



SACU INFLATION REPORT

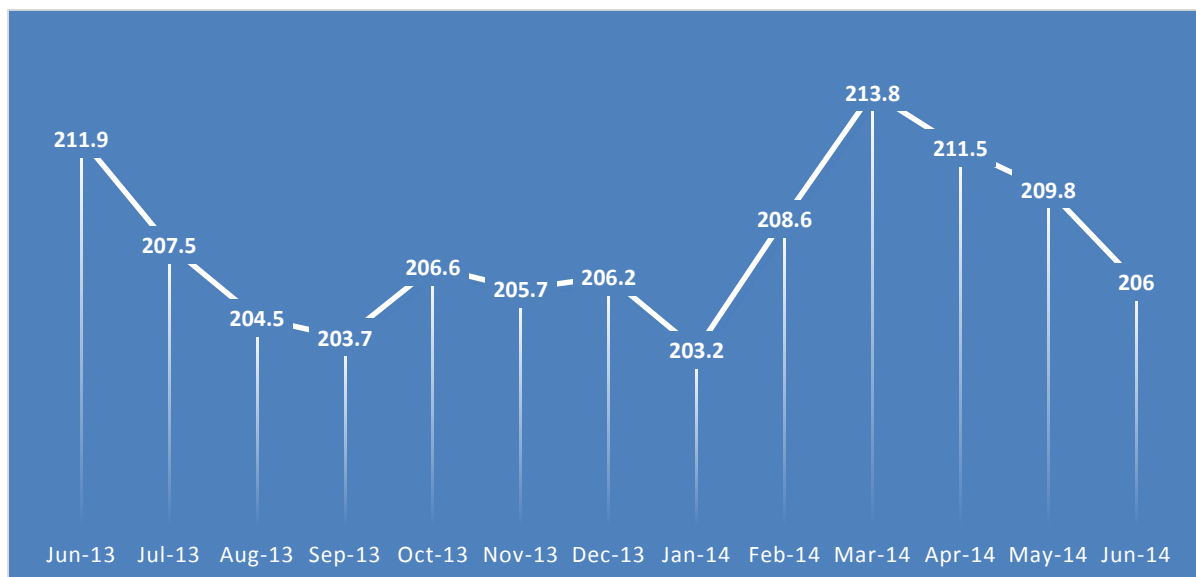
June 2014

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FAO Food Price Index

The Food and Agricultural Organisation (FAO) Food Price Index¹ averaged 206.0 points in June 2014, down by 3.8 points from its level in May 2014. The decline was largely reflected in cereal and vegetable oil prices.

Chart 1: FAO Food Price Index



Source: Food and Agriculture Organization of the United Nations

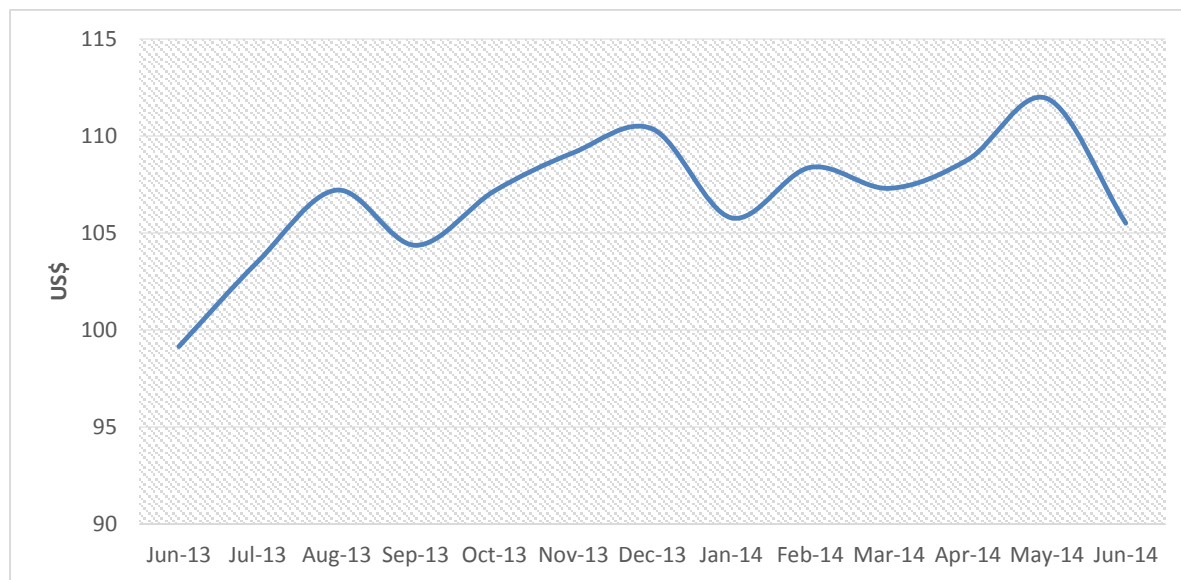
The FAO Cereal Price Index averaged 196.2 points in June 2014, down by 10.9 point from May 2014, this was mainly due to wheat and maize, both of which fell by close to 7 per cent. Similarly, the FAO Vegetable Oil Price Index averaged 188.9 points in June 2014, down by 6.4 points from May 2014, the drop in the index was driven by palm oil whose values dropped due to a subdued global import demand. The FAO Dairy Price Index averaged 236.5 points in June 2014, down by 2.5 points from May 2014. The FAO Meat Price Index averaged 194.2 points in June 2014, up by 1.4 points from May 2014. While, the FAO Sugar Price Index averaged 258.0 points in June 2014, down by 1.2 points from May 2014.

