0.3 per cent between April and May 2013.

The main components with the highest annual rates were *alcoholic beverages & tobacco (10.8 per cent)*, *hotels & restaurants (8.5 per cent)*, and *transport (8.2 per cent)*, while the lowest annual rate was observed in *communication (stagnant)*.

The annual inflation rate for May 2013 was slightly above the inflation target range of 3-6 per cent set out by the Bank of Botswana. The Monetary Policy Committee on its meeting held on 30 April 2013 reduced the bank rate¹ by a half percentage point to 9.0 per cent. The prime rate was reduced to 10.5 per cent in May 2013.

Chart 6: Annual Inflation Rate



Source: Statistics Botswana

Lesotho

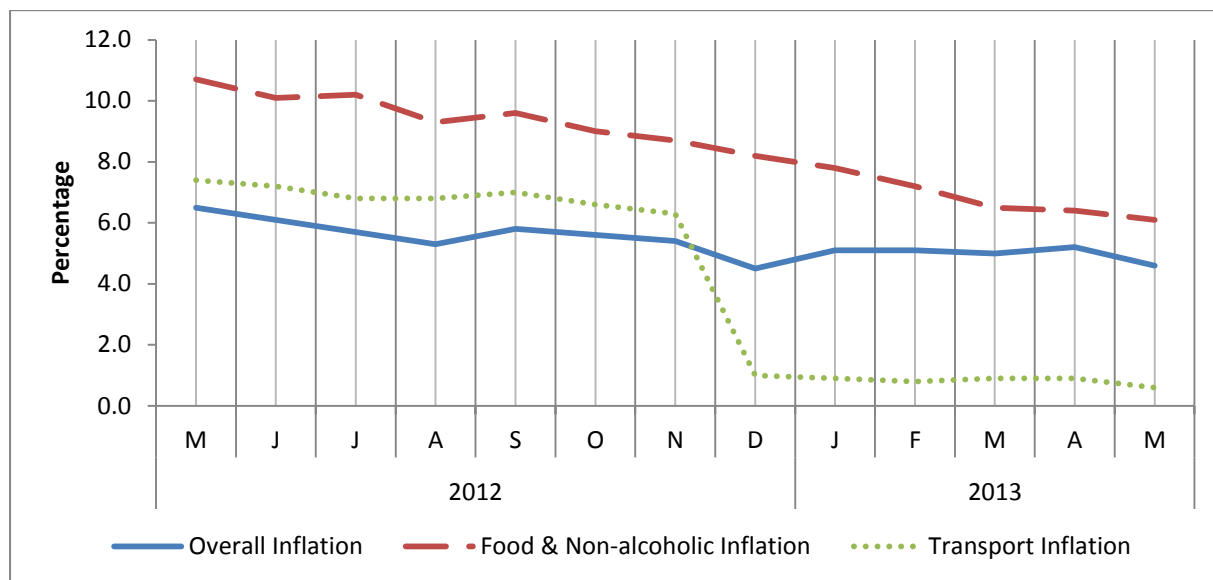
The annual inflation rate eased to 4.6 per cent in May 2013, from 5.2 per cent in April 2013. Annual inflation in May 2013 was lower than the 6.5 per cent recorded during the corresponding month in 2012. On average, prices declined by 0.1 per cent between April and May 2013.

The main components with the highest annual rates were *education (13.4 per cent)*, *housing & utilities (6.6 per cent)*, and *food & non-alcoholic beverages (6.1 per cent)*, while the lowest annual rate 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 June 2013 was maintained 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 May 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

