



SACU INFLATION REPORT

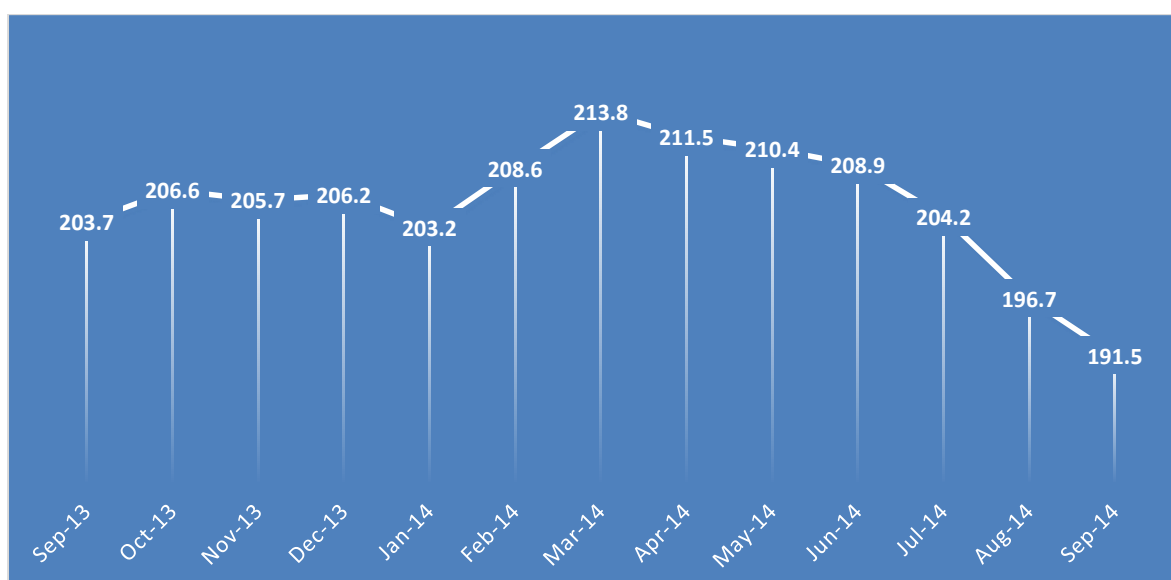
September 2014

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FAO Food Price Index

The Food and Agricultural Organisation (FAO) Food Price Index¹ averaged 191.5 points in September 2014, down by 5.2 points from its level in August 2014. All the other food sub-indices declined, with the exception of the meat, the highest fall was recorded in sugar and dairy prices followed by cereals and oils. The deceleration in food prices was also reflected in the SACU region, Botswana (2.6% down from 2.9% in August); Lesotho (5.2% down from 6.1% in August); Namibia (8.4% down from 8.6% in August); South Africa (8.5% down from 9.4% in August); and Swaziland (6.6% down from 7.2% in August).

Chart I: FAO Food Price Index



Source: Food and Agriculture Organization of the United Nations

The FAO Cereal Price Index averaged 177.9 points in September 2014, down by 4.6 points from August 2014, the index has been falling continuously since May, mainly due to a fall in the prices of wheat and maize. Good production and large export availabilities are the main factors behind falling wheat and maize prices. Similarly, the FAO Vegetable Oil Price Index averaged 162.0 points in September 2014, down by 4.6 points from August 2014, the drop in the index was driven by a fall in the price of palm oil due to a subdued global import demand. The FAO Dairy Price Index averaged 187.8 points in September 2014, down by 13.0 points

