



SACU INFLATION REPORT

September 2013

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Selected Global Inflation Rates

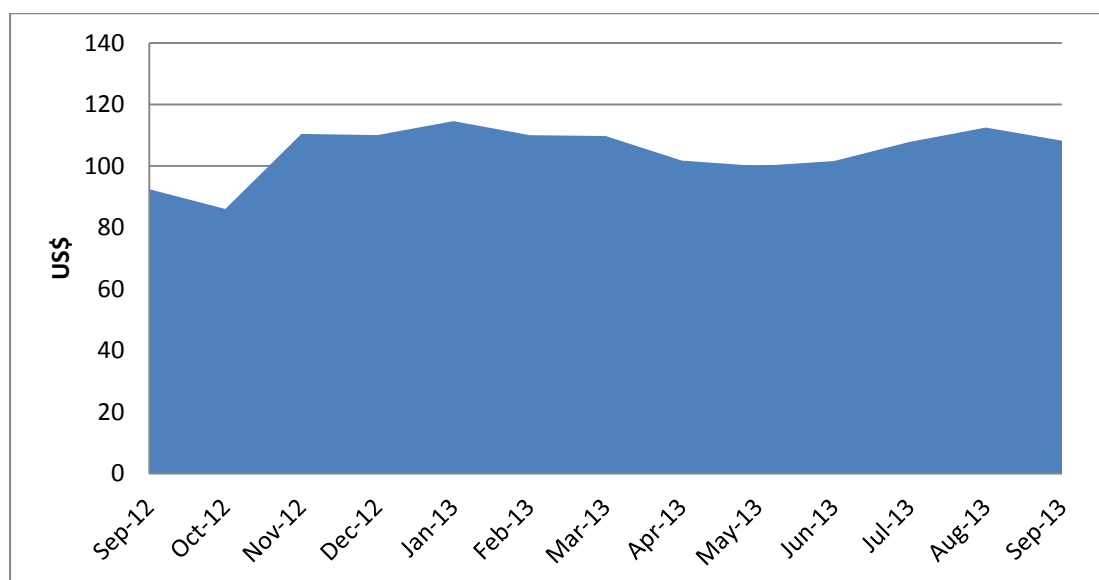
The Food and Agricultural Organisation (FAO) Food Price Index averaged 199.1 points in September 2013, down by 11.0 points from its level in August 2013. The decline in September was the fifth in a row, mainly driven by continued fall in the international prices of cereals, whereas dairy, oil, meat and sugar prices rose slightly.

The FAO Cereal Price Index averaged 197.7 points in September 2013, down by 12.9 points from August 2013. The expectation of better crops harvest this year is the main reason for the decline in international cereal prices. While, the FAO Oils/Fats Price Index, averaged 186.3 points in September 2013, virtually unchanged from the levels of August 2013.

The FAO Meat Price Index averaged 175.7 points in September 2013, up by 1.5 points from August 2013, mainly on account of stronger prices for poultry. Similarly, the FAO Dairy Price Index averaged 240.7 points in September 2013, 1.6 points more than in August 2013. The FAO Sugar Price Index averaged 246.0 points in September 2013, up by 4.3 points from August 2013. The increase in sugar prices was mainly attributable to unfavourable weather condition hampering harvesting operations in the centre-south region of Brazil, the world's largest sugar producer and exporter.

Brent crude oil price closed at USD108.20 per barrel at the end of September 2013, which was 3.8 per cent lower than at the end of August 2013, but higher than the USD92.44 per barrel recorded at the end of September 2012.

