



# **SACU INFLATION REPORT**

**February 2014**

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## FAO Food Price Index

The Food and Agricultural Organisation (FAO) Food Price Index<sup>1</sup> averaged 208.1 points in February 2014, up by 5.2 points from its level in January 2014. The increase was mainly due to price increase in sugar, oils, cereals and dairy products.

The FAO Cereal Price Index averaged 195.8 points in February 2014, up by 2.5 points from January 2014. Overall the cereal prices remained below their level in February last year, a clear sign that the world supply/demand situation has eased considerably compared to last year. Similarly, the FAO Vegetable Oil Price Index averaged 197.8 points in February 2014, up by 9.2 points from January 2014. The FAO Dairy Price Index averaged 275.4 points in February 2014, up by 7.7 points from January 2014. The FAO Meat Price Index averaged 182.6 points in February 2014, down by 0.5 points from January 2014. While, the FAO Sugar Price Index averaged 235.4 points in February 2014, up by 13.7 points from January 2014. Following a three-month decline, sugar prices recovered in late February, prompted by concerns of crop damage from dry weather in Brazil, and recent forecasts pointing to a potential drop of output in India.

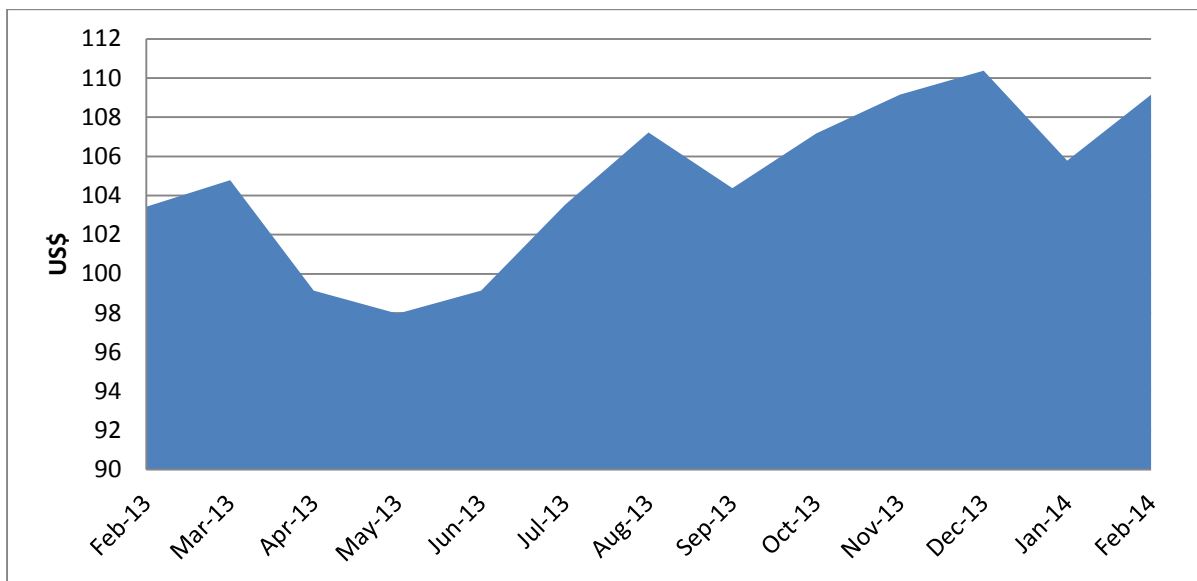
## Selected Commodity Prices

Brent crude oil price closed at USD109.15 per barrel at the end of February 2014, which was 3.2 per cent higher than at the end of January 2014, and higher than the USD103.43 per barrel recorded at the end of February 2013.

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<sup>1</sup> Food Price index: consist of the average of 5 commodity group price indices (meat, dairy, cereals, oil & fat, and sugar) weighted with the average export share of each of the groups for 2002-2004