¹ 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

Selected Commodity Prices

Brent crude oil price closed at USD105.52 per barrel at the end of June 2014, which was 5.7 per cent lower than at the end of May 2014, but higher than the USD99.15 per barrel recorded at the end of June 2013.

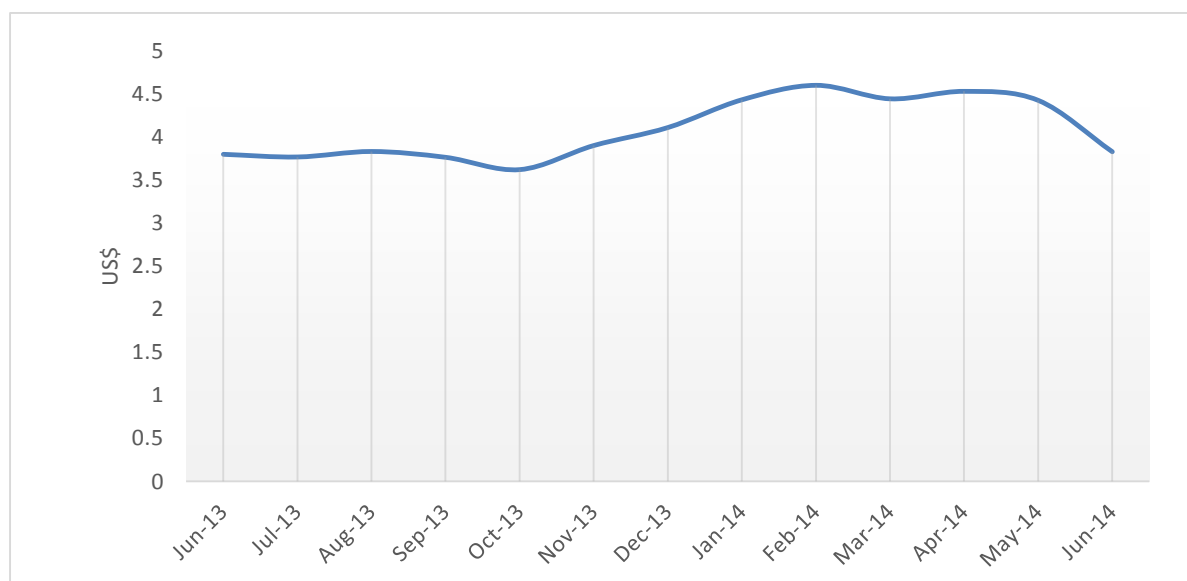
Chart 2: Crude Oil



Source: www.cnbc.com

The Natural gas price closed at USD3.83 at the end of June 2014, which was 13.5 per cent lower than at the end of May 2014.

