



# SACU INFLATION REPORT

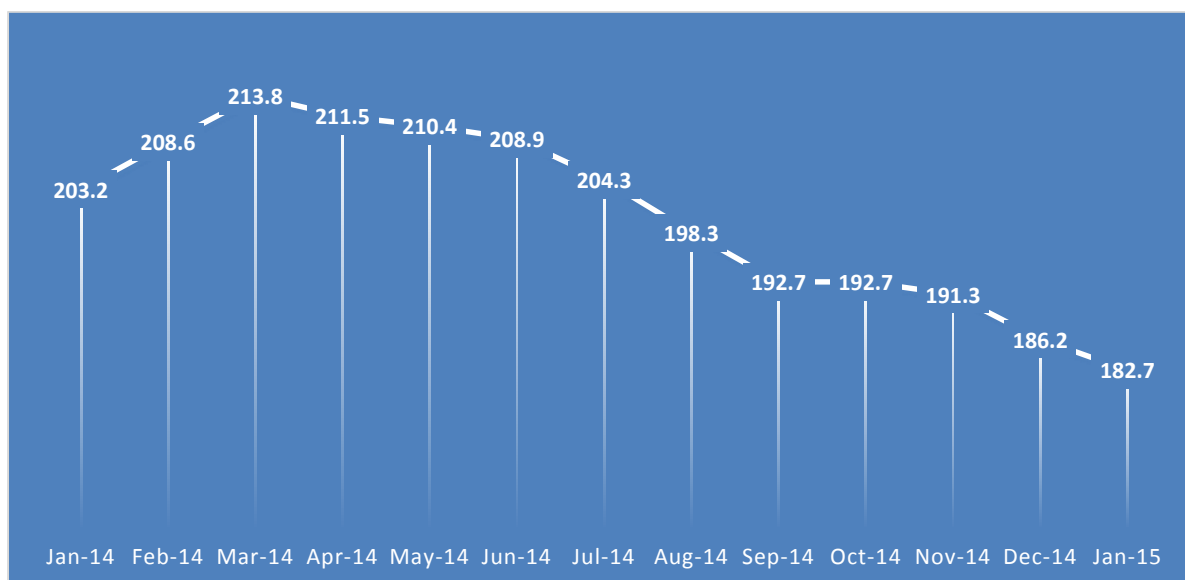
January 2015

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## FAO Food Price Index

The Food and Agricultural Organisation (FAO) Food Price Index<sup>1</sup> averaged 182.7 points in January 2015, down by 3.6 points from its level in December 2014. The biggest downward impact was observed in cereals and oils, while prices of sugar and dairy products stayed virtually unchanged.

**Chart I: FAO Food Price Index**



**Source: Food and Agriculture Organization of the United Nations**

The FAO Cereal Price Index averaged 177.4 points in January 2015, down by 6.6 points from December 2014, primarily driven by a 7.0 per cent reduction in wheat prices. The sharp fall in wheat prices reflects confirmation of an ample supply during the season. The FAO Vegetable Oil Price Index averaged 156.0 points in January 2015, down by 4.7 points from December 2014. Prices in both palm and soy oil fell, reflecting weak import demand for palm oil and prospects of ample soybean supplies. The FAO Dairy Price Index averaged 173.8 points in January 2015, virtually the same level as in December 2014. A decline in prices for cheese and skimmed milk powder was counterbalanced by a rise in the price of butter.

The FAO Meat Price Index averaged 194.3 points in January 2015, down by 3.2 points from its level in December 2014. The drop in prices was mainly due to the stronger US Dollar.

