



SACU INFLATION REPORT

May 2014

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FAO Food Price Index

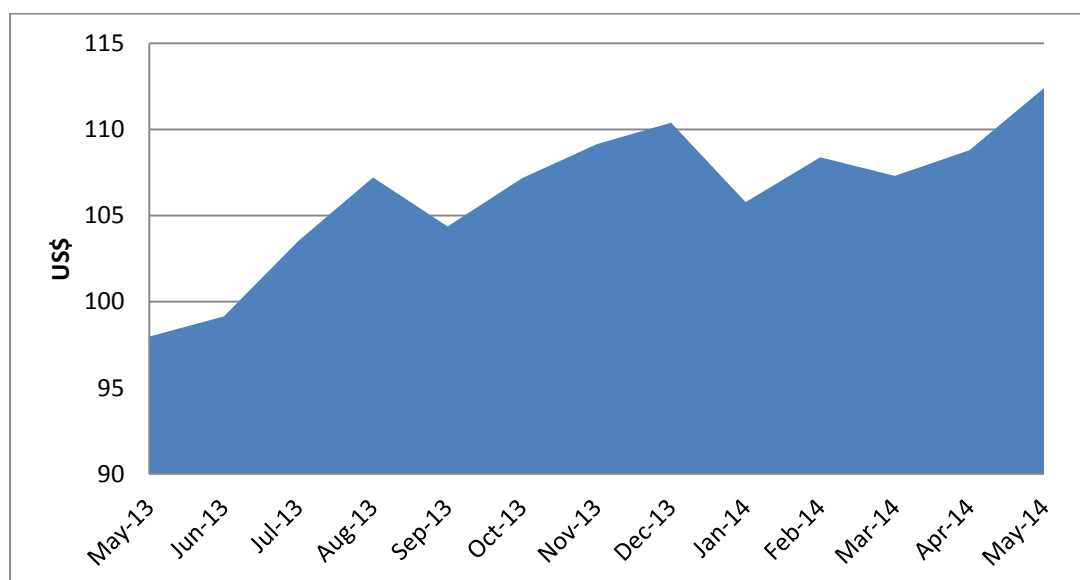
The Food and Agricultural Organisation (FAO) Food Price Index¹ averaged 209.8 points in May 2014, down by 1.7 points from its level in April 2014. The decline was mainly reflected in dairy prices in May 2014.

The FAO Cereal Price Index averaged 207.0 points in May 2014, down by 2.2 point from April 2014. Similarly, the FAO Vegetable Oil Price Index averaged 195.3 points in May 2014, down by 3.7 points from April 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 238.9 points in May 2014, down by 12.6 points from April 2014, this was due to reduced demand. The FAO Meat Price Index averaged 192.8 points in May 2014, up by 0.8 points from April 2014. Similarly, the FAO Sugar Price Index averaged 249.9 points in May 2014, up by 9.4 points from April 2014.

Selected Commodity Prices

Brent crude oil price closed at USD112.40 per barrel at the end of May 2014, which was 3.3 per cent higher than at the end of April 2014, and higher than the USD97.97 per barrel recorded at the end of May 2013.