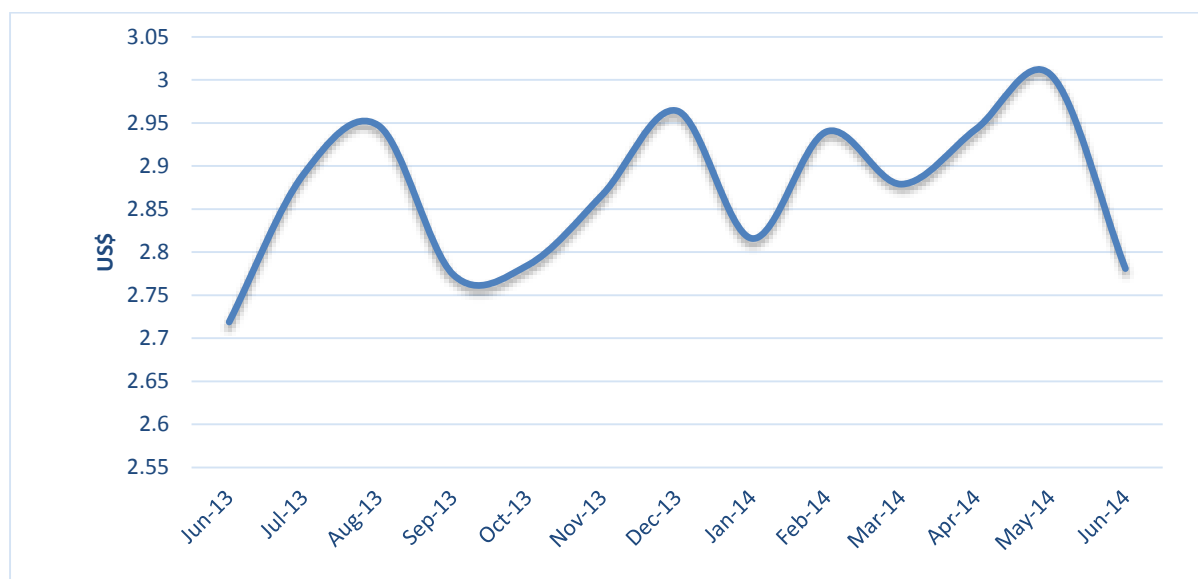
Chart 3: Natural Gas



Source: www.cnbc.com

RBOB gasoline price closed at USD2.78 per barrel at the end of June 2014, which was 7.5 per cent lower than at the end of May 2014.

Chart 4: RBOB Gas



Source: www.cnbc.com

Inflation Rate for a Selected Developed Economies

Euro Area

The annual inflation rate was 0.5 per cent in June 2014, unchanged from May 2014. A year earlier the rate was 1.6 per cent. The largest upward impact on the annual inflation in June 2014 came from *tobacco (0.08 percentage point)*, and *restaurants & cafes (0.07 percentage points each)*, while *vegetables (-0.14 percentage points)*, and *telecommunications (-0.11 percentage points)* exerted the biggest downward pressure. The annual rate recorded for June 2014 remained below the European Central Bank inflation target of below but close to 2.0 per cent.

Japan

The annual inflation rate for June 2014 stood at 3.6 per cent, down from 3.7 per cent in the previous month. A year earlier the rate was 0.2 per cent. The main components with the highest annual rates were *fuel, light and water charges (8.1 per cent)*, *food (5.1 per cent)*, and *furniture & household utensils (5.1 per cent)*, while the lowest annual rate was observed for *housing (0.1 per cent)*.

United Kingdom

The annual inflation rate rose to 1.9 per cent in June 2014, up from 1.5 per cent in May 2014. The rate was 2.9 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 (5.0 per cent)*, and *housing & utilities (3.2 per cent)*, while the lowest annual rates were observed for *food & non-alcoholic beverages* and *miscellaneous goods*. The annual inflation rate for June 2014 was below but close to the Bank of England's inflation target of 2.0 per cent.

USA

The annual inflation rate in the world's largest economy rose to 2.1 per cent in June 2014 unchanged from the preceding month. The rate was 1.8 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 June 2014, compared to an inflation rate of 2.0 per cent in the preceding month. The food index rose by 2.3 per cent in June 2014 compared to 2.5 per cent in the preceding month. The energy index registered an increase of 3.2 per cent in June 2014 compared to 3.3 per cent in the preceding month. The inflation rate for June 2014 remained slightly above 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 6.5 per cent in June 2014, up from 6.4 per cent in the preceding month. The rate was 6.7 per cent during the similar period a year earlier. The annual rate recorded for June 2014 continued to be within the Brazilian Central Bank inflation target of 4.5 per cent with a floating range of 2 percentage points.