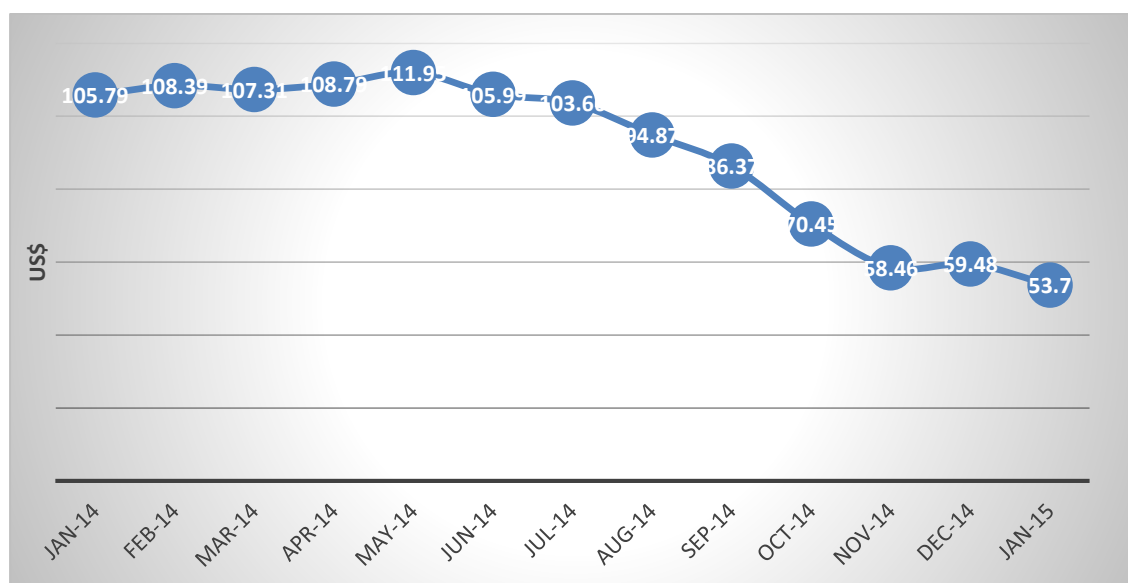
<sup>1</sup> Food Price index: consist of the average of 5 commodity group price indices (meat, dairy, cereals, oil & fat, and sugar) weighted with the average export share of each of the groups for 2002-2004

While, the FAO Sugar Price Index averaged 217.7 points in January 2015, essentially the same level as in December 2014.

## Selected Commodity Prices

Brent crude oil price closed at USD53.70 per barrel at the end of January 2015, which was 19.7 per cent lower than at the end of December 2014, and lower than the USD105.79 per barrel recorded at the end of January 2014.

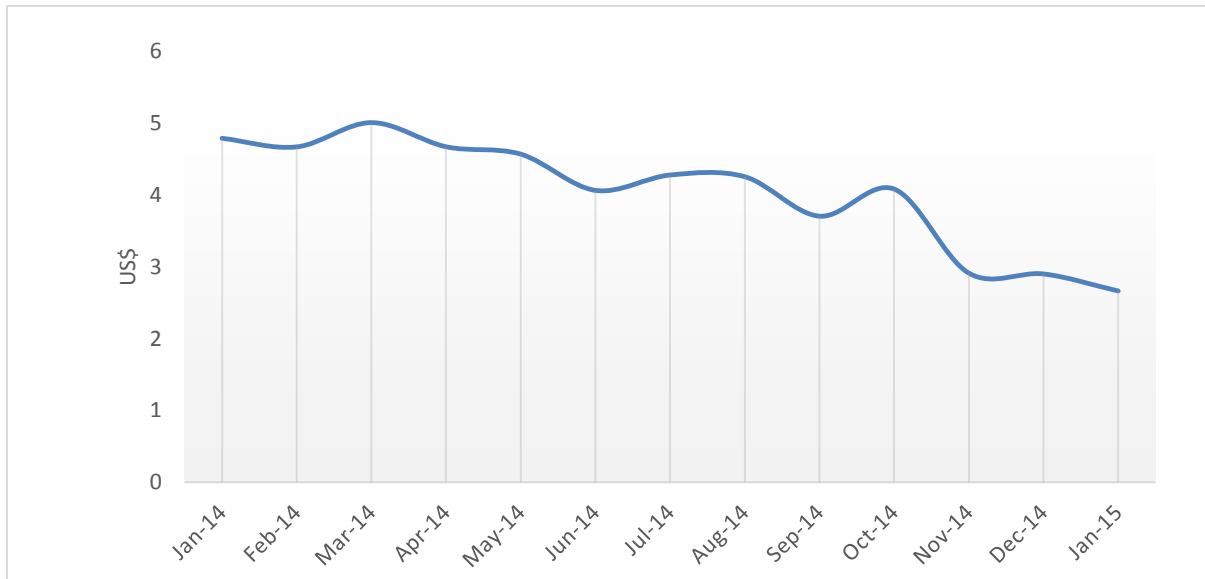
**Chart 2:** Crude Oil



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

The Natural gas price closed at USD2.66 at the end of January 2015, which was 8.2 per cent lower than at the end of December 2014.