Chart 1: Crude Oil

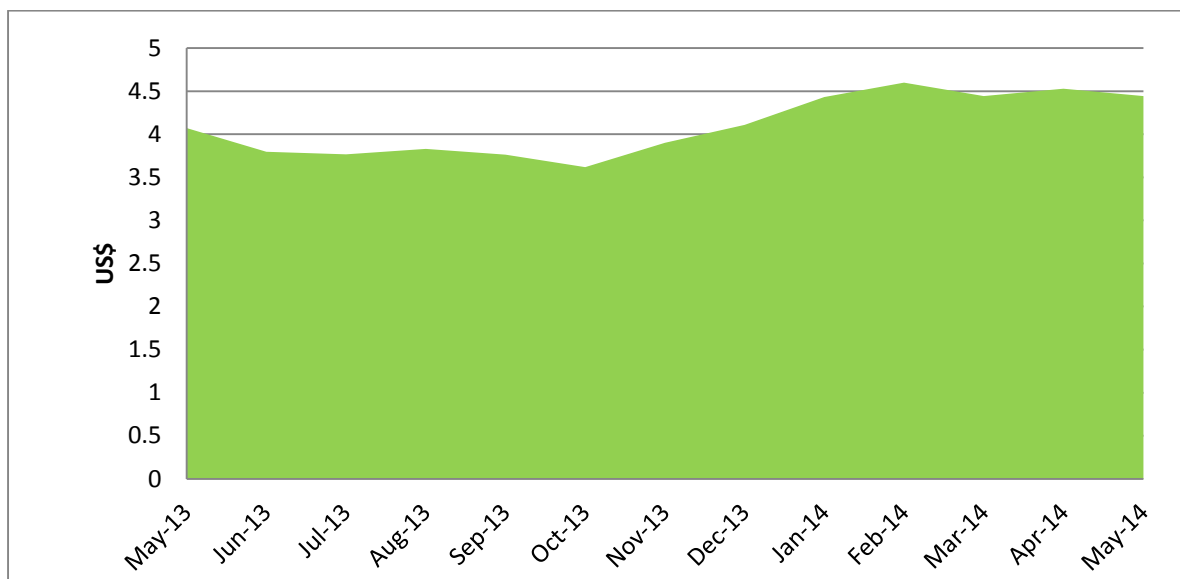


Source: www.cnbc.com

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

The Natural gas price closed at USD4.44 at the end of May 2014, which was 1.9 per cent lower than at the end of April 2014.

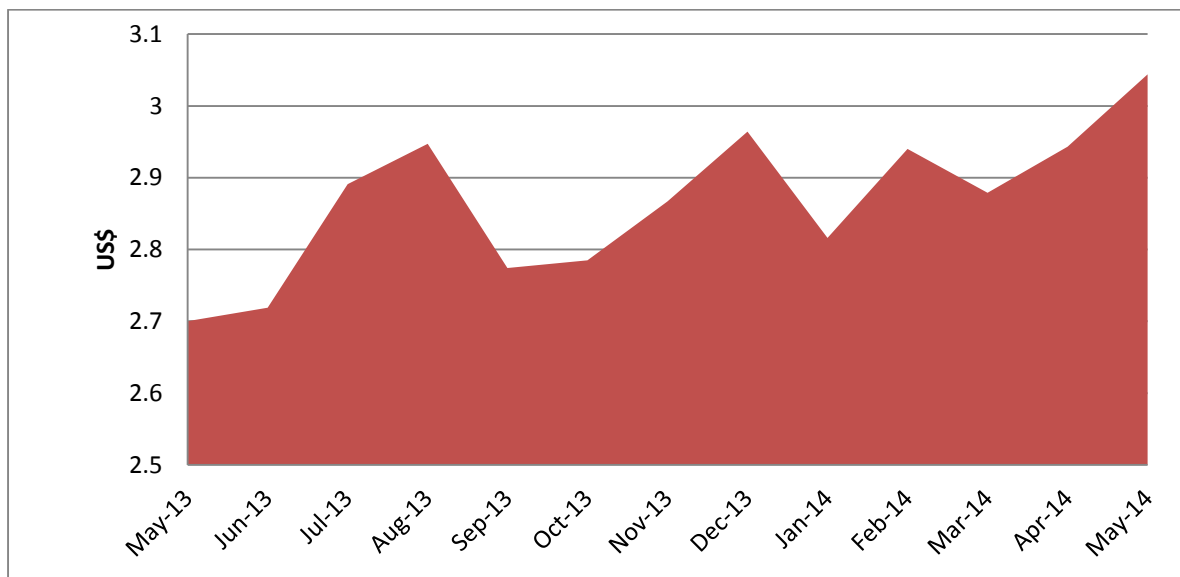
Chart 2: Natural Gas



Source: www.cnbc.com

RBOB gasoline price closed at USD3.04 per barrel at the end of May 2014, which was 3.4 per cent higher than at the end of April 2014.