China

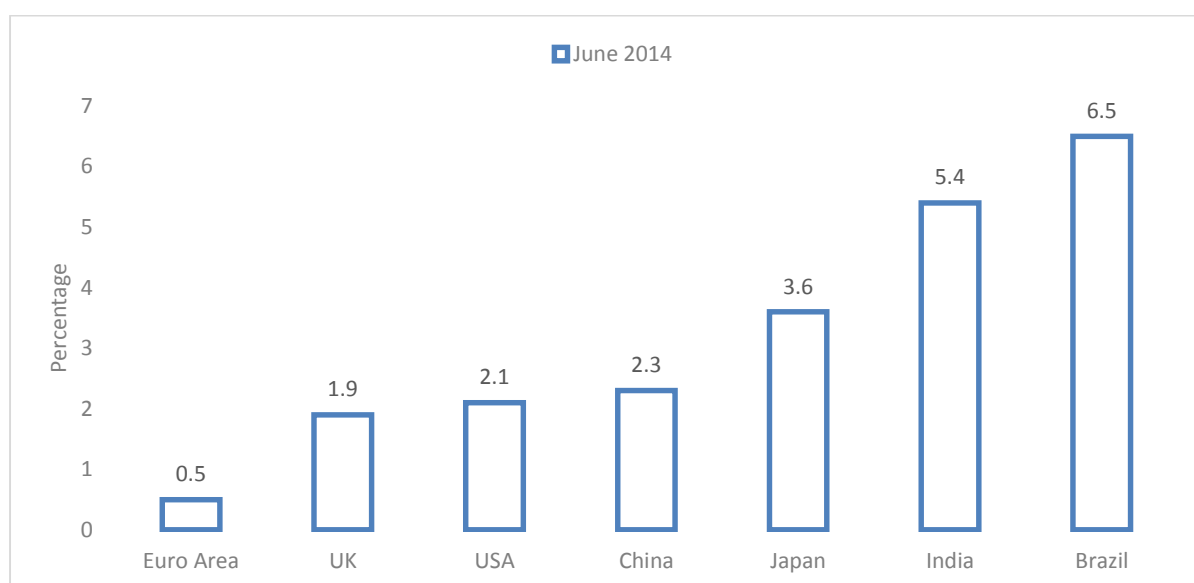
The annual inflation rate rose by 2.3 per cent in June 2014, down from 2.5 per cent in the preceding month. The rate was 2.7 per cent during the similar period a year earlier. The main components with the highest annual rates were *food (3.7 per cent)*, *clothing (2.6 per cent)*, and *residence (2.2 per cent)*, while the lowest annual rates were

observed on *tobacco, liquor & articles* (-0.6 per cent). The annual inflation rate for June 2014 continued to be below the Government's inflation target of 3.0 per cent.

India

The annual inflation rate stood at 5.4 per cent in June 2014 as compared to 6.0 per cent in the preceding month and 5.2 per cent during the corresponding month in the previous year. The main components with the highest annual rates were observed on *primary articles* (1.3 per cent), while the lowest annual rates were observed on *manufactured products* (0.1 per cent) and *fuel & power* (0.2 per cent). The inflation rate registered during June 2014 remained above the Reserve Bank target range of 4.0 – 4.5 per cent.

Chart 5: Annual Inflation Rates for Selected Economies



Source: inflation.eu

Inflation Rate in SACU Member States

In June 2014, annual inflation remained unchanged in Namibia (6.1%) and South Africa (6.6%), while it increased in Botswana (4.6%, up from 4.5% in May). On the other hand annual inflation declined in Lesotho (6.5%, down from 6.7% in May), and in Swaziland (5.3%, down from 5.5% in May). For the month of June 2014, South Africa registered the highest annual inflation rate among the Member States, registering inflation rate of 6.6 per cent followed by Lesotho at 6.5 per cent, Namibia

at 6.1 per cent, Swaziland at 5.3 per cent, and Botswana at 4.6 per cent. All Member States continued to record a single digit annual inflation rate during June 2014 as shown in Table 1.

Month-on-month inflation rates varied between zero and 0.3 per cent in Member States between May 2014 and June 2014, as shown in Table 2, with Swaziland recording the lowest month-on-month inflation at zero.

Table 1: Annual Inflation Rates in SACU Member States

	Botswana	Lesotho	Namibia	South Africa	Swaziland
May 2014	4.5	6.7	6.1	6.6	5.5
June 2014	4.6	6.5	6.1	6.6	5.3