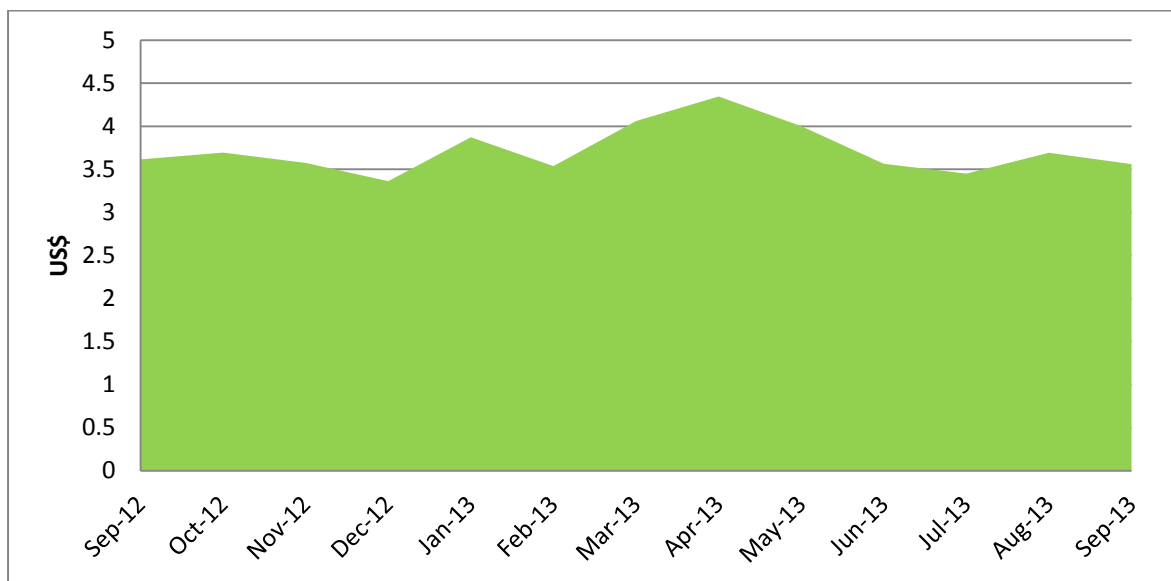
Chart 1: Crude Oil



Source: www.cnbc.com

The Natural gas price closed at USD3.56 at the end of September 2013, which was 3.6 per cent lower than at the end of August 2013.

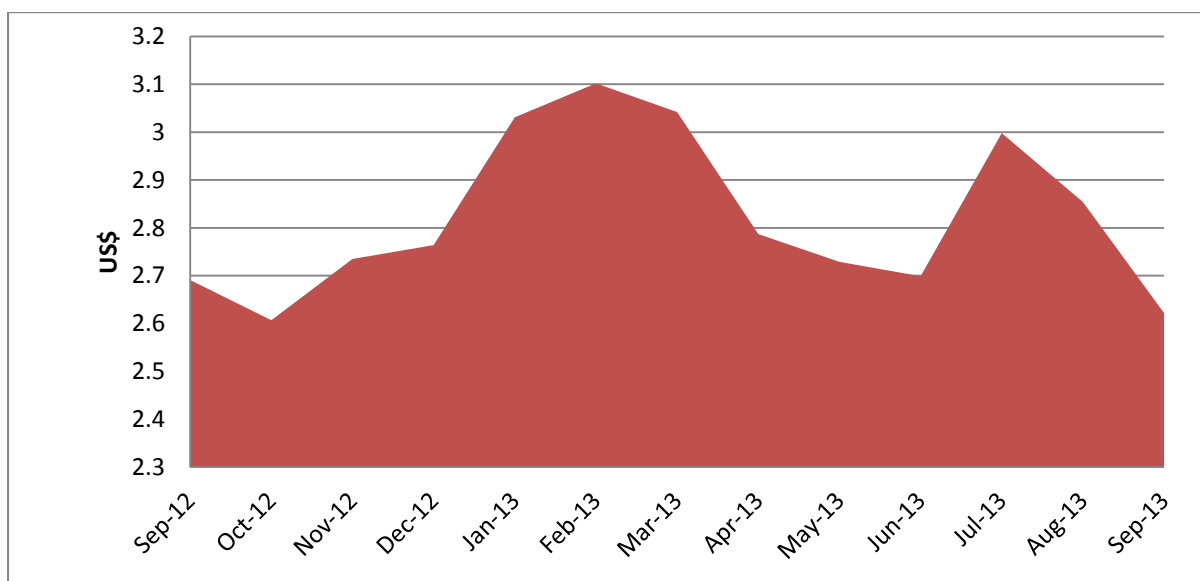
Chart 2: Natural Gas



Source: www.cnbc.com

RBOB gasoline price closed at USD2.62 per barrel at the end of September 2013, which was 8.1 per cent lower than at the end of August 2013.