Chart 3: 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 May 2014, down from 0.7 per cent in April 2014. A year earlier the rate was 1.4 per cent. The largest upward impact on the annual inflation in May 2014 came from *restaurants and cafes (0.08 percentage point)*, *tobacco (0.08 percentage points each)*, while *vegetables (-0.13 percentage points)*, and *telecommunications (-0.11 percentage points)* exerted downwards pressure. The annual rate recorded for May 2014 remained below the European Central Bank inflation target of below but close to 2.0 per cent.

Japan

The annual inflation rate for May 2014 stood at 3.7 per cent, up from 3.4 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 (8.9 per cent)*, and *furniture & household utensils (5.4 per cent)*, while the lowest annual rate was observed for *housing (0.1 per cent)*.

United Kingdom

The annual inflation rate rose to 1.5 per cent in May 2014, down from 1.8 per cent in April 2014. The rate was 2.7 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 (4.6 per cent)*, and *housing & utilities (3.2 per cent)*, while the lowest annual rates were observed for *food & non-alcoholic beverages (-0.6 per cent)*, *clothing and footwear (-0.1 per cent)* and *miscellaneous goods (0.3 per cent)*. The annual inflation rate for May 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 rose to 2.1 per cent in May 2014 compared to 2.0 per cent in the preceding month. The rate was 1.4 per cent during the similar period a year earlier. The index for all items less food and energy rose by 2.0 per cent in May 2014, compared to an inflation of 1.8 per cent in the preceding month. The food index rose by 2.5 per cent in May 2014 compared to 1.9 per cent in the preceding month. The energy index registered an increase of 3.3 per

cent in May 2014 same as in the preceding month. The inflation rate for May 2014 was 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 6.4 per cent in May 2014, up from 6.3 per cent in the preceding month. The rate was 6.5 per cent during the similar period a year earlier. The annual rate recorded for May 2014 continued to be within the Brazilian Central Bank inflation target of 4.5 per cent with a floating range of 2 percentage points.

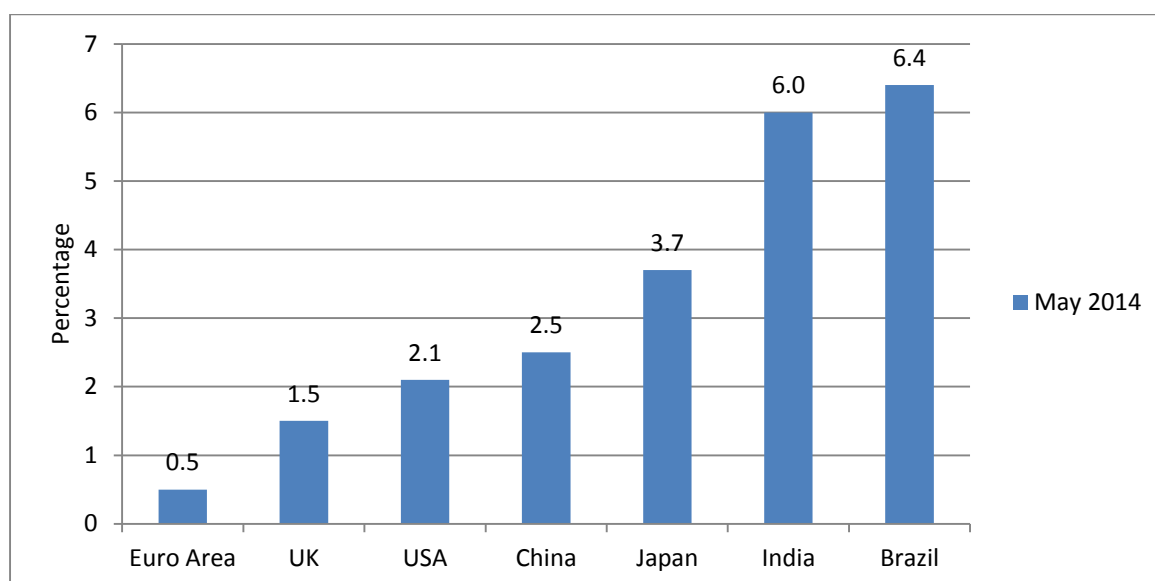
China

The annual inflation rate rose by 2.5 per cent in May 2014, up from 1.8 per cent in the preceding month. The rate was 2.1 per cent during the similar period a year earlier. The main components with the highest annual rates were *food (3.4 per cent)*, *residence (2.6 per cent)*, and *clothing (2.3 per cent)*, while the lowest annual rates were observed on *tobacco, liquor & articles (-0.7 per cent)* and *transport & communication (stagnant)*. The annual inflation rate for May 2014 continued to be below the Government's inflation target of 3.0 per cent.