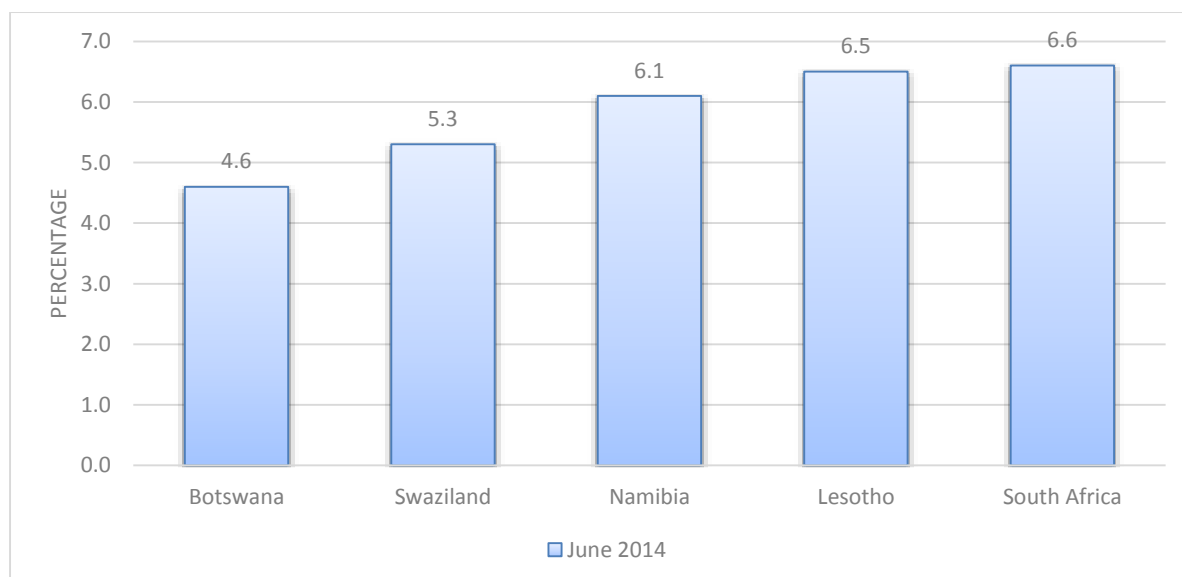
Source: Member States Statistics Offices

Table 2: Monthly Inflation Rates in SACU Member States

	Botswana	Lesotho	Namibia	South Africa	Swaziland
May 2014	0.2	0.6	0.3	0.2	0.3
June 2014	0.3	0.3	0.3	0.3	0.0

Source: Member States Statistics Offices

Chart 6: Annual Inflation Rates (%) in SACU Member States



Source: Member States Statistics Offices

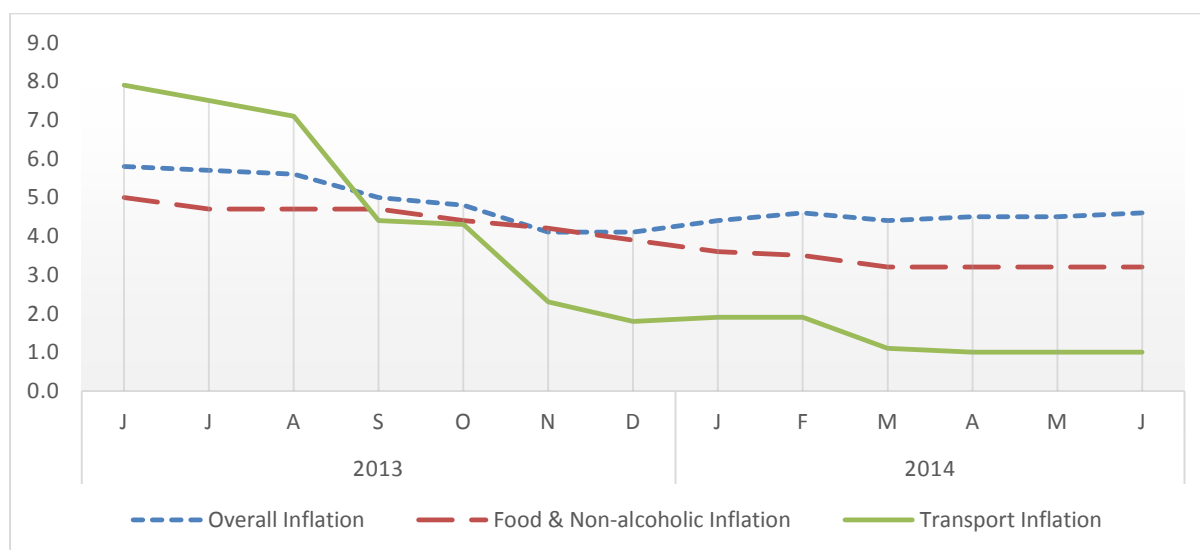
Botswana

The annual inflation rate slightly rose to 4.6 per cent in June 2014 from 4.5 per cent in the preceding month. The annual rate in June 2014 was lower than the 5.8 per cent recorded during the similar month in 2013. The decline of the annual inflation rate in June 2014 as compared to June 2013 was mainly due to the decline in prices for *transport*, and *food & non-alcoholic beverages* categories which dropped by 6.9 and 1.8 percentage points respectively. On average, prices increased by 0.3 per cent between May and June 2014.

The main components with the highest annual rates for June 2014 were *health* (9.4 per cent), followed by *alcoholic beverages & tobacco* (9.2 per cent). While the lowest annual rate was observed in *communication* (0.4 per cent).

The annual inflation rate for June 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 June 2014 the bank rate² remained at 7.5 per cent, while the prime rate remained at 8.5 per cent.