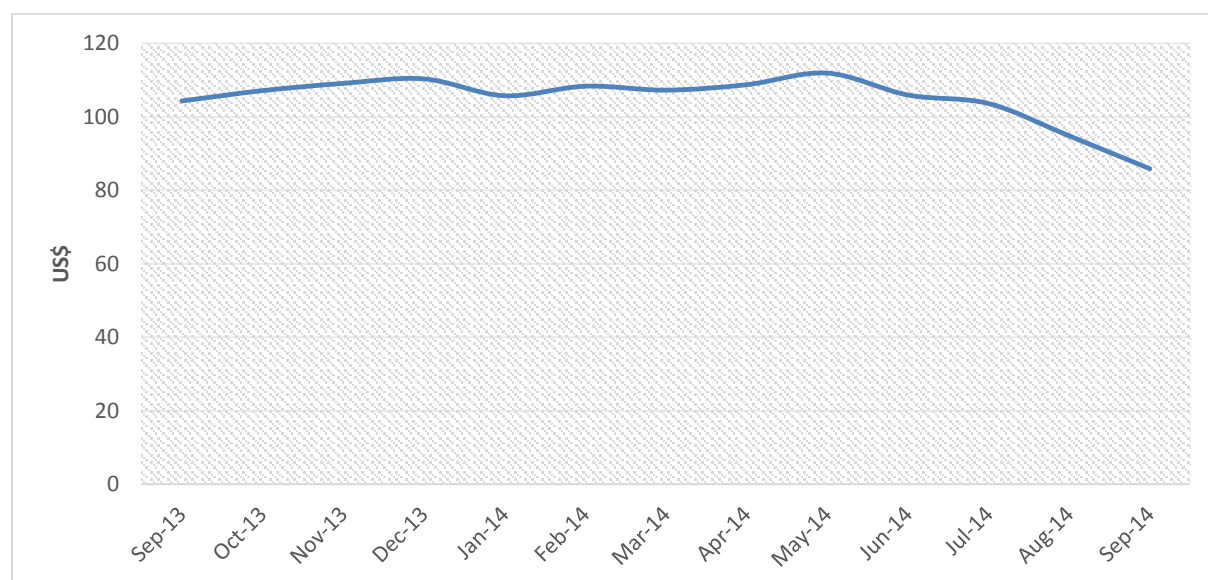
¹ Food Price index: consist of the average of 5 commodity group price indices (meat, dairy, cereals, oil & fat, and sugar) weighted with the average export share of each of the groups for 2002-2004

from August 2014. The FAO Meat Price Index averaged 207.8 points in September 2014, up by 0.3 points from August 2014. On the other hand, the FAO Sugar Price Index averaged 228.3 points in September 2014, down by 16.1 points from August 2014. The significant drop in prices was triggered by improved production prospects in India, the world's second largest sugar producer.

Selected Commodity Prices

Brent crude oil price continued with the downward trend since May 2014 closing at USD85.93 per barrel at the end of September 2014, which was 9.4 per cent lower than at the end of August 2014, and lower than the USD104.37 per barrel recorded at the end of September 2013.

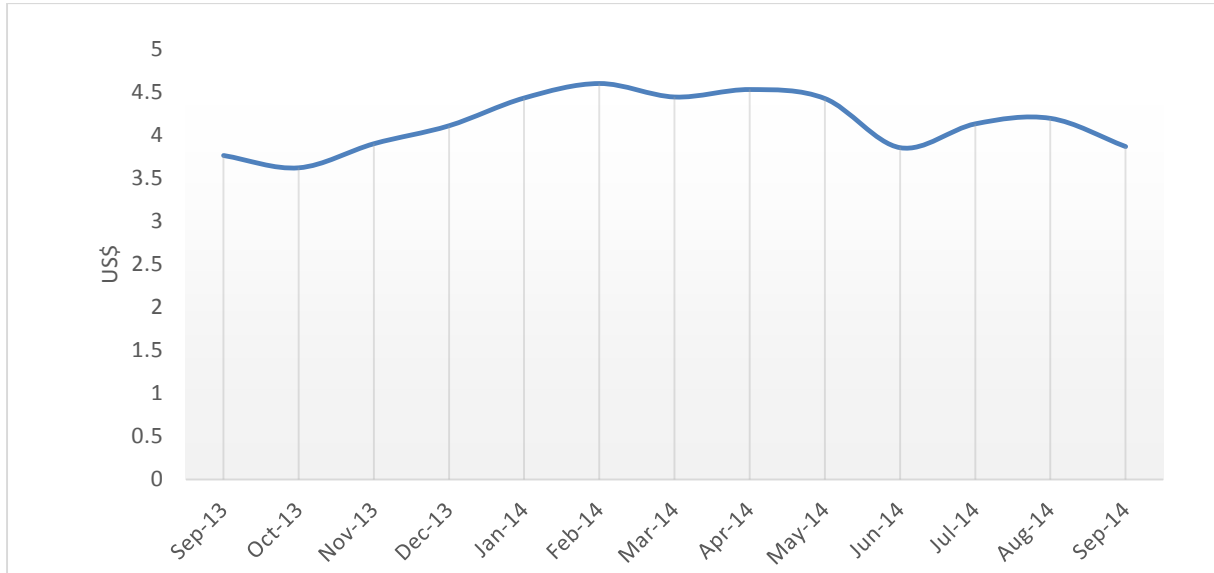
Chart 2: Crude Oil



Source: www.cnb.com

The Natural gas price closed at USD3.87 at the end of September 2014, which was 7.8 per cent lower than at the end of August 2014.