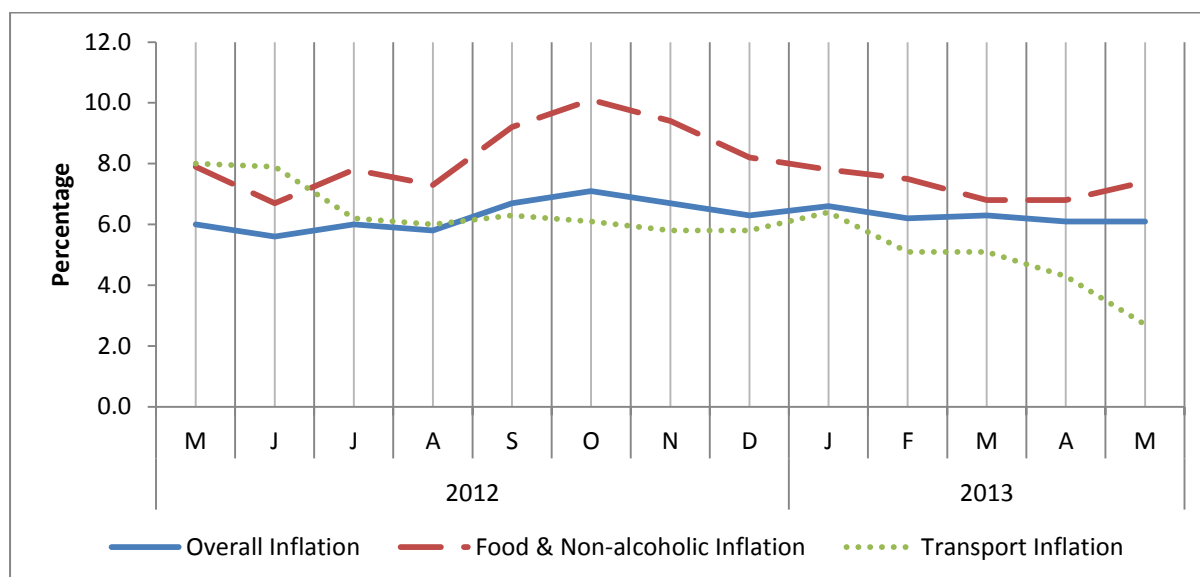
Namibia

The annual inflation rate stood at 6.1 per cent in May 2013, unchanged from the preceding month. The annual rate in May 2013 was slightly higher than the 6.0 per cent recorded during the similar month in 2012. On average, prices increased by 0.2 per cent between April and May 2013.

The main components with the highest annual rates were *housing & utilities (9.6 per cent)*, *alcoholic beverages & tobacco (8.4 per cent)*, and *hotels & restaurants (7.8 per cent)*, while the lowest annual rate was observed in *clothing & footwear (2.5 per cent)*.

The NIR level stood at N\$17.2 billion in May 2013 from N\$17.6 billion recorded in the previous month, and it was sufficient to support the Rand parity. During the month of May 2013, the repo rate remained unchanged at 5.5 per cent. Similarly, the prime rate remained unchanged at 9.25 per cent during May 2013.

Chart 8: Annual Inflation Rate



Source: Namibia Statistics Agency

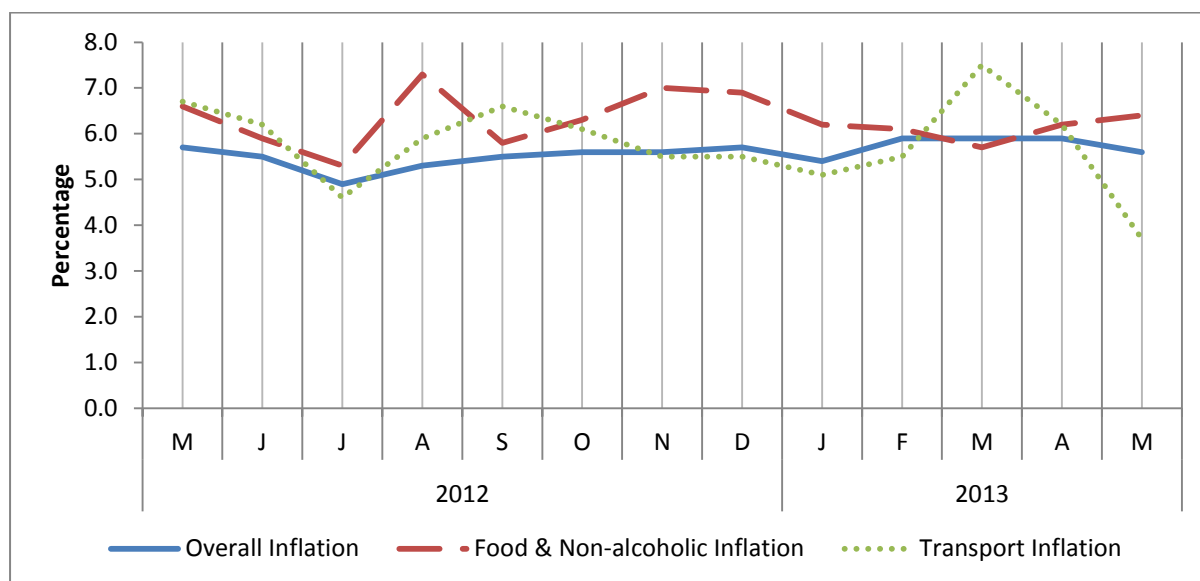
South Africa

The annual inflation rate eased to 5.6 per cent in May 2013, from 5.9 per cent in the previous month. Annual inflation rate in May 2013 was lower than the 5.7 per cent recorded during the similar period in 2012. On average, prices declined by 0.3 per cent between April and May 2013.