Chart 7: Annual Inflation Rate



Source: Statistics Botswana

² Bank rate is the rate at which the Central Bank lends to Commercial Banks

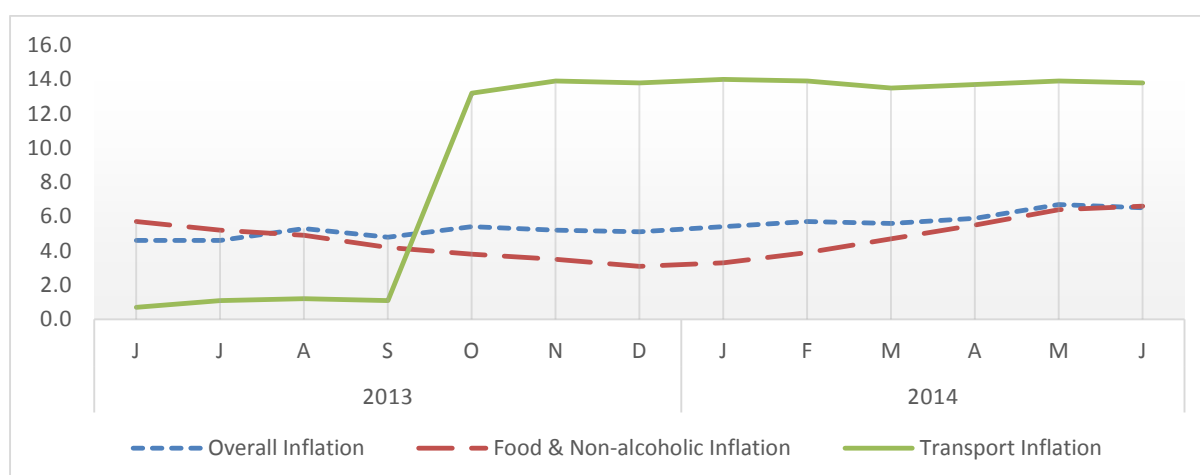
Lesotho

The annual inflation rate rose by 6.5 per cent in June 2014 compared to 6.7 per cent in the preceding month. A year earlier inflation rate was 4.6 per cent during the corresponding month. The increase of annual inflation rate in June 2014 as compared to June 2013 was mainly due to the increase in prices for *transport* (13.8 per cent from 0.7 per cent in June 2013), *housing & utilities* (10.6 per cent from 8.1 per cent in June 2013) and *food & non-alcoholic beverages* (6.6 per cent from 5.7 per cent in June 2013). On average, prices increased by 0.3 per cent between May 2014 and June 2014.

The main components with the highest annual rates in June 2014 were *transport* (13.8 per cent) followed by *housing & utilities* (10.6 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 2014 was 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 June 2014 the Lombard facility stood at 9.91 per cent, while the prime lending rate was recorded at 10.25 per cent.