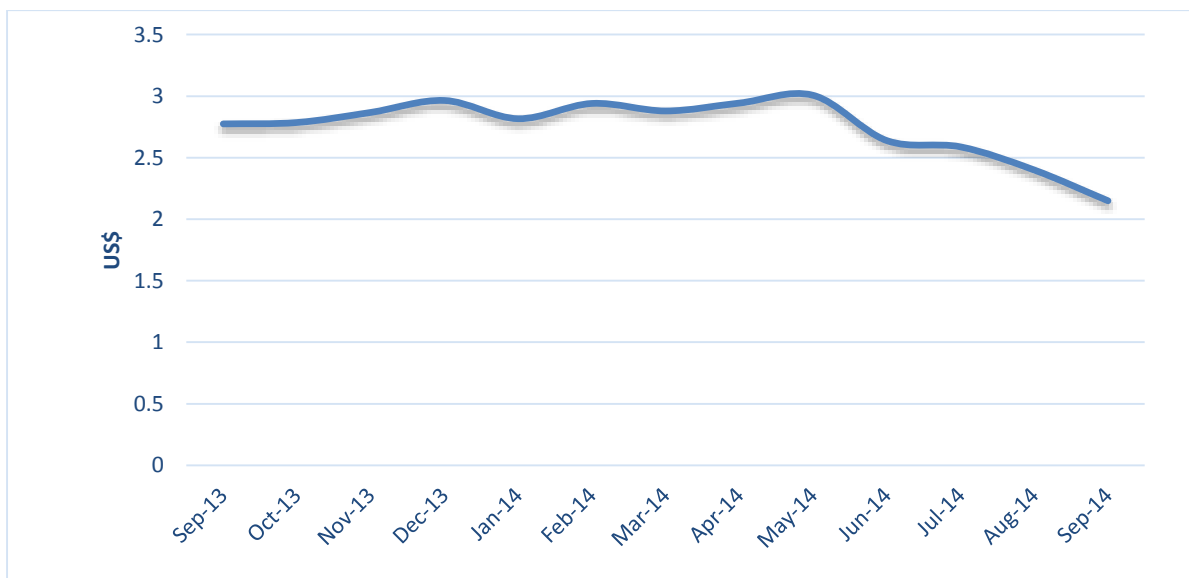
Chart 3: Natural Gas



Source: www.cnn.com

RBOB gasoline price closed at USD2.15 per barrel at the end of September 2014, which was 10.4 per cent lower than at the end of August 2014.

Chart 4: RBOB Gas



Source: www.cnn.com

Inflation Rate for a Selected Economies

Euro Area

The annual inflation rate was 0.3 per cent in September 2014, down from 0.4 per cent in August 2014. A year earlier the rate was 1.1 per cent. The main components with the largest impacts to the annual inflation rate in September 2014 were *hotel & restaurants (0.09 percentage point)*, and *rents (0.07 percentage points)*, while *fuels for transport (-0.21 percentage points)*, and *communications (-0.12 percentage points)* had the biggest downward impacts. The annual rate recorded for September 2014 remained below the European Central Bank inflation target of below but close to 2.0 per cent.

Japan

The annual inflation rate in September 2014 decelerated to 3.2 per cent from 3.3 per cent recorded in the previous month. A year earlier the rate was 1.1 per cent. The main components with the highest annual rates were *fuel, light and water charges (5.3 per cent)*, and *food (5.1 per cent)*, while the lowest annual rate was observed in *housing (0.1 per cent)*.

United Kingdom

The annual inflation rate eased to 1.2 per cent in September 2014, down from 1.5 per cent in August 2014. The rate was 2.7 per cent during a similar period a year earlier. The main components with the highest annual rates remained to be *education (10.3 per cent)*, *alcohol beverages & tobacco (4.9 per cent)*, and *housing & utilities (3.1 per cent)*, while the lowest annual rates were observed in *food & non-alcoholic beverages (-1.4 per cent)* and *miscellaneous goods (-0.5 per cent)*. The annual inflation rate for September 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 1.7 per cent in September 2014, unchanged from the preceding month. The rate was 1.2 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 2014, unchanged from the preceding month. The food index rose by 3.0 per cent in September 2014 compared to 2.7 per cent in the preceding month. The energy index registered a decline of 0.6 per cent in September 2014 compared to an increase of 0.4 per cent in the preceding month. The inflation rate for September 2014 was below the Federal Reserve Bank's long term inflation estimate of 2.0 per cent.

Brazil

The annual inflation rate was 6.8 per cent in September 2014, from 6.5 per cent in the preceding month. The rate was 5.9 per cent during the similar period a year earlier. The annual rate recorded for September 2014 was higher than the Brazilian Central Bank inflation target of 4.5 per cent with a floating range of 2 percentage points.