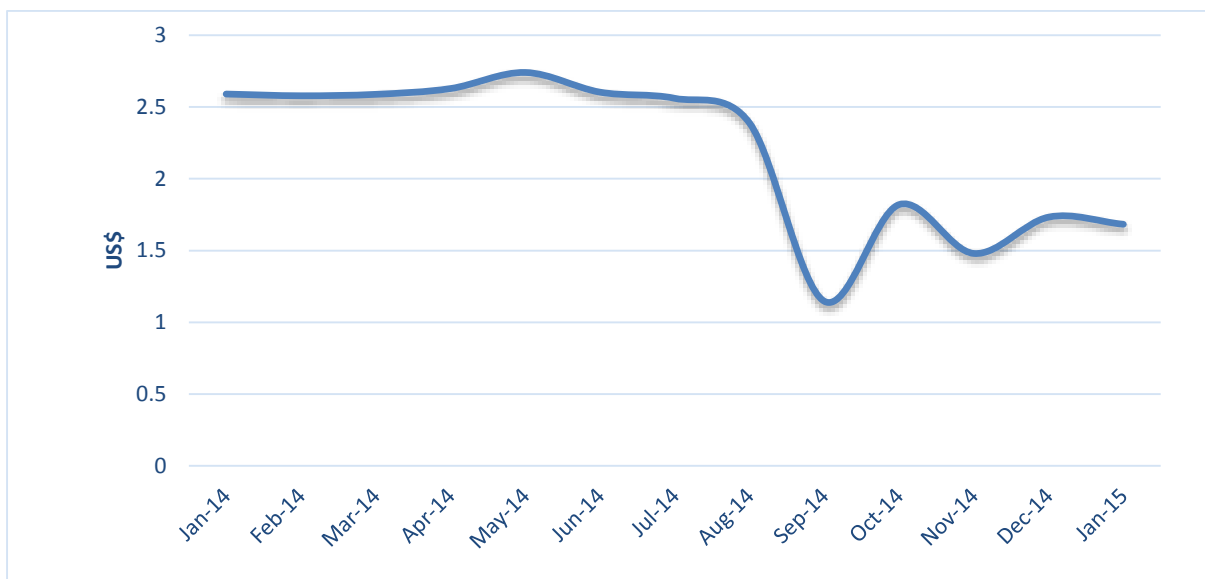
### Chart 3: Natural Gas



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

RBOB gasoline price closed at USD 1.68 per barrel at the end of January 2015, which was 2.9 per cent lower than at the end of December 2014.

### Chart 4: RBOB Gas



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

## Inflation Rate for Selected Economies

### Euro Area

Euro area recorded an annual deflation of 0.6 per cent in January 2015, compared to a deflation rate of 0.2 per cent recorded in December 2014, making it the lowest rate recorded since July 2009. A year earlier the rate was 0.8 per cent. The biggest downward impact to annual rate came from fuels for transport (-0.77 percentage points), heating oil (-0.24 percentage points) and telecommunications (-0.05 percentage points), while restaurants & cafes and rents (0.14 percentage points each) and tobacco (0.07 percentage points) had the largest upward impacts. The annual rate recorded for January 2015 was below the European Central Bank inflation target of below but close to 2.0 per cent.