Chart 3: RBOB Gas



Source: www.cnbc.com

Developed Economies

Euro Area

The annual inflation rate was 1.1 per cent in September 2013, down from 1.3 per cent in August 2013. A year earlier the rate was 2.6 per cent. The largest upward impacts on the annual inflation in September 2013 came from *tobacco (0.10 percentage point)*, *electricity (0.09 percentage points)* and *accommodation services (0.08 percentage points)*, while *fuels for transport (-0.30 percentage points)*, *telecommunications (-0.15 percentage points)*, and *medical & paramedical services (-0.07 percentage points)* exerted downwards pressure. The annual rate recorded for September 2013 remained below the European Central Bank inflation target of below but close to 2.0 per cent.

Japan

The annual inflation rate for September 2013 stood at 1.1 per cent, compared to 0.9 per cent in the previous month. A year earlier the deflation rate was 0.3 per cent. The main components with the highest annual rates were *fuel, light and water charges (5.4 per cent)*, and *transport & communication (2.5 per cent)*, while the lowest annual rates were observed for *furniture & household utensils (-1.3 per cent)*, and *medical care (-0.7 per cent)*.

United Kingdom

The annual inflation rate grew by 2.7 per cent in September 2013, unchanged from August 2013. The rate was 2.2 per cent during the similar period a year earlier. The main components with the highest annual rates were *education (21.4 per cent)*, *alcohol beverages & tobacco (5.4 per cent)*, and *housing & utilities (4.2 per cent)*, while the lowest annual rates were observed for *furniture & household goods (0.7 per cent)*, and *recreation & culture (0.9 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 1.2 per cent in September 2013 compared to 1.5 per cent in the preceding month. The rate was 2.0 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 September 2013, compared to 1.8 per cent in the preceding month. The food index rose by 1.4 per cent in September 2013, unchanged from the preceding month. The energy index declined by 3.1 per cent in September 2013 compared to a decline of 1.0 per cent in the preceding month. The inflation rate for September 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 5.9 per cent in September 2013, from 6.1 per cent in the preceding month. The rate was 5.3 per cent during the similar period a year earlier. The annual rate recorded for September 2013 was in line with the Brazilian Central Bank inflation target of 4.5 per cent with a floating range of 2 percentage points.