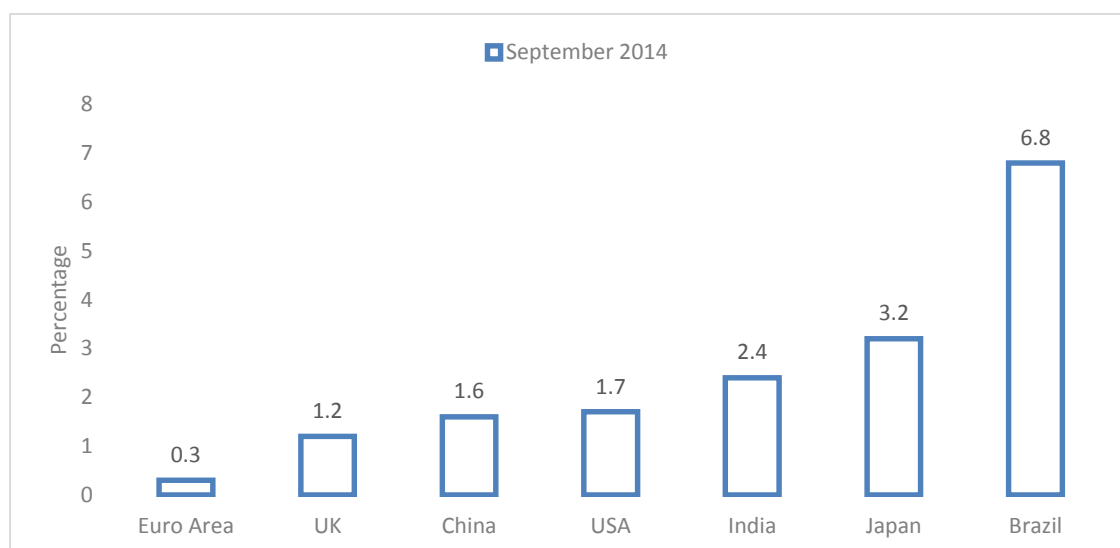
China

The annual inflation rate rose by 1.6 per cent in September 2014, down from 2.0 per cent in the preceding month. The rate was 3.1 per cent during the similar period a year earlier. The main components with the highest annual rates were *food (3.3 per cent)*, and *clothing (2.4 per cent)*, while the lowest annual rates were observed on *tobacco, liquor & articles (-0.6 per cent)*. The annual inflation rate for September 2014 continued to be below the Government's inflation target of 3.0 per cent.

India

The annual inflation rate stood at 2.4 per cent in September 2014 as compared to 3.7 per cent in the preceding month and 7.1 per cent during the corresponding month of the previous year. The main components with the highest annual rates were observed on *manufactured products (0.3 per cent)*, while the lowest annual rates were observed in *primary articles (-1.3 per cent)* and *fuel & power (-0.3 per cent)*. The inflation rate registered during September 2014 continued to below 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 September 2014, annual inflation remained unchanged from August 2014 in Botswana (4.6%), while it increased in Swaziland (6.2% up from 6.0% in August). The annual inflation rate declined in Lesotho (5.4%, down from 5.9% in August), Namibia (5.3% down from 5.4% in August), and South Africa (5.9%, down from 6.4% in August). For the month of September 2014, Swaziland registered the highest annual inflation rates among the Member States registering inflation rate of 6.2 per cent followed by South Africa at 5.9 per cent, Lesotho at 5.4 per cent, Namibia at 5.3 per cent, and Botswana at 4.5 per cent. All Member States continued to record a single digit annual inflation rate during September 2014 as shown in Table 1.

Month-on-month inflation rates varied between zero and 0.5 per cent in Member States between August 2014 and September 2014, as shown in Table 2, with Lesotho and South Africa recording the lowest month-on-month inflation.

Table 1: Annual Inflation Rates in SACU Member States

	Botswana	Lesotho	Namibia	South Africa	Swaziland
August 2014	4.6	5.9	5.4	6.4	6.0
September 2014	4.5	5.4	5.3	5.9	6.2