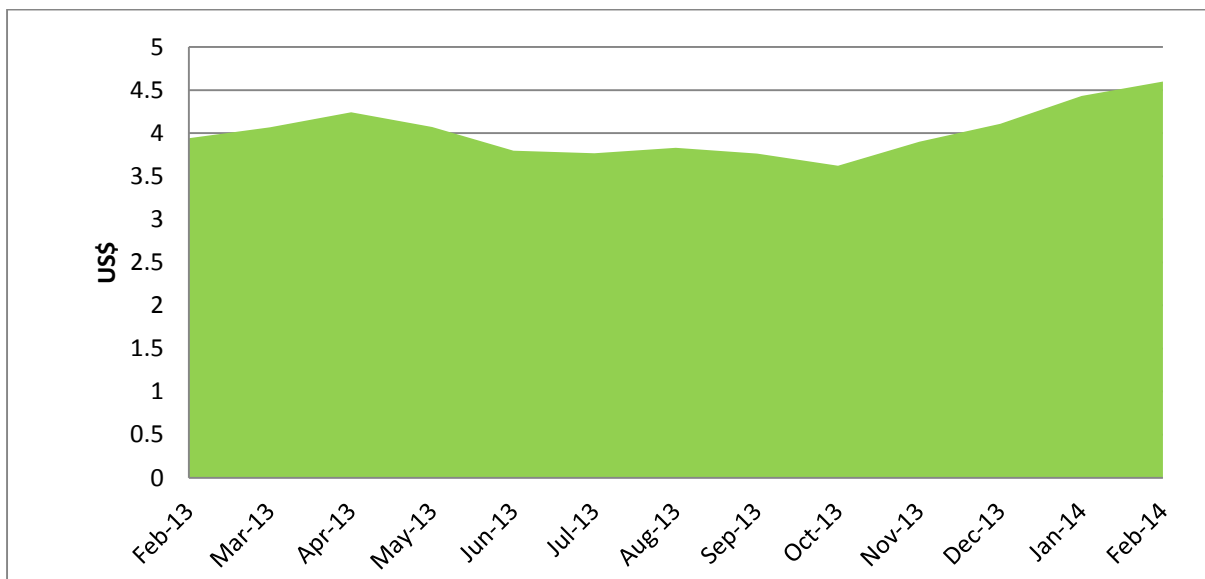
**Chart 1: Crude Oil**



Source: [www.cnbc.com](http://www.cnbc.com)

The Natural gas price closed at USD4.60 at the end of February 2014, which was 3.8 per cent higher than at the end of January 2014.

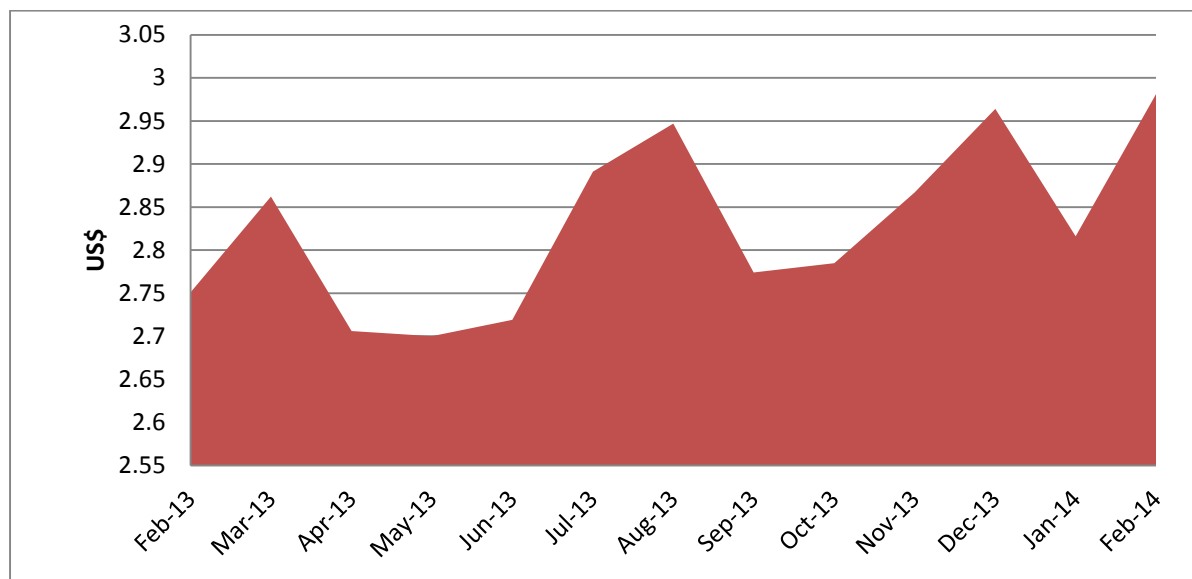
**Chart 2: Natural Gas**



Source: [www.cnbc.com](http://www.cnbc.com)

RBOB gasoline price closed at USD2.98 per barrel at the end of February 2014, which was 5.9 per cent higher than at the end of January 2014.

**Chart 3: RBOB Gas**



Source: [www.cnbc.com](http://www.cnbc.com)

## Inflation Rate for a Selected Developed Economies

### Euro Area

The annual inflation rate was 0.7 per cent in February 2014, down from 0.8 per cent in January 2014. A year earlier the rate was 1.8 per cent. The largest upward impacts on the annual inflation in February 2014 came from *tobacco (0.08 percentage point)*, *electricity (0.06 percentage points)* and *restaurants & cafes (0.06 percentage points)*, while *fuels for transport (-0.30 percentage points)*, *telecommunications (-0.10 percentage points)*, and *heating oil (-0.07 percentage points)* exerted downwards pressure. The annual rate recorded for February 2014 remained below the European Central Bank inflation target of below but close to 2.0 per cent.