### United Kingdom

The annual inflation rate decelerated to 0.3 per cent in January 2015 from 0.5 per cent registered in December 2014. The rate was 1.9 per cent during a similar period a year earlier. The main components with the highest annual rates were *education (10.0 per cent)*, *alcohol beverages & tobacco (3.3 per cent)*, and *restaurants & hotel (2.4 per cent)*, while the lowest annual rates were observed in *transport (-2.8 per cent)* and *food & non-alcoholic beverages (-2.5 per cent)*. The annual inflation rate for January 2015 remained below the Bank of England's inflation target of 2.0 per cent.

### USA

The world's largest economy registered a deflation of 0.1 per cent in January 2015 from inflation rate of 0.8 per cent in the preceding month. The rate was 1.6 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 January 2015, unchanged from the preceding month. The food index rose by 3.2 per cent in January 2015 compared to 3.4 per cent in the preceding month. The energy index registered a decline of 19.6 per cent in January 2015 compared to a decline of 10.6 per cent in the preceding month. The inflation rate for January 2015 remained below the Federal Reserve Bank's long- term inflation estimate of 2.0 per cent.

### Brazil

The annual inflation rate was 7.1 per cent in January 2015, up from 6.4 per cent in the preceding month. The rate was 5.6 per cent during the similar period a year earlier. The

annual rate recorded for January 2015 was above the Brazilian Central Bank inflation target of 4.5 per cent with a floating range of 2 percentage points.

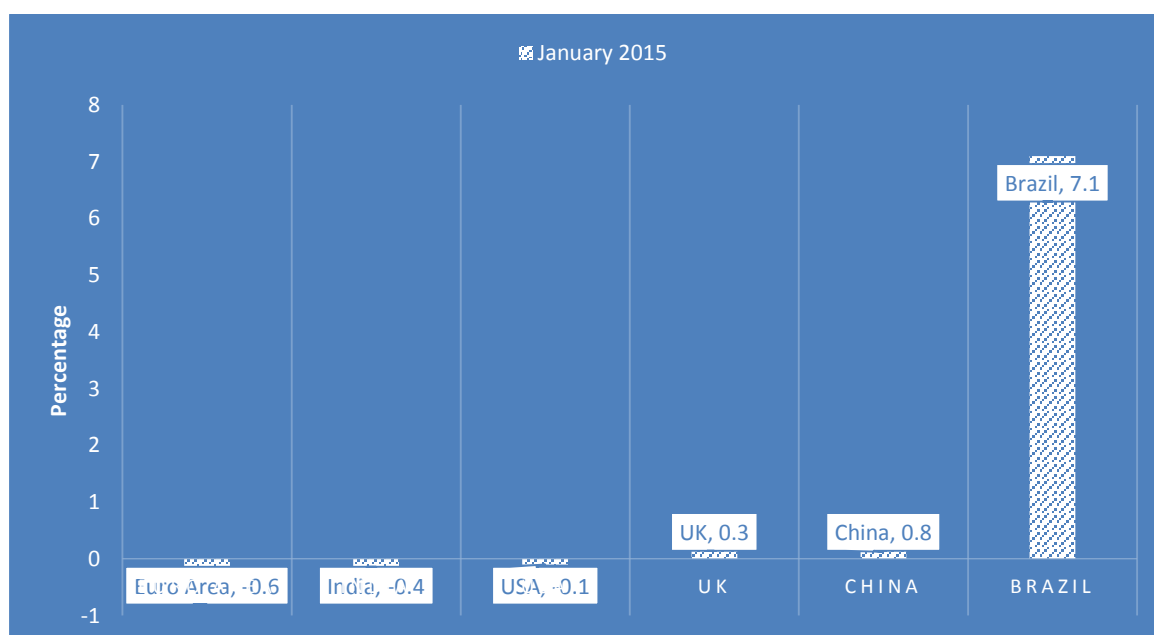
## China

The annual inflation rate rose by 0.8 per cent in January 2015, down from 1.5 per cent in the preceding month. The rate was 2.5 per cent during the similar period a year earlier. The main components with the highest annual rates were *clothing (2.9 per cent)*, and *food (1.1 per cent)*, while the lowest annual rates were observed on *transport & communication (-2.2 per cent)*. The annual inflation rate for January 2015 continued to be below the Government's inflation target of 3.0 per cent.