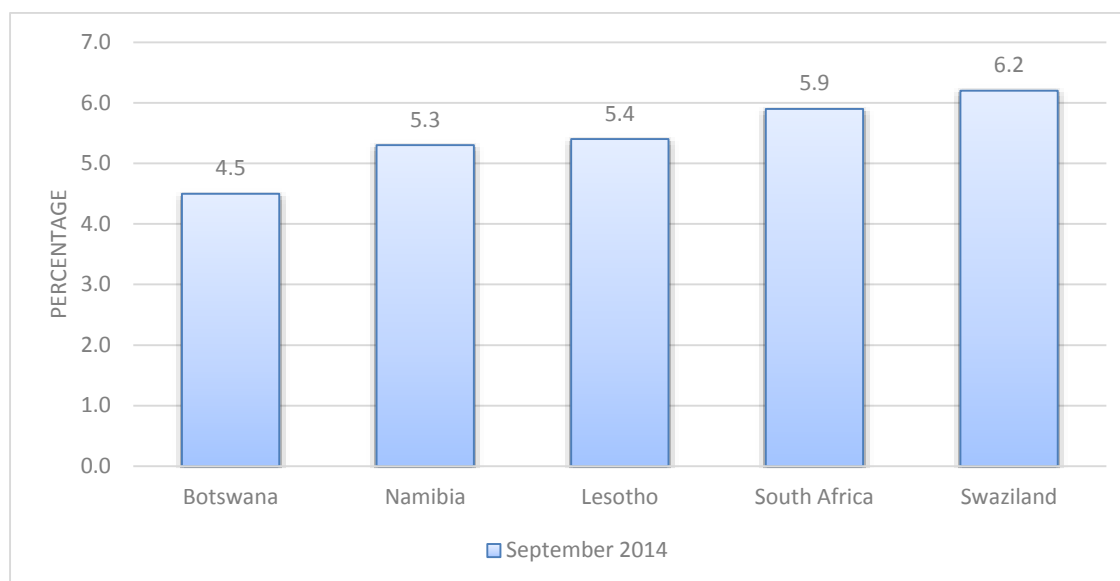
Source: Member States Statistics Offices

Table 2: Monthly Inflation Rates in SACU Member States

	Botswana	Lesotho	Namibia	South Africa	Swaziland
August 2014	0.3	0.2	0.3	0.4	0.3
September 2014	0.2	0.0	0.2	0.0	0.5

Source: Member States Statistics Offices

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



Source: Member States Statistics Offices

Botswana

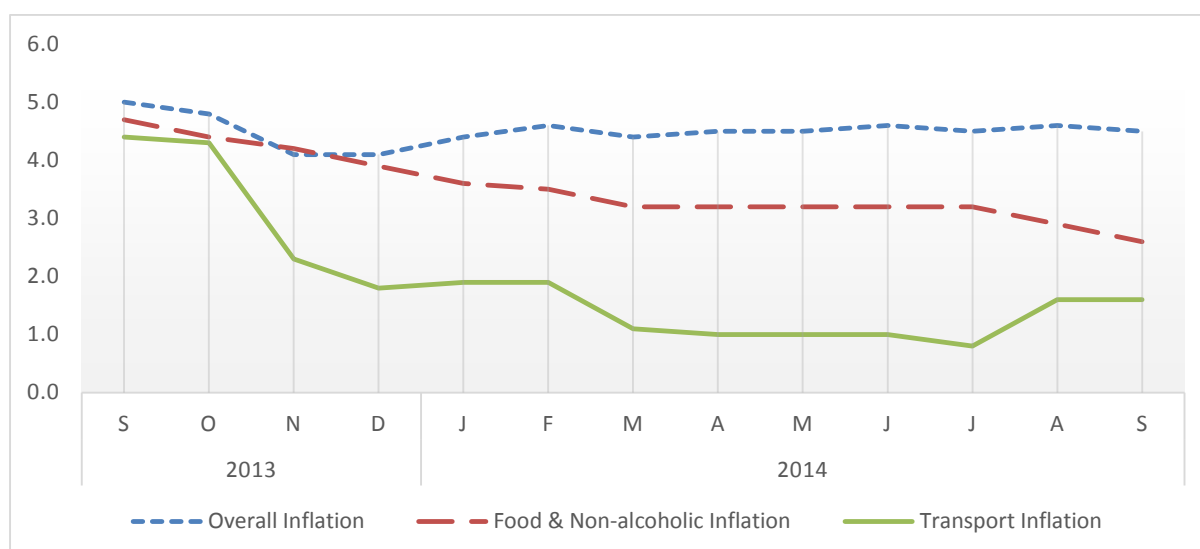
The annual inflation rate eased to 4.5 per cent in September 2014 from 4.6 per cent in the preceding month. The annual rate in September 2014 was lower than the 5.0 per cent recorded during the similar month in 2013. The decline in the annual inflation rate between September 2014 and September 2013 was mainly due to the decline in prices for *transport*, and *food & non-alcoholic beverages* categories which dropped by 2.8 and 2.1 percentage points, respectively. On average, prices increased by 0.2 per cent between August and September 2014.

The main components with the highest annual rates for September 2014 were *health* (9.3 per cent), followed by *alcoholic beverages & tobacco* (8.9 per cent). While the lowest annual rate was observed in *communication* (0.1 per cent).

The annual inflation rate continued to remain within the inflation target range of 3 – 6 per cent set out by the Bank of Botswana since September 2013. During the month of September 2014 the bank rate² remained at 7.5 per cent, while the prime rate remained at 8.5 per cent.