Chart 8: Annual Inflation Rate



Source: Bureau of Statistics of Lesotho

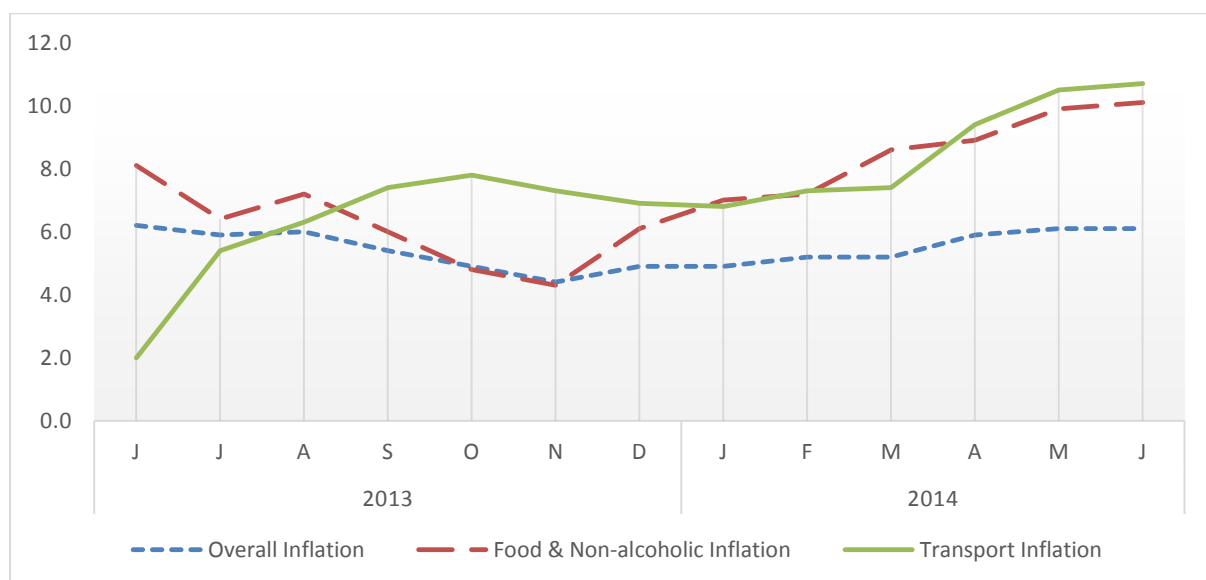
Namibia

The annual inflation rate rose by 6.1 per cent in June 2014 unchanged from the preceding month. A year earlier inflation rate was 6.2 per cent during the corresponding month. The main drivers of inflation rate in June 2014 were *transport* (10.7 per cent from 2.0 per cent in June 2013), and *food & non-alcoholic beverages* (10.1 per cent from 8.2 per cent in June 2013). On average, prices increased by 0.3 per cent between May 2014 and June 2014.

The main components with the highest annual rates in June 2014 were *transport* (10.7 per cent) followed by *food & non-alcoholic beverages* (10.1 per cent). The lowest annual rate was observed in *communications* (-0.4 per cent).

The NIR level increased to N\$15.9 billion in June 2014 from N\$15.5 billion recorded in the previous month, and it was sufficient to support the Rand parity. During the month of June 2014, the repo rate increased to 5.75 per cent from 5.50 per cent in the preceding month. Similarly, the prime rate increased to 9.50 per cent in June 2014 from 9.25 per cent in the preceding month.

Chart 9: Annual Inflation Rate



Source: Namibia Statistics Agency

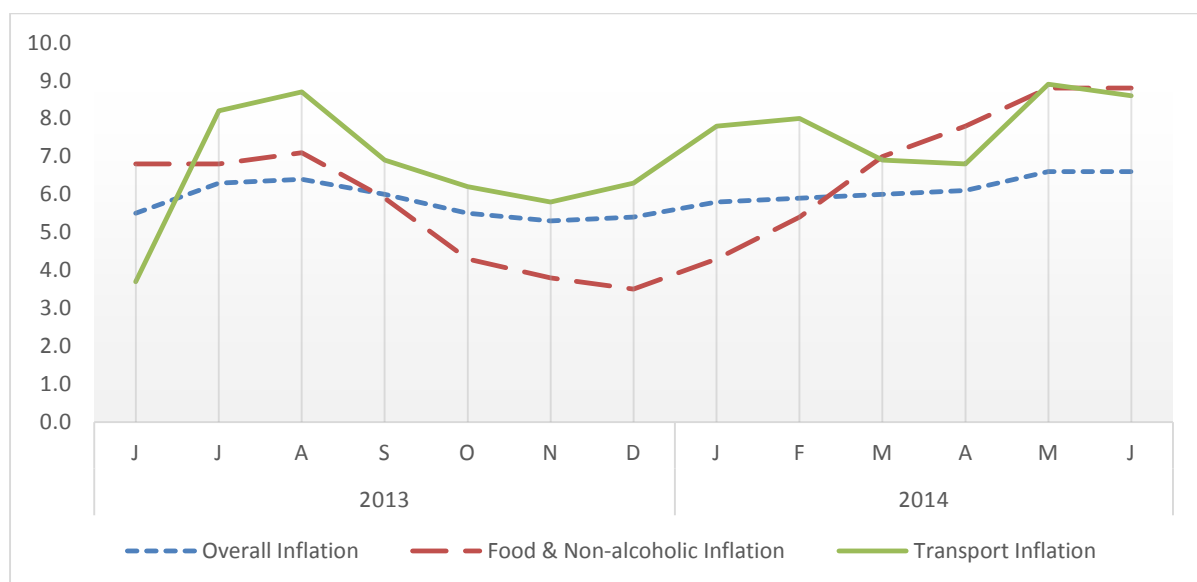
South Africa

The annual inflation rate remained unchanged at 6.6 per cent in June 2014 from the previous month. Annual inflation rate in June 2014 was higher than the 5.5 per cent recorded during the similar month in 2013. The main drivers of inflation rate in June 2014 were *transport* (8.6 per cent from 3.7 per cent in June 2013), and *food & non-alcoholic beverages* (8.8 per cent from 6.8 per cent in June 2013). On average, prices increased by 0.3 per cent between May 2014 and June 2014.

The main components with the highest annual rates were *food & non-alcoholic beverages* (8.8 per cent) followed by *education* (8.7 per cent). While the lowest annual rate was observed in *communication* (-1.1 per cent).