### Japan

The annual inflation rate for February 2014 stood at 1.5 per cent, up from 1.4 per cent in the previous month. A year earlier the deflation rate was 0.7 per cent. The main components with the highest annual rates were *fuel, light and water charges (5.8 per*

cent), and *miscellaneous* (3.4 per cent), while the lowest annual rates were observed for *medical care* (-0.5 per cent), and *housing* (-0.3 per cent).

## **United Kingdom**

The annual inflation rate eased to 1.7 per cent in February 2014, down from 1.9 per cent in January 2014. The rate was 2.8 per cent during the similar period a year earlier. The main components with the highest annual rates were *education* (10.3 per cent), *alcohol beverages & tobacco* (4.1 per cent), and *health* (3.4 per cent), while the lowest annual rates were observed for *transport* (-0.4 per cent), and *recreation & culture* (0.7 per cent). The annual inflation rate for February 2014 was below the Bank of England's inflation target of 2.0 per cent.

## **USA**

The annual inflation rate in the world's largest economy eased to 1.1 per cent in February 2014 compared to 1.6 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 1.6 per cent in February 2014, unchanged from the preceding month. The food index rose by 1.4 per cent in February 2014 compared to 1.1 per cent in the preceding month. The energy index registered a decline of 2.5 per cent in February 2014 compared to an inflation of 2.1 per cent in the preceding month. The inflation rate for February 2014 remained below the Federal Reserve Bank's long term inflation estimate of 2.0 per cent.

## **Inflation Rate for a Selected Developing Economies**

### **Brazil**

The annual inflation rate was 5.7 per cent in February 2014, up from 5.6 per cent in the preceding month. The rate was 6.3 per cent during the similar period a year earlier. The annual rate recorded for February 2014 was in line with the Brazilian Central Bank inflation target of 4.5 per cent with a floating range of 2 percentage points.

### **China**

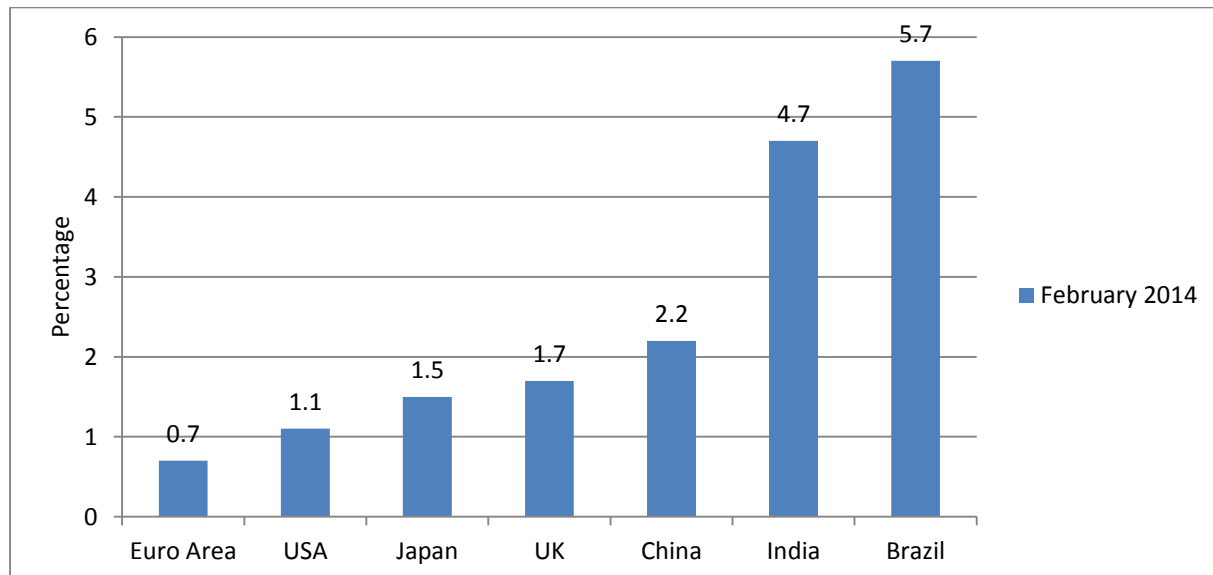
The annual inflation rate eased to 2.2 per cent in February 2014, from 2.5 per cent in the preceding month. The rate was 3.2 per cent during the similar period a year earlier.