## India

India recorded a deflation of 0.4 per cent in January 2015 compared to inflation of 0.1 per cent in the preceding month and 5.1 per cent during the corresponding month of the previous year. All major commodity groups declined in January 2015, *fuel & power (-2.5 per cent)*, *primary articles (-1.0 per cent)* and *manufactured products (-0.3 per cent)*. The inflation rate registered during January 2015 continued to be below the Reserve Bank target range of 4.0 – 4.5 per cent.

**Chart 5: Annual Inflation Rates for Selected Economies**

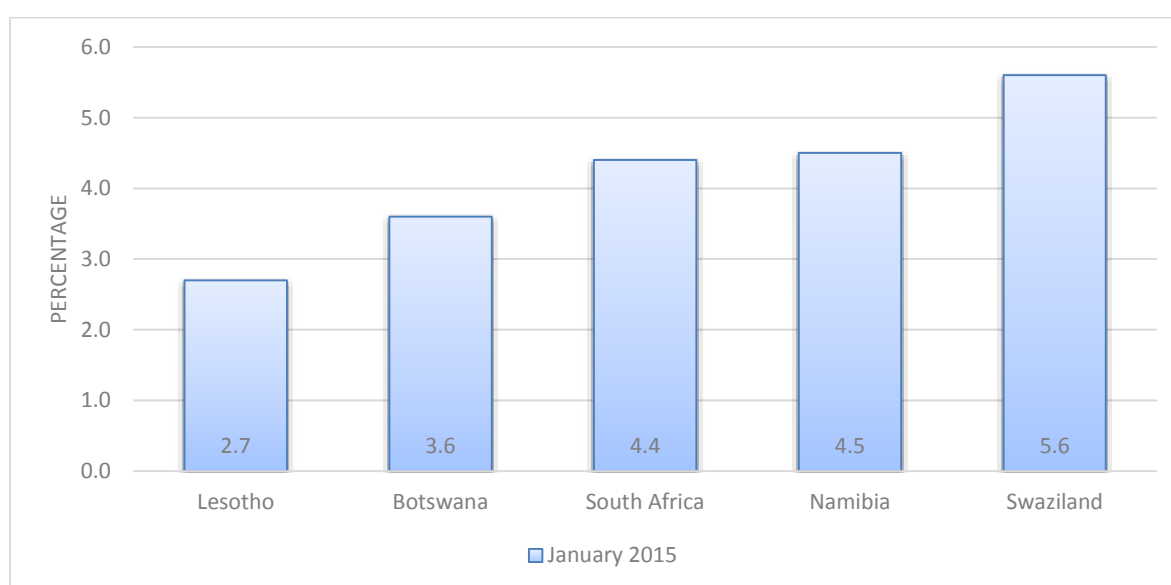


Source: inflation.eu

## Inflation Rate in SACU Member States

For the month of January 2015, consumer prices continued to ease in all Member States. Swaziland registered the highest annual inflation rate among the Member States registering inflation rate of 5.6 per cent followed by Namibia at 4.5 per cent, South Africa at 4.4 per cent, and Botswana at 3.6 per cent. While, Lesotho recorded the lowest inflation rate of 2.7 per cent. All Member States continued to record a single digit annual inflation rate during January 2015 as shown on Chart 6.

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



Source: Member States Statistics Offices

In **Botswana**, the annual inflation rate eased to 3.6 per cent in January 2015 down from 3.8 per cent the preceding month. The annual rate in January 2015 was lower than the 4.4 per cent recorded during the similar month in 2013. The fall in the annual inflation rate between January 2014 and January 2015 was mainly due to the fall in prices experienced in *transport* category (*-1.2 per cent from 1.9 per cent in January 2014*) which accounts for 18.98 per cent of the overall inflation basket. On average, prices increased by 0.8 per cent between December 2014 and January 2015. 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 December 2013. During

the month of January 2015 the bank rate<sup>2</sup> remained at 7.5 per cent, while the prime rate remained at 8.5 per cent.