The annual inflation rate continued to remain above the target range of 3-6 per cent set out by the South African Reserve Bank. Interest rate policy remained accommodative for growth with the repo rate increasing to 5.50 per cent in June 2014 from 5.0 per cent in the preceding month, and similarly, the prime rate increased to 9.0 per cent from 8.5 per cent.

Chart 10: Annual Inflation Rate



Source: Stats SA

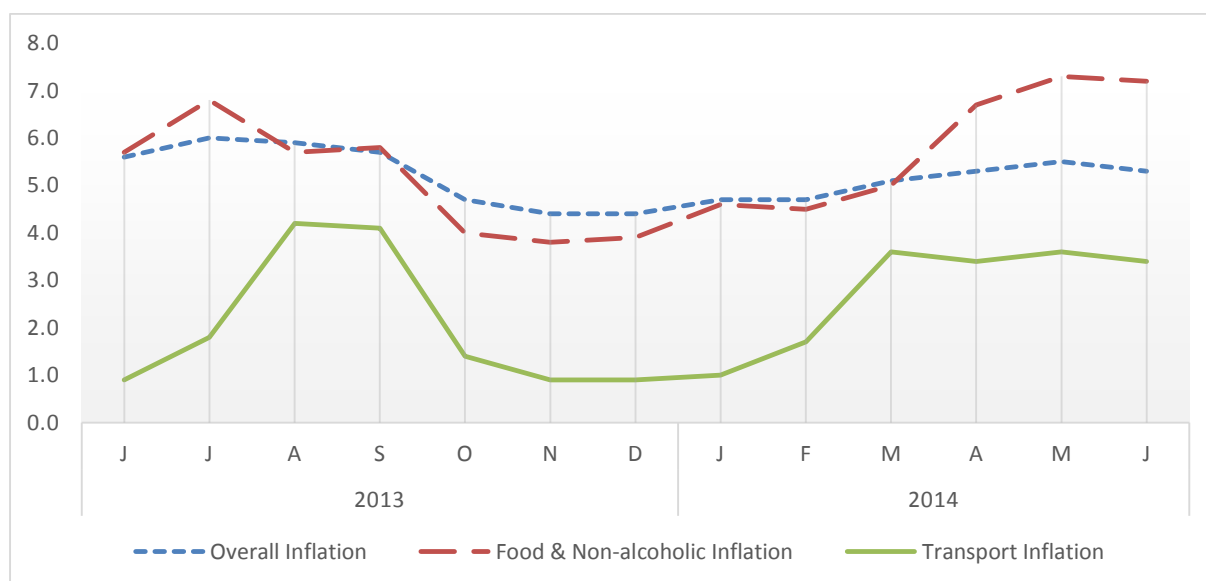
Swaziland

The annual inflation rate rose to 5.3 per cent in June 2014 compared to 5.5 per cent in the previous month. Annual inflation rate in June 2014 was lower than the 5.6 per cent recorded during the similar month in 2013. The decline of the annual inflation rate in June 2014 when compared to June 2013 was mainly due to the decline in prices for *housing & utilities* (2.7 per cent from 5.0 per cent in June 2013) which accounts for 29.15 per cent of the overall inflation basket. On average, prices were stagnant between May 2014 and June 2014.

The main components with the highest annual rates in June 2014 were *health* (10.5 per cent), followed by *education* (9.7 per cent). While the lowest annual rate was observed in *communications* (stagnant).

Interest rate policy remained accommodative for growth in June 2014 with the discount rate recorded at 5.5 per cent, and the prime rate at 9.0 per cent.

Chart 11: Annual Inflation Rate



Source: Central Statistics Office of Swaziland

Appendix

Annual inflation rates by main categories (June 2014)

Main Categories	Botswana	Lesotho	Namibia	South Africa	Swaziland
Food & non-alcoholic beverages	3.2	6.6	10.1	8.8	7.2
Alcoholic beverages & tobacco	9.2	6.1	6.1	5.6	7.1
Clothing & footwear	5.8	3.3	2.4	5.1	7.5
Housing, water, electricity, gas & other fuels	3.8	10.6	3.4	5.8	2.7
Furnishings, household equipment &...	5.2	2.9	4.7	4.0	5.1
Health	9.4	0.9	1.7	5.4	10.5
Transport	1.0	13.8	10.7	8.6	3.4
Communications	0.4	0.0	-0.4	-1.1	0.0
Recreation & Culture	4.3	0.9	6.4	2.6	6.1
Education	7.4	7.1	8.1	8.7	9.7
Hotels, cafés & restaurants	7.6	0.9	5.9	8.4	4.5
Miscellaneous goods & services	6.6	4.5	4.6	6.9	4.6
All Item	4.6	6.5	6.1	6.6	5.3

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