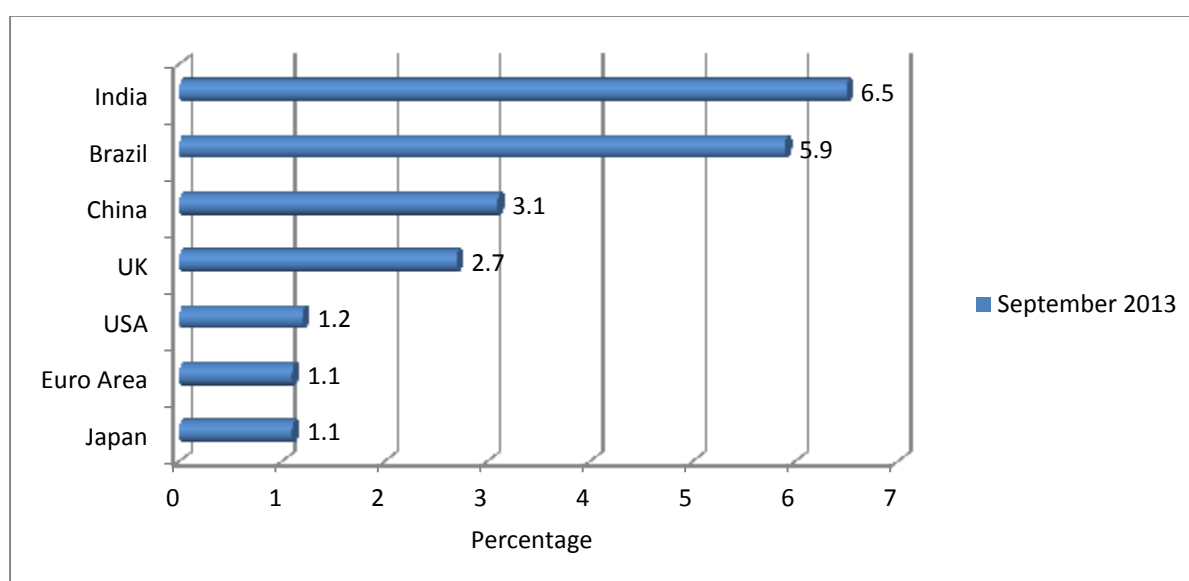
China

The annual inflation rate was 3.1 per cent in September 2013, compared to 2.6 per cent in the preceding month. The rate was 1.9 per cent during the similar period a year earlier. The main components with the highest annual rates were *food (6.1 per cent)*, *residence (2.6 per cent)*, and *clothing (2.3 per cent)*, while the lowest annual rates were observed on *tobacco, liquor & articles (-0.2 per cent)* and *transport & communication (-0.2 per cent)*. The annual inflation rate for September 2013 was slightly above the Government's inflation target of 3.0 per cent.

India

The annual inflation rate was 6.5 per cent in September 2013 as compared to 6.1 per cent in the preceding month and 8.1 per cent during the corresponding month in the previous year. The main components with the highest annual rates were *fuel & power (2.6 per cent)*, and *primary articles (1.5 per cent)*, while the lowest annual rates were observed on *manufactured products (0.7 per cent)*. The inflation rate registered during September 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 September 2013, annual inflation slowed in Botswana (5.0%, down from 5.6% in August), Lesotho (4.8%, down from 5.3% in August), Namibia (5.5%, down from 6.0% in August), South Africa (6.0%, down from 6.4%), and Swaziland (5.7%, down from 5.9% in August). For the month of September 2013, South Africa registered the highest annual inflation rate among the Member States, registering inflation rate of 6.0 per cent followed by Swaziland at 5.7 per cent, Namibia at 5.5 per cent, Botswana at 5.0 per cent, and Lesotho at 4.8 per cent. All Member States continued to record a single digit annual inflation rate during September 2013 as shown in Table 1.

Month-on-month inflation rates varied between 0.3 and 0.5 per cent in Member States between August 2013 and September 2013, as shown in Table 2.

Table 1: Annual Inflation Rates in SACU Member States

	Botswana	Lesotho	Namibia	South Africa	Swaziland
August 2013	5.6	5.3	6.0	6.4	5.9
September 2013	5.0	4.8	5.5	6.0	5.7

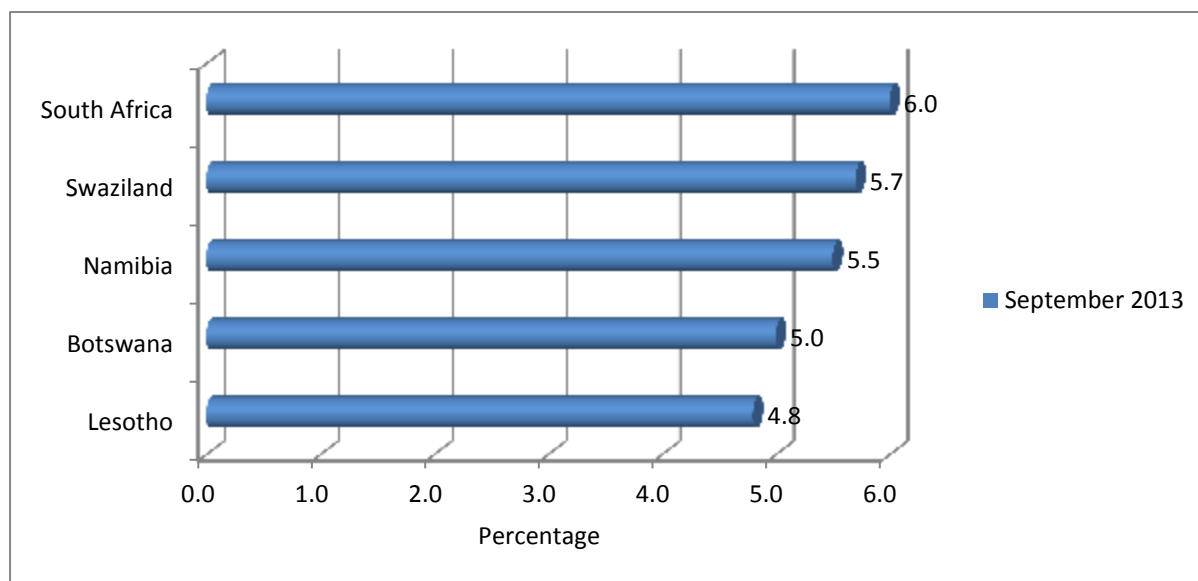
Source: Member States Statistics Offices