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

Chart 7: Annual Inflation Rate



Source: Statistics Botswana

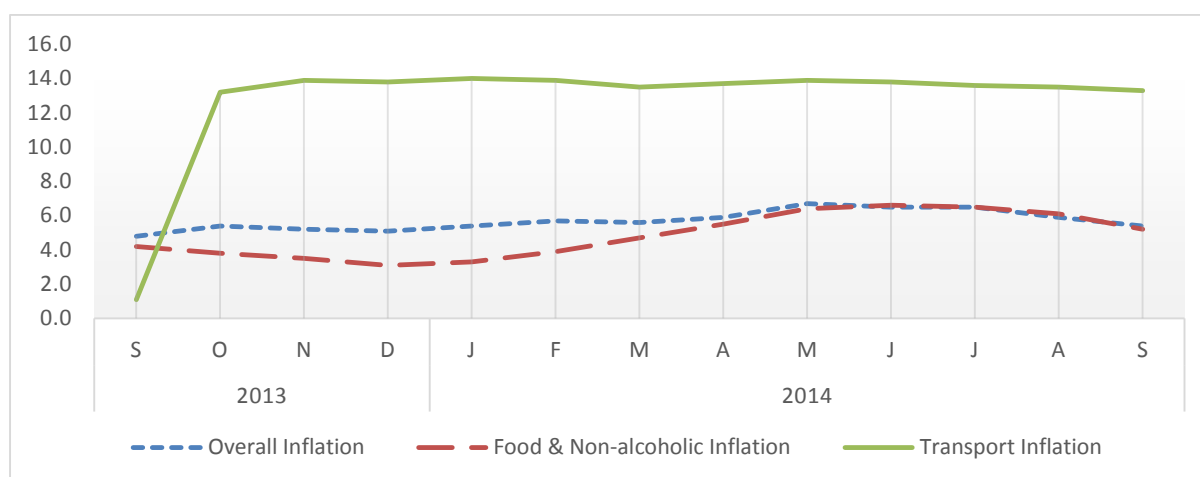
Lesotho

The annual inflation rate eased to 5.4 per cent in September 2014 compared to 5.9 per cent in the preceding month. A year earlier inflation rate was 4.8 per cent during the corresponding month. The increase of annual inflation rate between September 2014 and September 2013 was mainly due to the increase in prices for *food & non-alcoholic beverages* (5.2 per cent from 4.2 per cent in September 2013), *clothing & footwear* (4.5 per cent from 1.7 per cent in September 2013) and *transport* (13.3 per cent from 1.1 per cent in September 2013). On average, prices remained stagnant between August 2014 and September 2014.

The main components with the highest annual rates in September 2014 were *transport* (13.3 per cent) followed by *education* (7.1 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 September 2014 was at USD0.610 billion, which translates to M6.52 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 2014 the Lombard facility stood at 9.91 per cent, while the prime lending rate was recorded at 10.50 per cent.