In **Lesotho**, the annual inflation rate eased to 2.7 per cent in January 2015 compared to 3.6 per cent in the preceding month. A year earlier inflation rate was 5.4 per cent during the corresponding month. The deceleration of annual inflation rate between January 2014 and January 2015 was mainly due to the drop in prices for *housing & utilities* (-6.8 per cent down from 13.5 per cent in January 2014) and *transport* (0.2 per cent down from 14.0 per cent in January 2014). On average, prices declined by 0.1 per cent between December 2014 and January 2015. Lesotho monetary policy targets the maintenance of adequate net international reserves (NIR). The NIR target is set to a minimum of USD0.660 billion, which translates to M7.88 billion, a target that is consistent with the maintenance of the exchange rate peg between the Loti and the Rand. During the month of January 2015 the Lombard facility stood at 10.11 per cent, while the prime lending rate was recorded at 10.25 per cent.

In **Namibia**, the annual inflation rate eased to 4.5 per cent in January 2015, down from 4.6 per cent in the preceding month. A year earlier inflation rate was 4.9 per cent during the corresponding month. The deceleration in annual inflation rate between January 2014 and January 2015 was mainly reflected in *transport* (1.5 per cent down from 6.8 per cent in January 2014), and *food & non-alcoholic beverages* (6.5 per cent down from 7.0 per cent in January 2014). On average, prices increased by 0.8 per cent between December 2014 and January 2015. During the month of January 2015, the repo rate remained at 6.0 per cent, and similarly the prime rate remained at 9.75 per cent.

In **South Africa**, the annual inflation rate eased to 4.4 per cent in January 2015, down from 5.3 per cent in the previous month. The annual rate in January 2015 was lower than the 5.8 per cent recorded during the similar month in 2014. The main contributors to the annual inflation rate in January 2015 were *housing & utilities* (1.4 percentage points) and *miscellaneous goods & services* (1.1 percentage points). On average, prices decreased by 0.2 per cent between December 2014 and January 2015. The annual inflation rate continued to remain within 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 January 2015 and the prime rate at 9.25 per cent.

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



In **Swaziland**, the annual inflation rate rose by 5.6 per cent in January 2015 down from 6.2 per cent in the previous month. Annual inflation rate in January 2015 was higher than the 4.7 per cent recorded during the similar month in 2014. The rise in annual inflation rate between January 2014 and January 2015 was mainly due to the increase in prices for *food & non-alcoholic beverages (4.7 per cent up from 4.6 per cent in January 2014)* and *transport (12.9 per cent up from 1.0 per cent in January 2014)* which accounts for 29.2 and 10.5 per cent of the overall inflation basket, respectively. On average, prices decreased by 0.1 per cent between December 2014 and January 2015. Interest rate policy remained accommodative for growth in January 2015 with the bank rate recorded at 5.25 per cent, and the prime rate at 8.75 per cent.

## Appendix

### Annual inflation rates by main categories (January 2015)

Main Categories	Botswana	Lesotho	Namibia	South Africa	Swaziland
Food & non-alcoholic beverages	2.3	5.1	6.5	6.5	4.7
Alcoholic beverages & tobacco	8.3	6.2	7.5	7.4	6.3
Clothing & footwear	6.6	4.6	2.5	6.2	9.5
Housing, water, electricity, gas & other fuels	3.9	-6.8	3.6	5.7	2.6
Furnishings, household equipment &...	5.9	2.8	4.3	2.4	4.1
Health	6.4	1.2	2.8	6.1	3.1
Transport	-1.2	0.2	1.5	-2.5	12.9
Communications	0.0	0.0	2.2	-1.7	-0.9
Recreation & Culture	3.1	3.0	4.9	2.5	5.9
Education	6.3	3.9	4.4	8.7	11.4
Hotels, cafés & restaurants	4.5	4.7	4.1	7.4	7.0
Miscellaneous goods & services	5.8	3.0	6.6	6.3	5.7
<b>All Items</b>	<b>3.6</b>	<b>2.7</b>	<b>4.5</b>	<b>4.4</b>	<b>5.6</b>

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
<b>All Items</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Source: SACU Member States Statistics Offices