India

The annual inflation rate stood at 6.0 per cent in May 2014 as compared to 5.2 per cent in the preceding month and 4.6 per cent during the corresponding month in the previous year. The main components with the highest annual rates were observed on *primary articles (1.8 per cent)*, while the lowest annual rates were observed on *manufactured products (0.5 per cent)* and *fuel & power (0.5 per cent)*. The inflation rate registered during May 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 May 2014, annual inflation remained unchanged in Botswana (4.5%), while it increased in Lesotho (6.7%, up from 5.9% in April), Namibia (6.1% up from 5.9% in April), South Africa (6.6%, up from 6.1% in April), and Swaziland (5.5%, up from 5.3% in April). For the month of May 2014, Lesotho registered the highest annual inflation rate among the Member States, registering inflation rate of 6.7 per cent followed by South Africa at 6.6 per cent, Namibia at 6.1 per cent, Swaziland at 5.5 per cent, and Botswana at 4.5 per cent. All Member States continued to record a single digit annual inflation rate during May 2014 as shown in Table 1.

Month-on-month inflation rates varied between 0.2 per cent to 0.6 per cent in Member States between April 2014 and May 2014, as shown in Table 2, with Lesotho recording the highest month-on-month inflation of 0.6 per cent.

Table 1: Annual Inflation Rates in SACU Member States

	Botswana	Lesotho	Namibia	South Africa	Swaziland
April 2014	4.5	5.9	5.9	6.1	5.3
May 2014	4.5	6.7	6.1	6.6	5.5

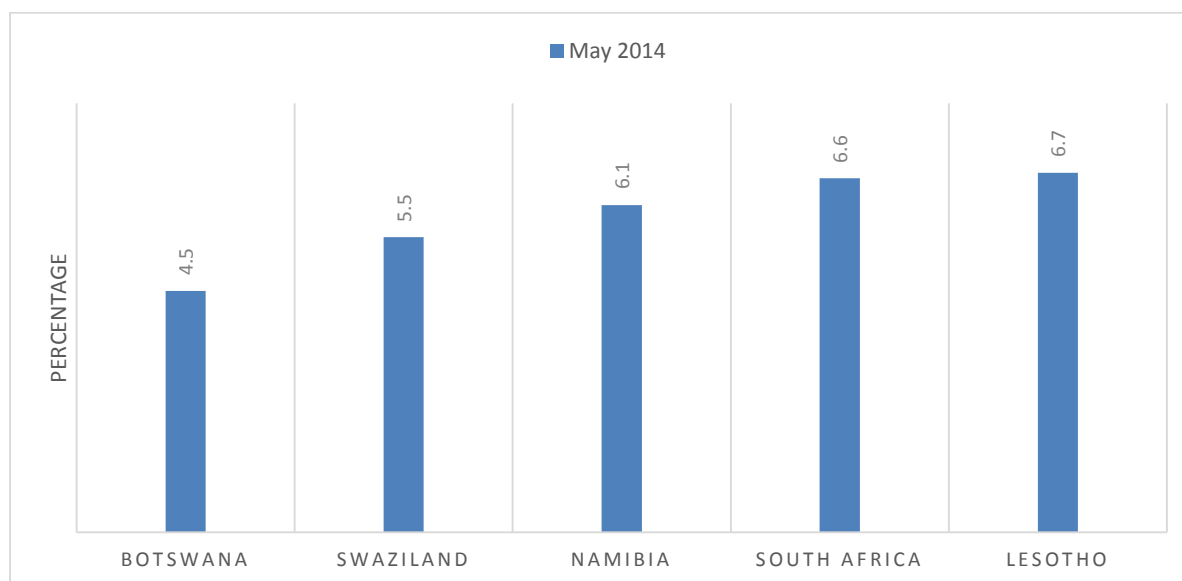
Source: Member States Statistics Offices