Table 2: Monthly Inflation Rates in SACU Member States

	Botswana	Lesotho	Namibia	South Africa	Swaziland
August 2013	0.2	0.9	0.5	0.3	0.5
September 2013	0.3	0.5	0.4	0.5	0.3

Source: Member States Statistics Offices

Chart 5: Annual Inflation Rates in SACU Member States



Source: Member States Statistics Offices

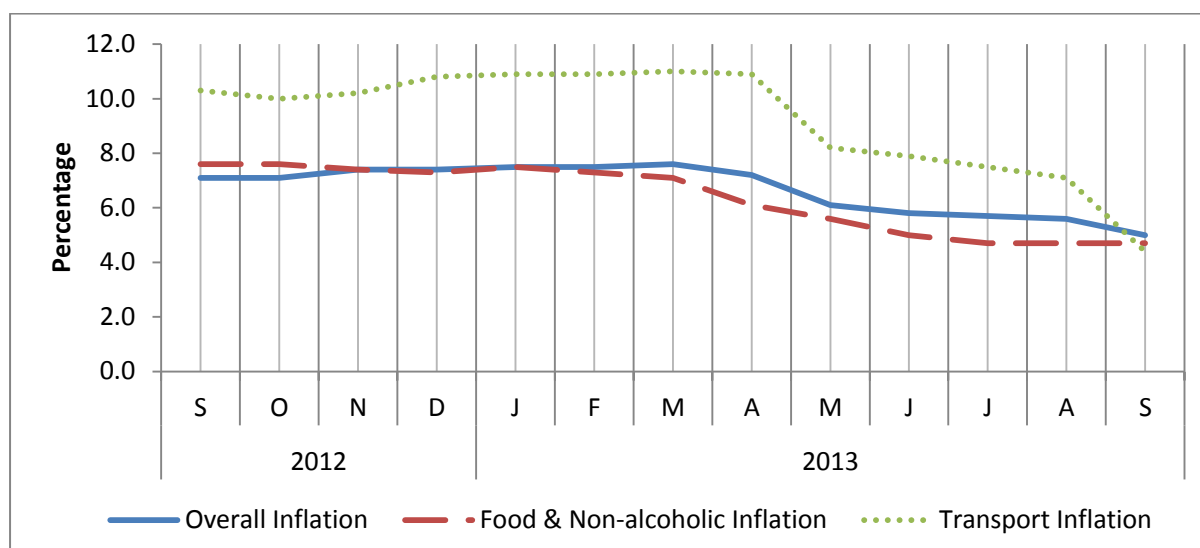
Botswana

The annual inflation rate continued to ease for the fourth consecutive month registering a rate of 5.0 per cent in September 2013, from 5.6 per cent in the preceding month. The annual rate in September 2013 was lower than the 6.6 per cent recorded during the similar month in 2012. On average, prices increased by 0.3 per cent between August and September 2013.

The main components with the highest annual rates were *alcoholic beverages & tobacco (10.2 per cent)*, and *hotels & restaurants (7.2 per cent)*, while the lowest annual rate was observed in *communication (0.3 per cent)*.

The annual inflation rate for September 2013 remained within the inflation target range of 3 – 6 per cent set out by the Bank of Botswana. During the month of September 2013 the bank rate¹ remained at 8.0 per cent, while the prime rate was at 9.5 per cent.