The main components with the highest annual rates were *education (9.0 per cent)*, *miscellaneous goods & services (7.4 per cent)*, and *alcoholic beverages & tobacco (6.7 per cent)*, while the lowest annual rate was observed in *communication (0.9 per cent)*.

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

Chart 9: Annual Inflation Rate



Source: Stats SA

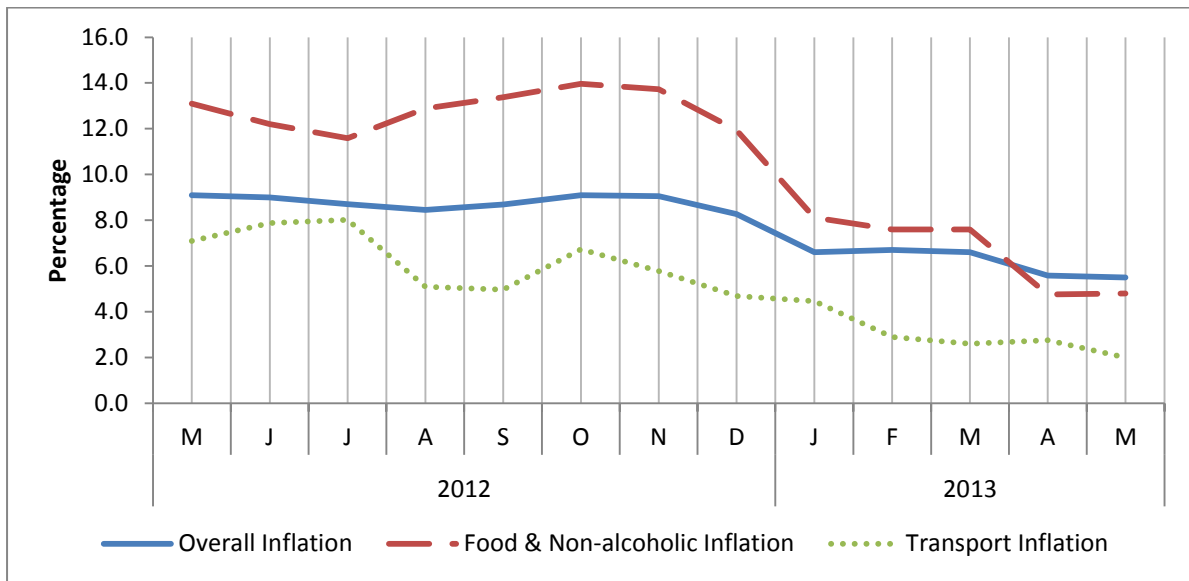
Swaziland

The annual inflation rate eased to 5.5 per cent in May 2013, from 5.6 per cent in the previous month. The annual inflation rate for May 2013 was lower than the 9.1 per cent recorded during the similar period in the previous year. On average, prices increased by 0.2 per cent between April and May 2013.

The main components with the highest annual rates were *health (14.1 per cent)*, *education (9.0 per cent)*, and *recreation & culture (8.8 per cent)*, while the lowest annual rate was observed in *restaurants & hotels (-1.5 per cent)*.

The NIR level for May 2013 slightly declined to E7.4 billion compared to E7.5 billion in April 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 (May 2013)

Main Categories	Botswana	Lesotho	Namibia	South Africa	Swaziland
Food & non-alcoholic beverages	5.6	6.1	7.4	6.4	4.8
Alcoholic beverages & tobacco	10.8	5.5	8.4	6.7	3.9
Clothing & footwear	7.2	1.6	2.5	2.9	3.2
Housing, water, electricity, gas & other fuels	3.3	6.6	9.6	5.8	5.1
Furnishings, household equipment &...	5.2	3.8	6.5	3.0	6.5
Health	4.6	0.5	4.2	5.0	14.1
Transport	8.2	0.6	2.7	3.7	2.0
Communications	0.0	0.0	2.8	0.9	0.0
Recreation & Culture	4.3	0.9	4.0	4.5	8.8
Education	4.7	13.4	6.5	9.0	9.0
Hotels, cafés & restaurants	8.5	1.4	7.8	6.0	-1.5
Miscellaneous goods & services	0.8	2.6	5.4	7.4	-0.3
All Item	6.1	4.6	6.1	5.6	5.5

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