Table 2: Monthly Inflation Rates in SACU Member States

	Botswana	Lesotho	Namibia	South Africa	Swaziland
April 2014	0.8	0.8	1.0	0.9	0.5
May 2014	0.2	0.6	0.3	0.2	0.3

Source: Member States Statistics Offices

Chart 5: Annual Inflation Rates in SACU Member States



Source: Member States Statistics Offices

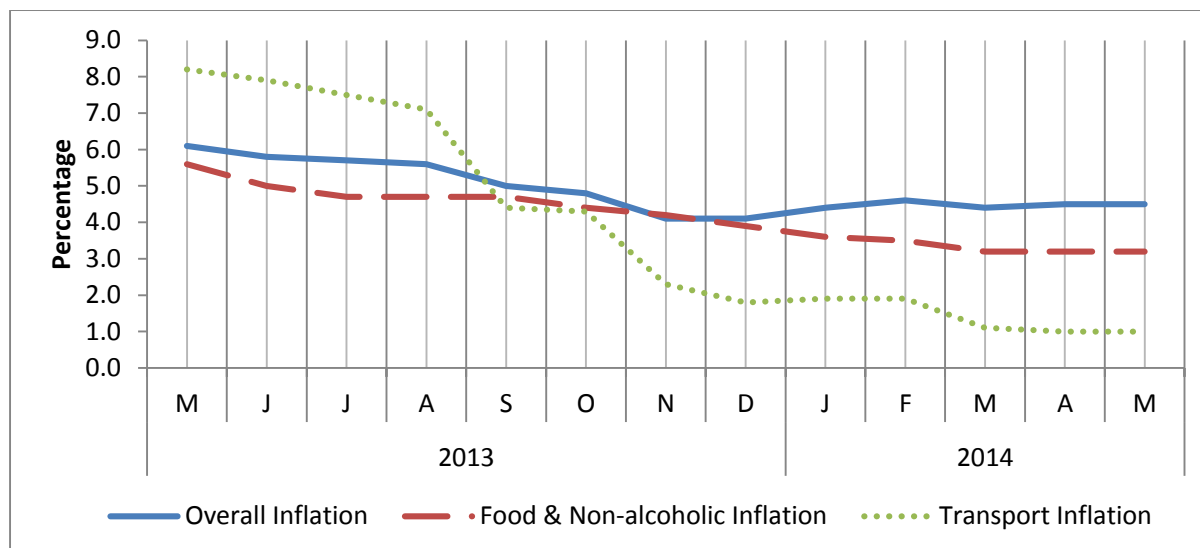
Botswana

The annual inflation rate rose by 4.5 per cent in May 2014 unchanged from the preceding month. The annual rate in May 2014 was lower than the 6.1 per cent recorded during the similar month in 2013. On average, prices increased by 0.2 per cent between April and May 2014.

The main components with the highest annual rates were *alcoholic beverages & tobacco (9.2 per cent)*, mainly because of the alcoholic beverages products prices that increased by 7.5 per cent. This was followed by *hotels & restaurants (7.7 per cent)*, mainly because of an increase of 7.8 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 May 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 May 2014 the bank rate² remained at 7.5 per cent, while the prime rate was 8.5 per cent.

Chart 6: Annual Inflation Rate



Source: Statistics Botswana

Lesotho

The annual inflation rate rose to 6.7 per cent in May 2014 from 5.9 per cent in the preceding month. The inflation rate in May 2014 is the highest rate since the 7.2 per cent recorded in March 2012. A year earlier inflation rate was 4.6 per cent during the corresponding month. On average, prices increased by 0.6 per cent between April 2014 and May 2014.