Chart 6: Annual Inflation Rate



Source: Statistics Botswana

Lesotho

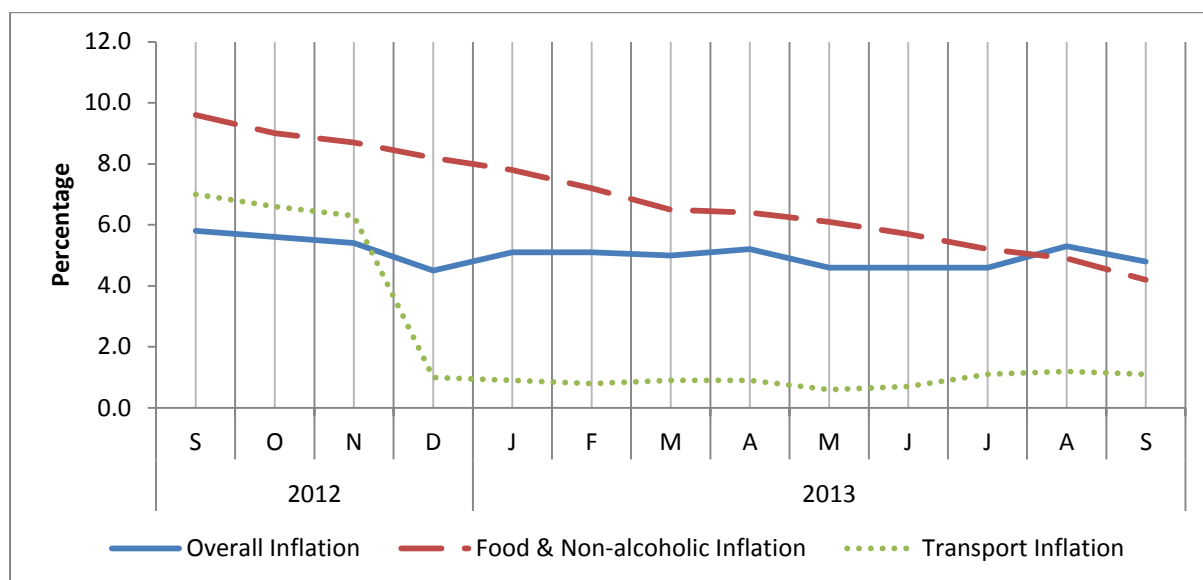
The annual inflation rate eased to 4.8 per cent in September 2013 from 5.3 per cent in the preceding month. A year earlier inflation rate was 5.8 per cent during the corresponding month. On average, prices increased by 0.5 per cent between August and September 2013.

The main components with the highest annual rates were *housing & utilities (14.8 per cent)*, *education (13.4 per cent)*, and *alcohol & tobacco (5.0 per cent)*, while the lowest annual rate was observed in *communications (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 September 2013 was set at USD1.16 billion, which translates to M11.00 billion, a target that is consistent with the maintenance of the exchange rate peg between the Loti and the Rand. During the month of September 2013 the Lombard facility stood at 9.36 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