The main components with the highest annual rates were *food (3.2 per cent)*, *residence recreation, education, culture articles & services (2.8 per cent)*, and *recreation, education, culture articles & services (2.7 per cent)*, while the lowest annual rates were observed on *tobacco, liquor & articles (-0.7 per cent)* and *transport & communication (-0.1 per cent)*. The annual inflation rate for February 2014 continued to be below the Government’s inflation target of 3.0 per cent.

## India

The annual inflation rate stood at 4.7 per cent in February 2014 as compared to 5.1 per cent in the preceding month and 7.3 per cent during the corresponding month in the previous year. The main components with the highest annual rates were observed on *manufactured products (0.1 per cent)*, while the lowest annual rates were observed on *primary articles (-0.1 per cent)*, and *fuel & power (-0.1 per cent)*. The inflation rate registered during February 2014 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 February 2014, annual inflation remained unchanged in Swaziland (4.7%), while it increased in Botswana (4.6%, up from 4.4% in January), Lesotho (5.7%, up from 5.4% in January), Namibia (5.2%, up from 4.9% in January) and South Africa (5.9%, up from 5.8% in January). For the month of February 2014, South Africa registered the highest annual inflation rate among the Member States, registering inflation rate of 5.9 per cent followed by Lesotho at 5.7 per cent, Namibia at 5.2 per cent, Swaziland at 4.7 per cent, and Botswana at 4.6 per cent. All Member States continued to record a single digit annual inflation rate during February 2014 as shown in Table 1.

Month-on-month inflation rates varied between 0.4 per cent to 1.4 per cent in Member States between January 2014 and February 2014, as shown in Table 2, with Botswana, Lesotho and Namibia recording the highest month-on-month inflation of 0.9 per cent.

**Table 1:** Annual Inflation Rates in SACU Member States

|               | <b>Botswana</b> | <b>Lesotho</b> | <b>Namibia</b> | <b>South Africa</b> | <b>Swaziland</b> |
|---------------|-----------------|----------------|----------------|---------------------|------------------|
| January 2014  | 4.4             | 5.4            | 4.9            | 5.8                 | 4.7              |
| February 2014 | 4.6             | 5.7            | 5.2            | 5.9                 | 4.7              |

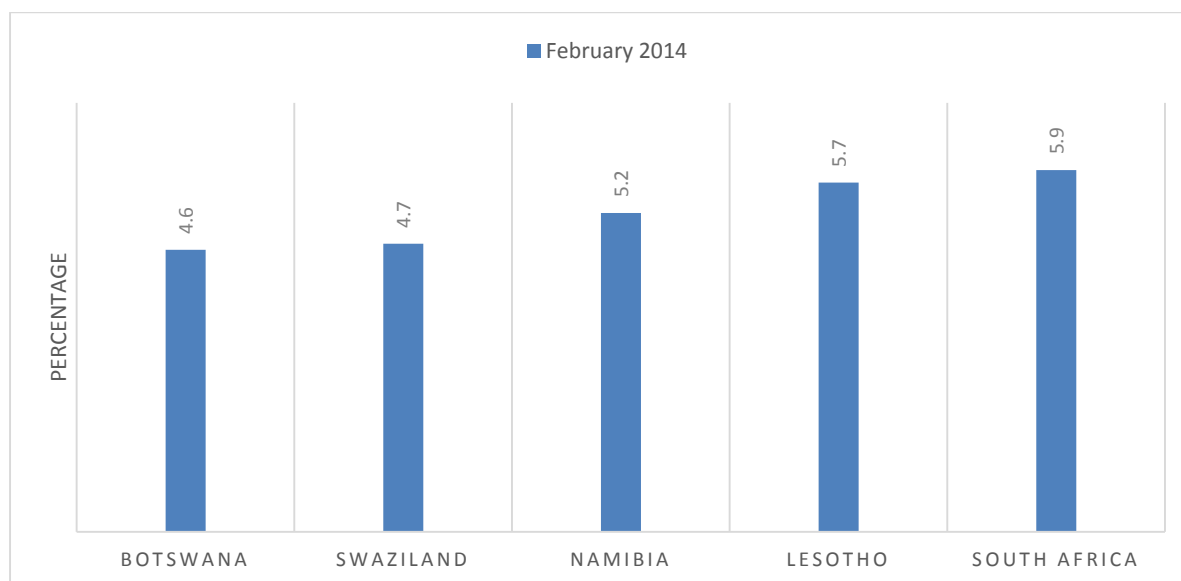
Source: Member States Statistics Offices

**Table 2:** Monthly Inflation Rates in SACU Member States

|               | <b>Botswana</b> | <b>Lesotho</b> | <b>Namibia</b> | <b>South Africa</b> | <b>Swaziland</b> |
|---------------|-----------------|----------------|----------------|---------------------|------------------|
| January 2014  | 0.9             | 0.9            | 0.9            | 0.7                 | 0.5              |
| February 2014 | 0.4             | 0.6            | 0.7            | 1.1                 | 1.4              |

Source: Member States Statistics Offices

**Chart 5: Annual Inflation Rates in SACU Member States**



Source: Member States Statistics Offices

## Botswana

The annual inflation rate rose to 4.6 per cent in February 2014, from 4.4 per cent in the preceding month. The annual rate in February 2014 was lower than the 7.5 per cent recorded during the similar month in 2013. On average, prices increased by 0.4 per cent between January and February 2014.