Chart 8: Annual Inflation Rate



Source: Bureau of Statistics of Lesotho

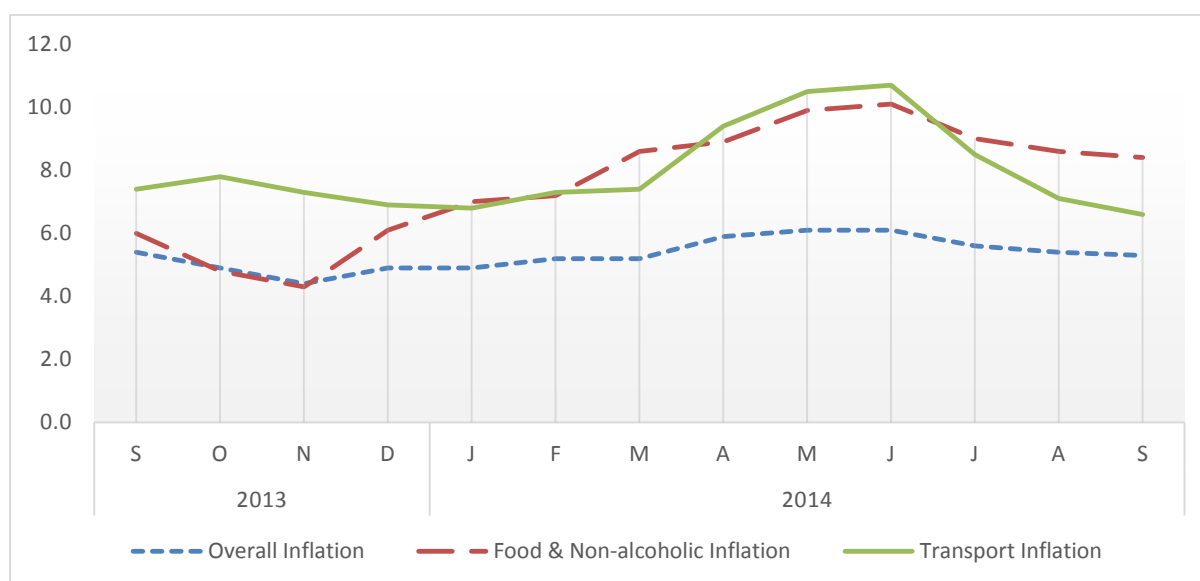
Namibia

The annual inflation rate rose by 5.3 per cent in September 2014 compared to 5.4 per cent in the preceding month. A year earlier inflation rate was 5.4 per cent during the corresponding month. The decline in annual inflation rate between September 2014 and September 2013 was mainly reflected in *housing & utilities* (3.0 per cent from 3.3 per cent in September 2013), and *transport* (6.6 per cent from 7.8 per cent in September 2013). On average, prices increased by 0.2 per cent between August 2014 and September 2014.

The main components with the highest annual rates in September 2014 were *food & non-alcoholic beverages* (8.4 per cent) followed by *education* (8.1 per cent). The lowest annual rate was observed in *communications* (-1.0 per cent).

The NIR level declined to N\$16.5 billion in September 2014 from N\$13.7 billion recorded in the previous month, and it was sufficient to support the Rand parity. During the month of September 2014, the repo rate remained at 6.0 per cent, and similarly the prime rate remained at 9.75 per cent.

Chart 9: Annual Inflation Rate



Source: Namibia Statistics Agency

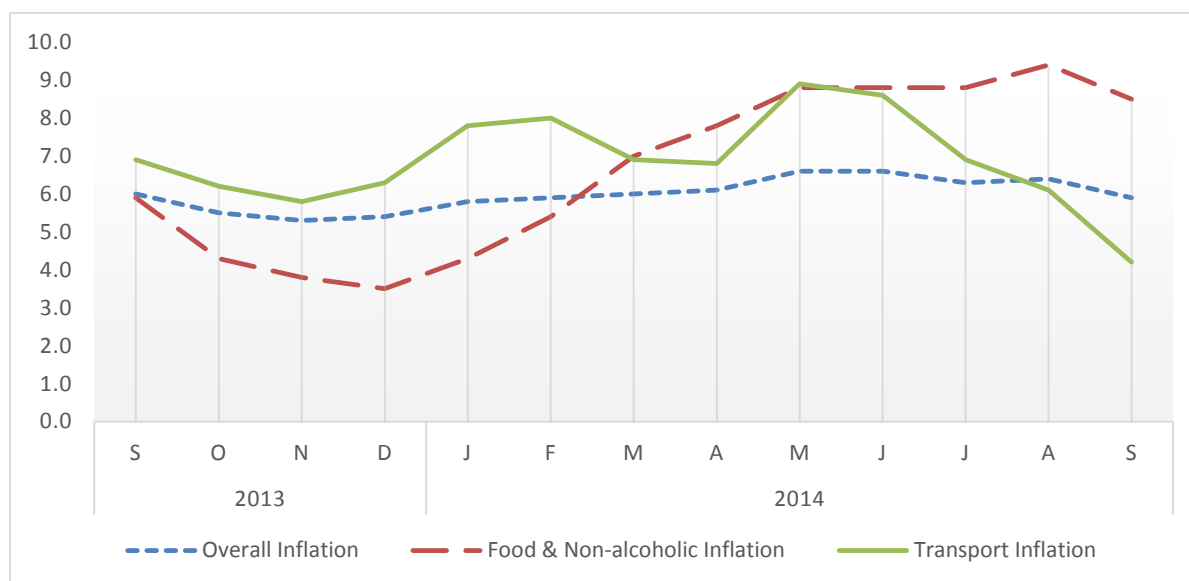
South Africa

The annual inflation rate eased to 5.9 per cent in September 2014 from 6.4 per cent in the previous month. The annual rate in September 2014 was lower than the 6.0 per cent recorded during the similar month in 2013. The main contributors to the annual inflation rate in September 2014 were *housing & utilities (1.4 percentage points)* and *food & non-alcoholic beverages (1.3 percentage points)*. On average, prices were unchanged between August 2014 and September 2014.

The main components with the highest annual rates were *education (8.7 per cent)* followed by *food & non-alcoholic beverages (8.5 per cent)*. While the lowest annual rate was observed in *communication (-1.3 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 at 5.75 per cent in September 2014 and the prime rate at 9.25 per cent.