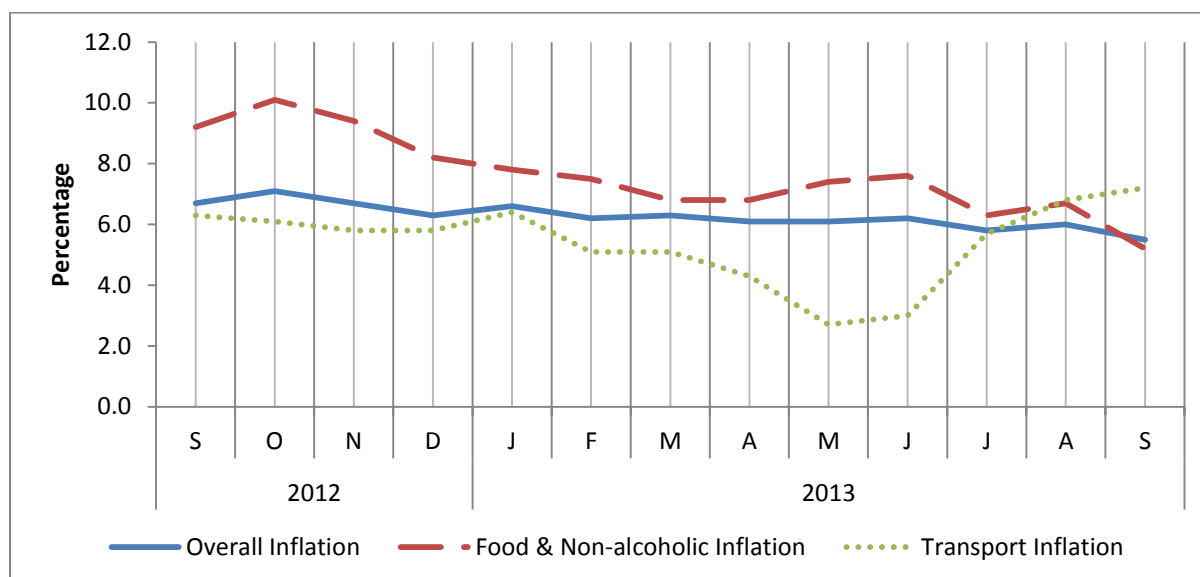
Namibia

The annual inflation rate eased to 5.5 per cent in September 2013 from 6.0 per cent in the preceding month. The annual rate in September 2013 was lower than the 6.7 per cent recorded during the similar month in 2012. On average, prices increased by 0.4 per cent between August and September 2013.

The main components with the highest annual rates were *alcoholic beverages & tobacco (8.4 per cent)*, *housing & utilities (7.4 per cent)*, and *transport (7.8 per cent)*, while the lowest annual rate was observed in *clothing & footwear (0.3 per cent)*.

The NIR level declined to N\$14.5 billion in September 2013 from N\$16.9 billion recorded in the previous month, and it was sufficient to support the Rand parity. During the month of September 2013, the repo rate remained unchanged at 5.5 per cent. Similarly, the prime rate remained unchanged at 9.25 per cent during September 2013.

Chart 8: Annual Inflation Rate



Source: Namibia Statistics Agency

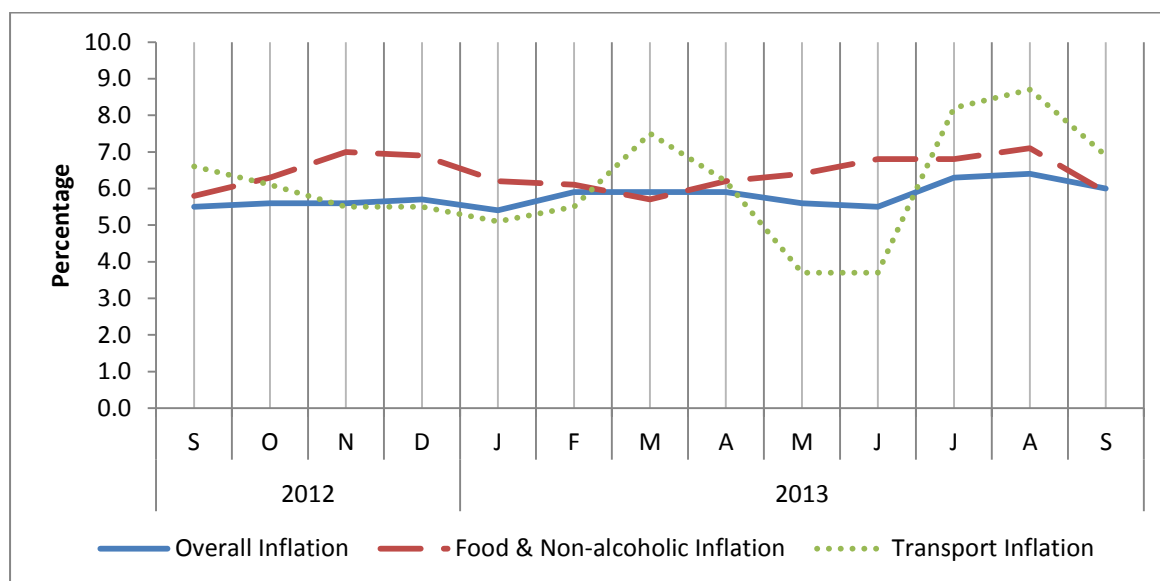
South Africa

The annual inflation rate eased to 6.0 per cent in September 2013, from 6.4 per cent in the previous month. Annual inflation rate in September 2013 was higher than the 5.5 per cent that was recorded in September 2012. On average, prices increased by 0.5 per cent between August and September 2013.

The main components with the highest annual rates were *education (9.0 per cent)*, *miscellaneous goods & services (7.8 per cent)*, and *restaurants & hotels (7.0 per cent)*, while the lowest annual rate was observed in *communication (1.7 per cent)*.

The annual inflation was in line with the upper end of the target range of 3-6 per cent during September 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 September 2013.