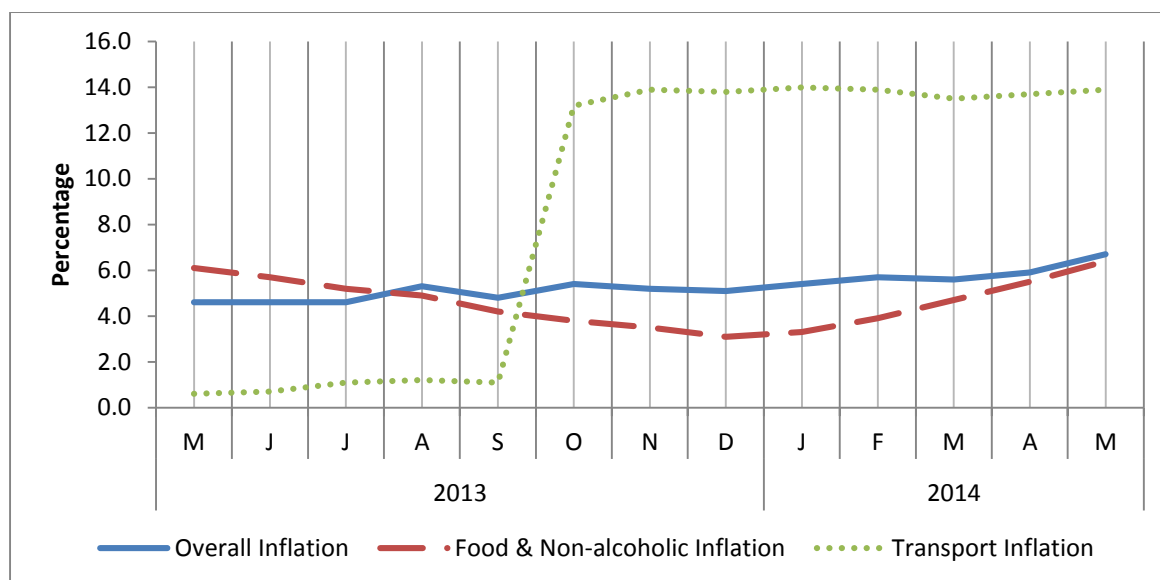
The main components with the highest annual rates were *transport (13.9 per cent)*, mainly because of an increase of 21.6 per cent in transport services. This was followed by *housing & utilities (12.3 per cent)*, mainly due to an increase of 17.9 per cent in electricity, gas and other fuels, while the 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 June 2014 was set at USD0.56

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

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 May 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

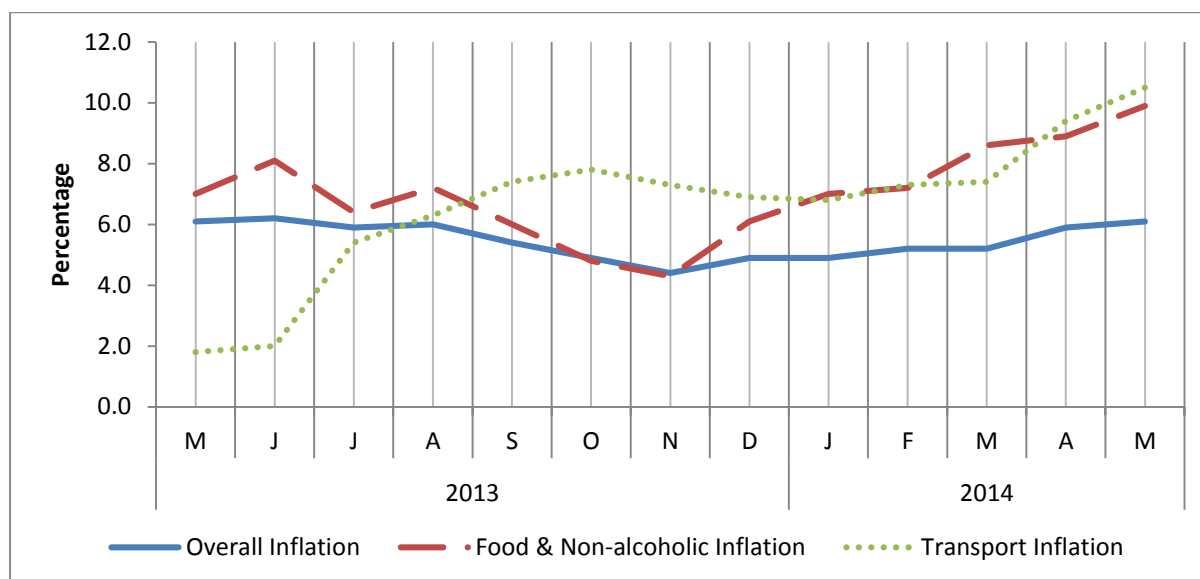
Namibia

The annual inflation rate rose by 6.1 per cent in May 2014 from 5.9 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 0.3 per cent between April 2014 and May 2014.