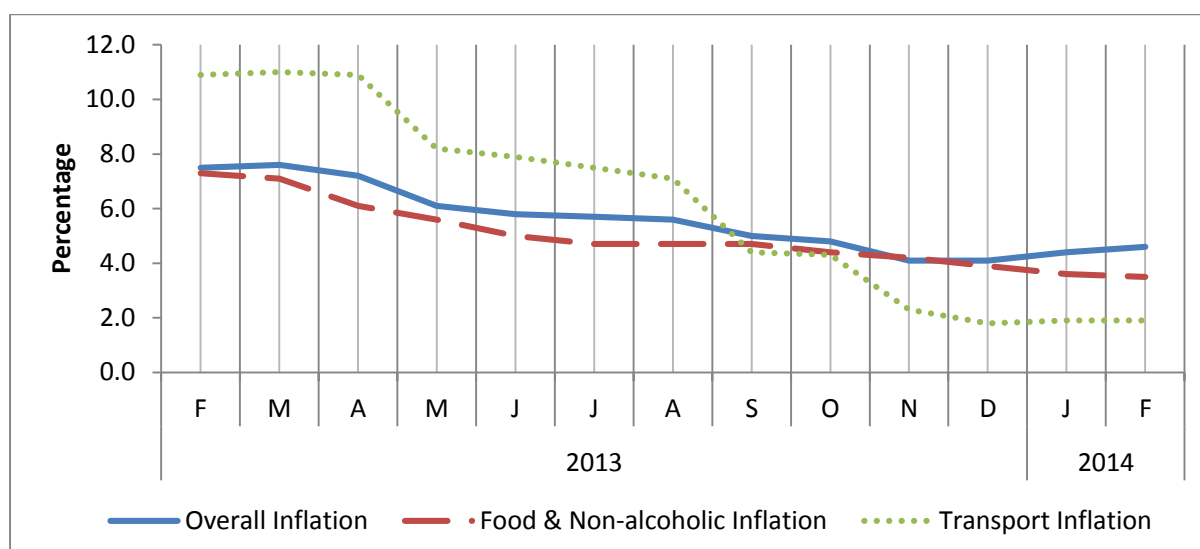
The main components with the highest annual rates were *alcoholic beverages & tobacco (10.5 per cent)*, mainly because of the alcoholic beverages products prices that increased by 11.0 per cent. This was followed by *hotels & restaurants (8.9 per cent)*, mainly because of an increase of 9.2 per cent in prices for restaurants, cafes and the like. While the lowest annual rate was observed in *communication (0.4 per cent)*.

The annual inflation rate for February 2014 remained within the inflation target range of 3 – 6 per cent set out by the Bank of Botswana since June 2013. During the month of February 2014 the bank rate<sup>2</sup> remained at 7.5 per cent, while the prime rate was 8.5 per cent.

<sup>2</sup> Bank rate is the rate at which the Central Bank lends to Commercial Banks