Chart 9: Annual Inflation Rate



Source: Stats SA

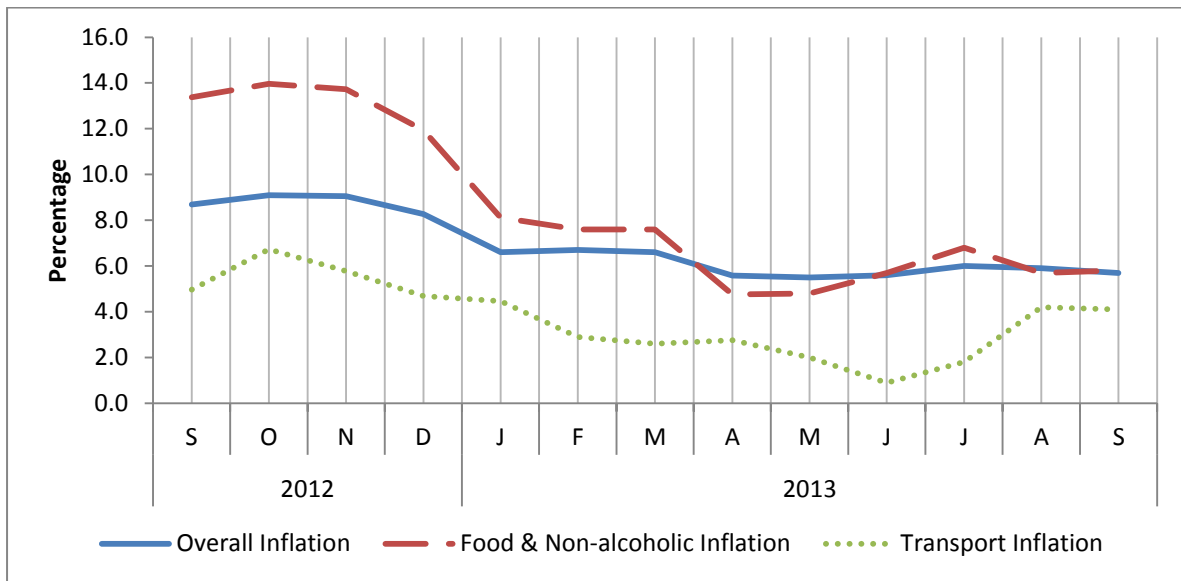
Swaziland

The annual inflation rate eased to 5.7 per cent in September 2013, from 5.9 per cent in the previous month. The annual inflation rate for September 2013 was lower than the 8.7 per cent recorded during the similar period in the previous year. On average, prices increased by 0.3 per cent between August and September 2013.

The main components with the highest annual rates were *health (10.8 per cent)*, *education (9.6 per cent)*, and *recreation & culture (6.7 per cent)*, while the lowest annual rate was observed in *restaurants & hotels (-2.0 per cent)* and *miscellaneous goods & services (-1.1 per cent)*.

The NIR level for September 2013 declined to E7.1 billion from E7.6 billion recorded in August 2013, enough to cover 4.1 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.

Chart 10: Annual Inflation Rate



Source: Central Statistics Office of Swaziland

Appendix

Annual inflation rates by main categories (September 2013)

Main Categories	Botswana	Lesotho	Namibia	South Africa	Swaziland
Food & non-alcoholic beverages	4.7	4.2	5.2	5.9	5.8
Alcoholic beverages & tobacco	10.2	5.0	8.4	6.7	4.9
Clothing & footwear	5.7	1.7	0.3	3.2	4.6
Housing, water, electricity, gas & other fuels	4.1	14.8	7.4	5.4	5.6
Furnishings, household equipment &...	4.4	3.2	4.4	3.8	2.9
Health	4.6	0.7	4.2	4.7	10.8
Transport	4.4	1.1	7.2	6.9	4.1
Communications	0.3	0.0	3.8	1.7	0.0
Recreation & Culture	3.8	0.6	5.7	3.6	6.7
Education	4.7	13.4	6.5	9.0	9.6
Hotels, cafés & restaurants	7.2	0.6	6.8	7.0	-2.0
Miscellaneous goods & services	1.2	2.5	5.6	7.8	-1.1
All Item	5.0	4.8	5.5	6.0	5.7

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