The main components with the highest annual rates were *transport (10.5 per cent)*, mainly reflected in the operation of personal transport equipment category that increased by 10.4 per cent, followed by *food & non-alcoholic beverages (9.9 per cent)*, mainly reflected in the food category that increased by 10.7 per cent. The lowest annual rate was observed in *communications (-0.5 per cent)*.

The NIR level declined to N\$15.5 billion in May 2014 from N\$17.5 billion recorded in the previous month, though it was sufficient to support the Rand parity. During the month of May 2014, the repo rate remained unchanged at 5.5 per cent. Similarly, the prime rate remained unchanged at 9.25 per cent during May 2014.

Chart 8: Annual Inflation Rate



Source: Namibia Statistics Agency

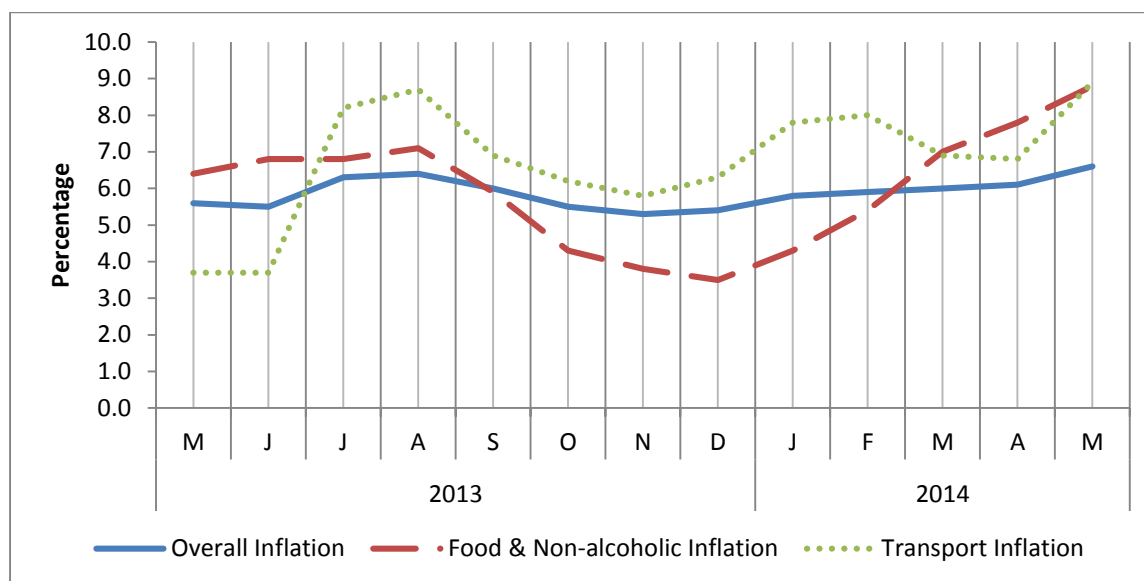
South Africa

The annual inflation rate rose to 6.6 per cent in May 2014, from 6.1 per cent in the previous month. The inflation rate in May 2014 is the highest rate since the 6.7 per cent recorded in July 2012. Annual inflation rate in May 2014 was higher than the 5.6 per cent recorded during the similar month in 2013. On average, prices increased by 0.2 per cent between April 2014 and May 2014.

The main components with the highest annual rates were *transport (8.9 per cent)*, this was mainly reflected in the private transport operation sub-group that increased by 12.4 per cent. Followed by *food & non-alcoholic beverages (8.8 per cent)*, mainly due to the 9.1 per cent increase in the food sub-group. While the lowest annual rate was observed in *communication (-0.5 per cent)*.