**Chart 6: Annual Inflation Rate**



Source: Statistics Botswana

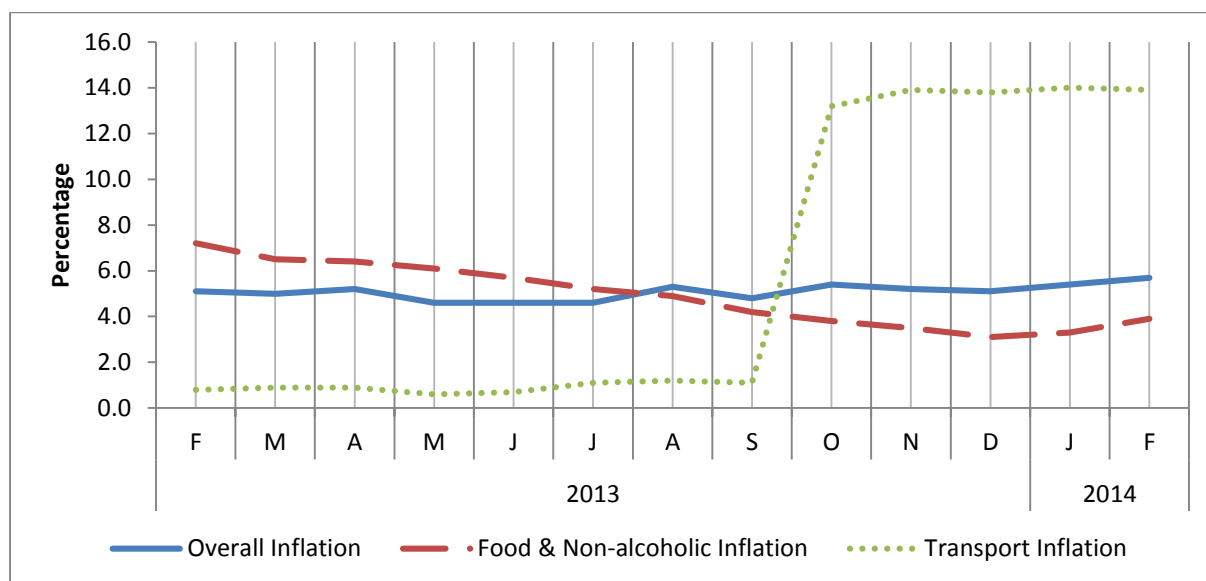
## Lesotho

The annual inflation rate rose to 5.7 per cent in February 2014 from 5.4 per cent in the preceding month. A year earlier inflation rate was 5.1 per cent during the corresponding month. On average, prices increased by 0.6 per cent between January 2014 and February 2014.

The main components with the highest annual rates were *transport (13.9 per cent)*, mainly because of an increase of 21.5 per cent in transport services. This was followed by *housing & utilities (12.9 per cent)*, mainly due to an increase of 18.9 per cent in electricity, gas and other fuels, 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 March 2014 was set at USD0.56 billion, which translates to M6.04 billion, a target that is consistent with the maintenance of the exchange rate peg between the Loti and the Rand. During the month of February 2014 the Lombard facility stood at 9.91 per cent, while the prime lending rate was recorded at 10.25 per cent.

**Chart 7: Annual Inflation Rate**



Source: Bureau of Statistics of Lesotho

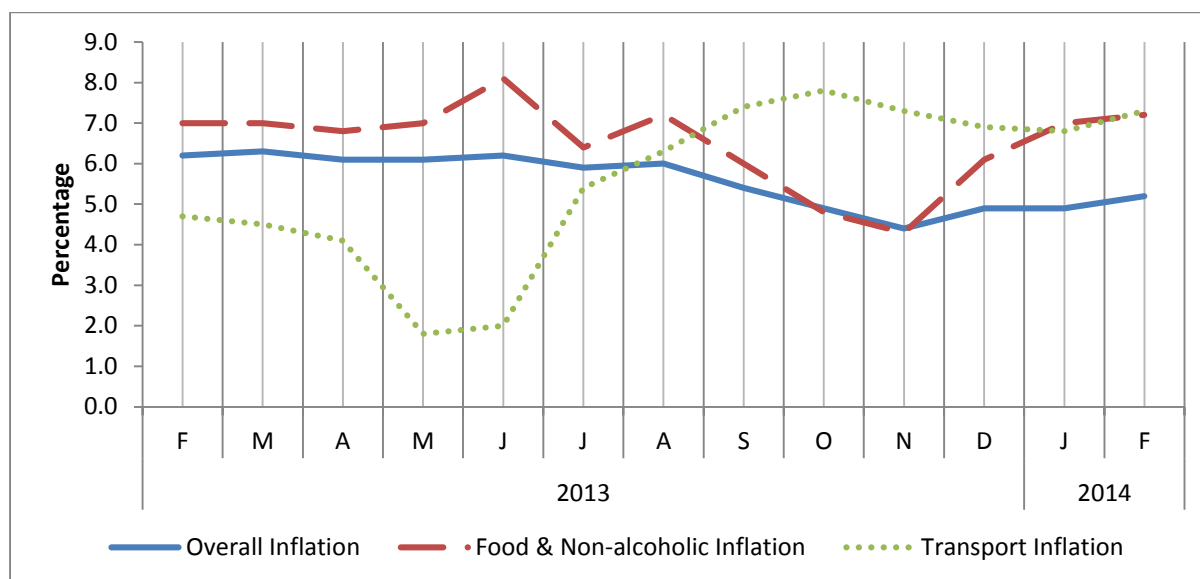
## Namibia

The annual inflation rate rose by 5.2 per cent in February 2014 from 4.9 per cent in the preceding month. The annual rate in February 2014 was lower than the 5.8 per cent recorded during the similar month in 2013. On average, prices increased by 0.7 per cent between January 2014 and February 2014.

The main components with the highest annual rates were *education (8.0 per cent)*, mainly reflected in the tertiary education that increased by 9.8 per cent. Followed by *transport (7.3 per cent)*, mainly due to an increase of 8.4 per cent in the operations of personal transport equipment. The lowest annual rate was observed in *communications (-0.3 per cent)*.