Chart 10: Annual Inflation Rate



Source: Stats SA

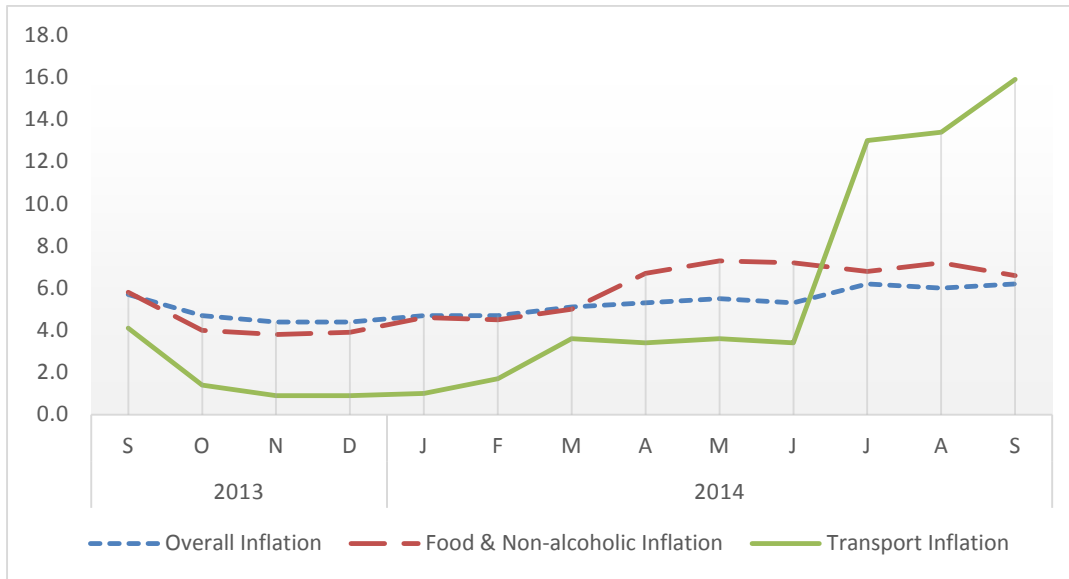
Swaziland

The annual inflation rate rose by 0.2 percentage point to 6.2 per cent in September 2014 from the previous month. Annual inflation rate in September 2014 was higher than the 5.7 per cent recorded during the similar month in 2013. The increase of the annual inflation rate between September 2014 and September 2013 was mainly due to the increase in prices for *food & non-alcoholic beverages* (6.6 per cent from 5.8 per cent in September 2013) and *transport* (15.9 per cent from 4.1 per cent in September 2013) which accounts for 29.2 and 10.5 per cent of the overall inflation basket, respectively. On average, prices increased by 0.5 per cent between August 2014 and September 2014.

The main components with the highest annual rates in September 2014 were *transport* (15.9 per cent), followed by *education* (10.0 per cent). While the lowest annual rate was observed in *communications* (stagnant).

Interest rate policy remained accommodative for growth in September 2014 with the bank rate recorded at 5.25 per cent, and the prime rate at 8.75 per cent.

Chart II: Annual Inflation Rate



Source: Central Statistics Office of Swaziland

Appendix

Annual inflation rates by main categories (September 2014)

Main Categories	Botswana	Lesotho	Namibia	South Africa	Swaziland
Food & non-alcoholic beverages	2.6	5.2	8.4	8.5	6.6
Alcoholic beverages & tobacco	8.9	6.7	6.9	6.0	8.1
Clothing & footwear	6.1	4.5	4.1	5.5	7.6
Housing, water, electricity, gas & other fuels	3.4	4.8	3.0	5.8	2.6
Furnishings, household equipment &...	5.3	2.4	5.5	2.9	5.9
Health	9.3	1.3	1.6	5.7	2.5
Transport	1.6	13.3	6.6	4.2	15.9
Communications	0.1	0.0	-1.0	-1.3	0.0
Recreation & Culture	4.0	1.2	5.6	2.7	6.8
Education	7.4	7.1	8.1	8.7	10.0
Hotels, cafés & restaurants	7.1	4.6	5.3	8.8	4.0
Miscellaneous goods & services	6.5	4.8	4.5	6.9	4.7
All Item	4.5	5.4	5.3	5.9	6.2

Source: SACU Member States Statistics Offices

Annual inflation rates (%) for the 2014

Main Categories	Botswana	Lesotho	Namibia	South Africa	Swaziland
January	4.4	5.4	4.9	5.8	4.7
February	4.6	5.7	5.2	5.9	4.7
March	4.4	5.6	5.2	6.0	5.1
April	4.5	5.9	5.9	6.1	5.3
May	4.5	6.7	6.1	6.6	5.5
June	4.6	6.5	6.1	6.6	5.3
July	4.5	6.5	5.6	6.3	6.2
August	4.6	5.9	5.4	6.4	6.0
September	4.5	5.4	5.3	5.9	6.2

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