The annual inflation rate was 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 recorded at 5.0 per cent, and the prime rate at 8.5 per cent during May 2014.

Chart 9: Annual Inflation Rate



Source: Stats SA

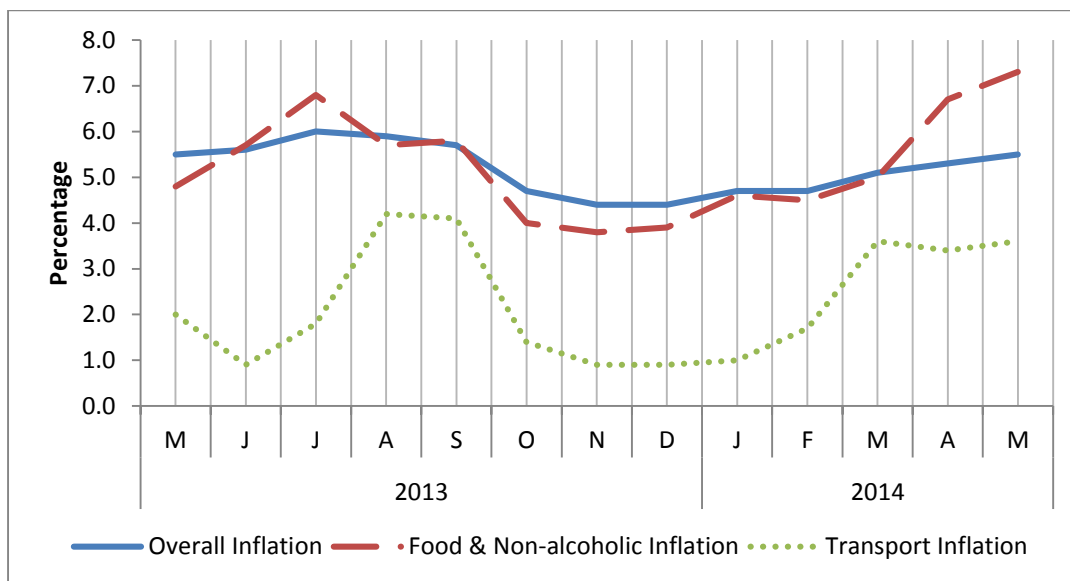
Swaziland

The annual inflation rate rose to 5.5 per cent in May 2014 compared to 5.3 per cent in the previous month. The annual inflation rate for May 2014 was similar to the rate recorded during the month of May in the previous year. On average, prices rose by 0.3 per cent between April 2014 and May 2014.

The main components with the highest annual rates were *health (10.7 per cent)*, this was mainly reflected in the medical products appliances and equipment sub-group that increased by 3.2 per cent. Followed by *education (10.0 per cent)* this was mainly reflected in the secondary education sub-group that increased by 13.4 per cent. While the lowest annual rate was observed in *communications (stagnant)*.

Interest rate policy remained accommodative for growth in May 2014 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 2014)

Main Categories	Botswana	Lesotho	Namibia	South Africa	Swaziland
Food & non-alcoholic beverages	3.2	6.4	9.9	8.8	7.3
Alcoholic beverages & tobacco	9.2	6.1	5.8	5.2	7.6
Clothing & footwear	5.6	3.3	2.9	5.4	7.5
Housing, water, electricity, gas & other fuels	4.1	12.3	3.6	5.7	3.3
Furnishings, household equipment &...	4.8	3.2	4.1	3.7	3.9
Health	7.6	0.9	2.1	4.6	10.7
Transport	1.0	13.9	10.5	8.9	3.6
Communications	0.4	0.0	-0.5	-0.5	0.0
Recreation & Culture	4.3	0.8	6.8	2.7	6.2
Education	7.4	7.1	8.1	8.7	10.0
Hotels, cafés & restaurants	7.7	0.9	6.3	8.3	4.5
Miscellaneous goods & services	6.5	4.8	4.3	6.8	3.7
All Item	4.5	6.7	6.1	6.6	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	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