The NIR level declined to N\$16.6 billion in February 2014 from N\$18.6 billion recorded in the previous month, and it was sufficient to support the Rand parity. During the month of February 2014, the repo rate remained unchanged at 5.5 per cent. Similarly, the prime rate remained unchanged at 9.25 per cent during February 2014.

**Chart 8: Annual Inflation Rate**



Source: Namibia Statistics Agency

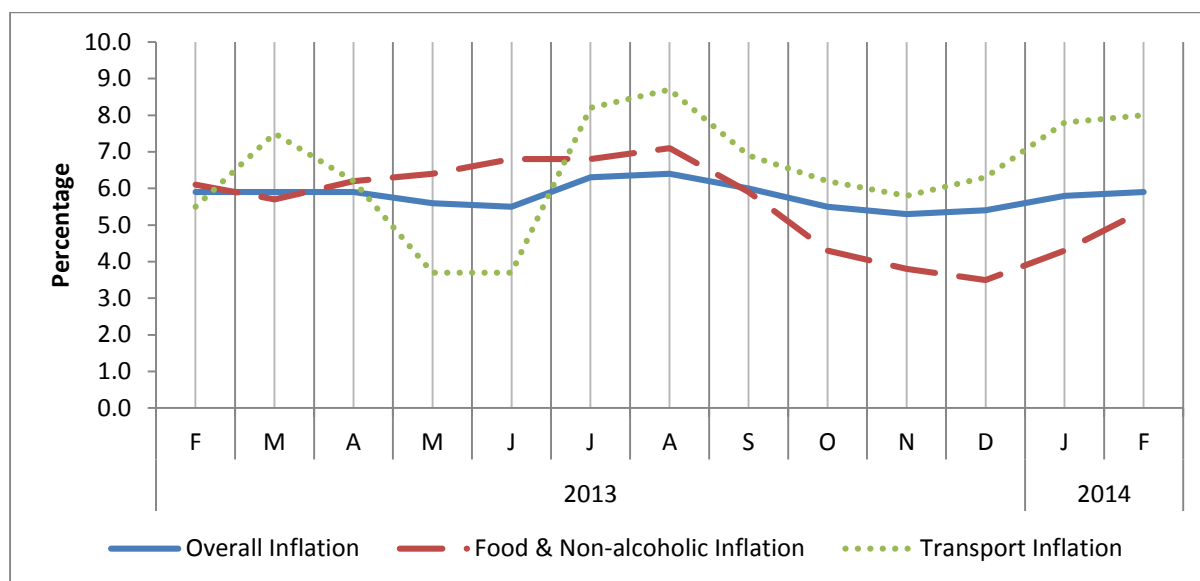
## South Africa

The annual inflation rate rose to 5.9 per cent in February 2014, from 5.8 per cent in the previous month. Annual inflation rate in February 2014 was similar to the rate that was recorded in February 2013. On average, prices increased by 1.1 per cent between January 2014 and February 2014.

The main components with the highest annual rates were *education (9.0 per cent)*, this was mainly reflected in the primary and secondary sub-group that increased by 9.1 per cent. Followed by *transport (8.0 per cent)*, mainly due to the 12.3 per cent increase in the private transport operation. While the lowest annual rate was observed in *communication (1.2 per cent)*.

The annual inflation rate continued to remain within the target range of 3-6 per cent since 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 February 2014.

**Chart 9: Annual Inflation Rate**



Source: Stats SA

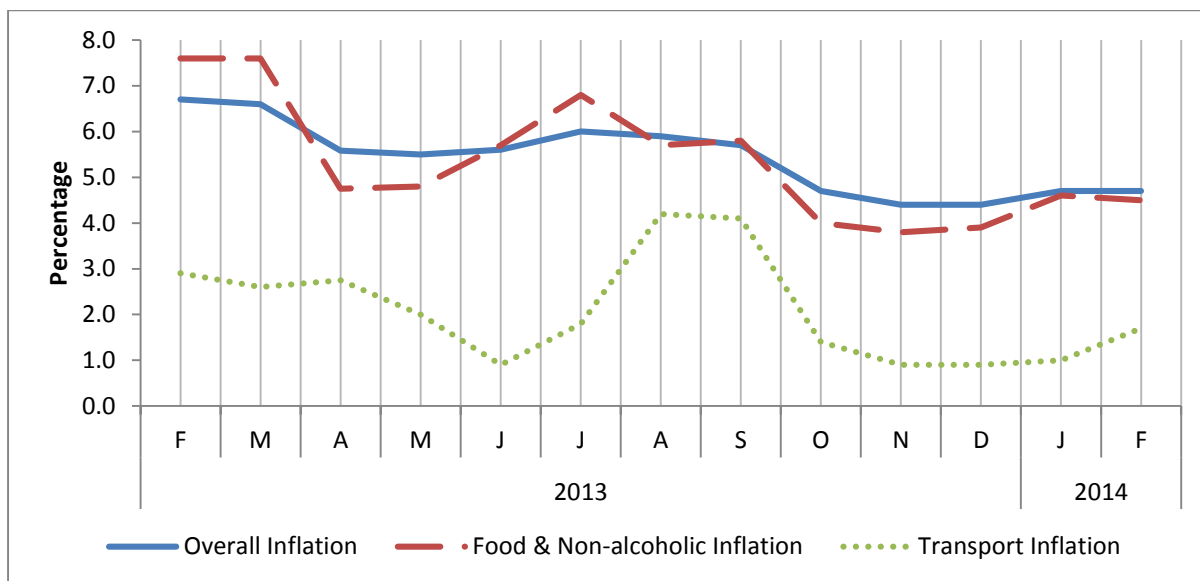
### Swaziland

The annual inflation rate remained unchanged at 4.7 per cent in February 2014 compared to the previous month. The annual inflation rate for February 2014 was lower than the 6.7 per cent recorded during the similar period in the previous year. On average, prices rose by 1.4 per cent between January 2014 and February 2014.

The main components with the highest annual rates were *health (10.8 per cent)*, mainly due to 4.8 per cent increase in prices of the other medical products. This was followed by *recreation & culture (7.6 per cent)*, mainly due 14.8 per cent price increase in audio-visual, photographic and information processing equipment category. While the lowest annual rate was observed in *communications (stagnant)*.

The NIR level for February 2014 declined to E8.7 billion compared to E9.2 billion in the previous month, enough to cover 4.3 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 (February 2014)

| Main Categories                                | Botswana | Lesotho | Namibia | South Africa | Swaziland |
|--|----------|---------|---------|--------------|-----------|
| Food & non-alcoholic beverages                 | 3.5      | 3.9     | 7.2     | 5.4          | 4.5       |
| Alcoholic beverages & tobacco                  | 10.5     | 7.1     | 6.8     | 6.5          | 3.0       |
| Clothing & footwear                            | 6.1      | 2.8     | 3.6     | 4.2          | 5.4       |
| Housing, water, electricity, gas & other fuels | 4.4      | 12.9    | 3.3     | 5.5          | 5.5       |
| Furnishings, household equipment &...          | 4.5      | 3.0     | 4.4     | 3.8          | 3.7       |
| Health   | 7.0      | 0.6     | 4.2     | 4.8          | 10.8      |
| Transport                                      | 1.9      | 13.9    | 7.3     | 8.0          | 1.7       |
| Communications                                 | 0.4      | 0.0     | -0.3    | 1.2          | 0.0       |
| Recreation & Culture                           | 4.9      | 0.8     | 5.1     | 2.4          | 7.6       |
| Education                                      | 7.4      | 7.1     | 8.0     | 9.0          | 7.0       |
| Hotels, cafés & restaurants                    | 8.9      | 0.9     | 6.3     | 7.7          | 1.8       |
| Miscellaneous goods & services                 | 1.9      | 4.6     | 3.5     | 6.2          | 1.8       |
| All Item                                       | 4.6      | 5.7     | 5.2     | 5.9          | 4.7       |

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   | 16.45   | 15.41        | 29.22     |
| Alcoholic beverages & tobacco                  | 9.29     | 1.22    | 12.59   | 5.43         | 0.39      |
| Clothing & footwear                            | 7.52     | 17.43   | 3.05    | 4.07         | 3.42      |
| Housing, water, electricity, gas & other fuels | 11.46    | 10.60   | 28.36   | 24.52        | 29.15     |
| Furnishings, household equipment &...          | 6.76     | 9.42    | 5.47    | 4.79         | 4.75      |
| Health   | 2.71     | 1.88    | 2.01    | 1.46         | 3.39      |
| Transport                                      | 18.98    | 8.47    | 14.28   | 16.43        | 10.50     |
| Communications                                 | 3.01     | 1.24    | 3.81    | 2.63         | 2.74      |
| Recreation & Culture                           | 2.22     | 2.39    | 3.55    | 4.09         | 1.07      |
| Education                                      | 3.37     | 2.75    | 3.65    | 2.95         | 9.11      |
| Hotels, cafés & restaurants                    | 3.27     | 0.66    | 1.39    | 3.50         | 1.79      |
| Miscellaneous goods & services                 | 9.57     | 5.81    | 5.39    | 14.72        | 4.47      |
| All Item                                       | 100.00   | 100.00  | 100.00  | 100.00       | 100.00    |

Source: SACU Member States Statistics Offices