



# SACU INFLATION REPORT

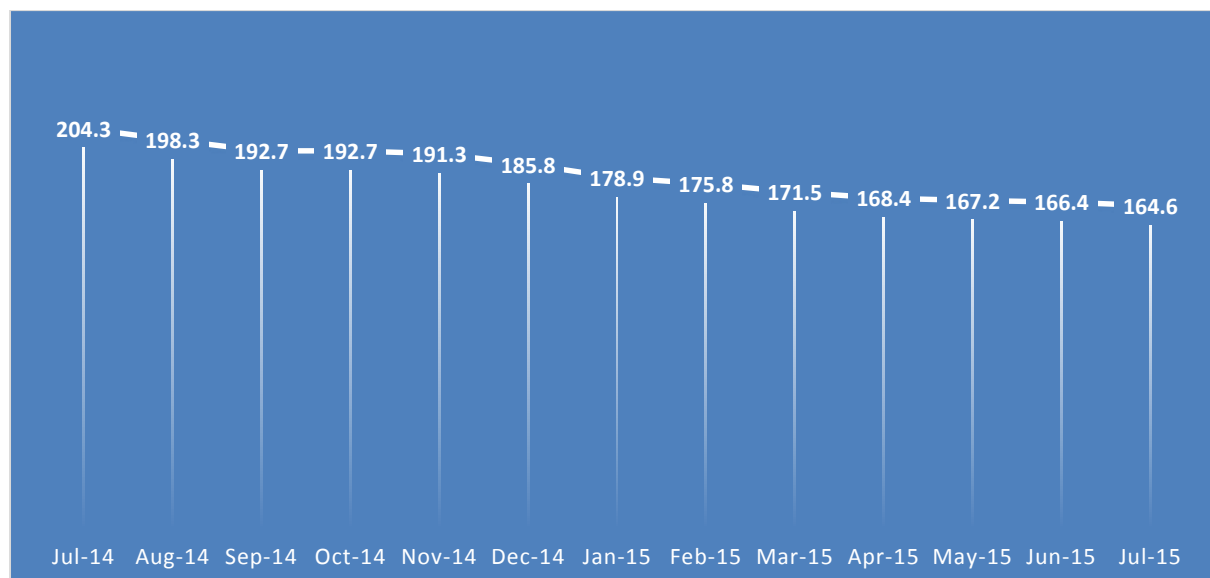
July 2015

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## FAO Food Price Index

The Food and Agricultural Organisation (FAO) Food Price Index<sup>1</sup> averaged 164.6 points in July 2015, down by 1.7 points from its level in June 2015. The downward impact was mostly observed in dairy products and vegetable oils.

**Chart 1:** FAO Food Price Index



Source: Food and Agriculture Organization of the United Nations

The FAO Cereal Price Index averaged 166.5 points in July 2015, up by 3.3 points from June 2015, primarily driven by a wheat and maize prices. The FAO Vegetable Oil Price Index averaged 147.6 points in July 2015, down by 5.5 per cent from June 2015, mainly driven by palm and soy oils.

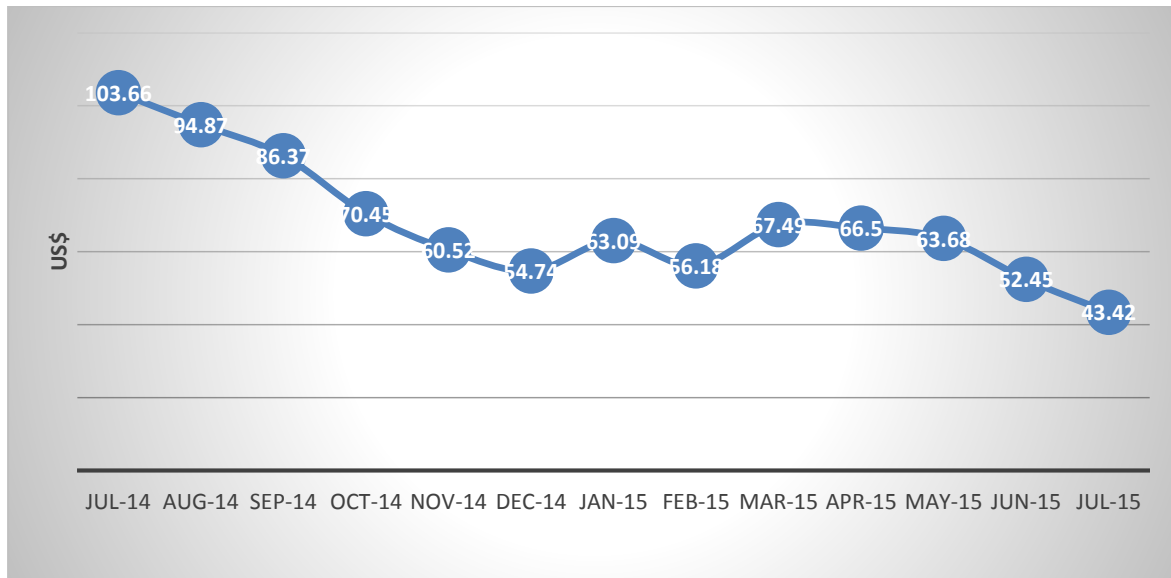
The FAO Dairy Price Index averaged 149.1 points in July 2015, down by 11.5 points from its level in June 2015. The downward pressure was mainly due to whole milk powder prices, prices of butter and cheese also declined. The FAO Meat Price Index averaged 174.1 points essentially unchanged from June 2015. Prices for bovine meat moved higher, while prices for pork and ovine meat declined, with poultry prices remaining stable. The FAO Sugar Price Index averaged 181.2 points in July 2015, up by 4.4 points from June 2015. The increase was mainly prompted by reports of less than ideal harvesting conditions in the main sugar producing region of Brazil.

<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

## Selected Commodity Prices

Brent crude oil price closed at USD43.42 per barrel at the end of July 2015, which was 17.2 percent lower than at the end of June 2015, and lower than the USD103.66 per barrel recorded at the end of July 2014 as highlighted in Chart 2.

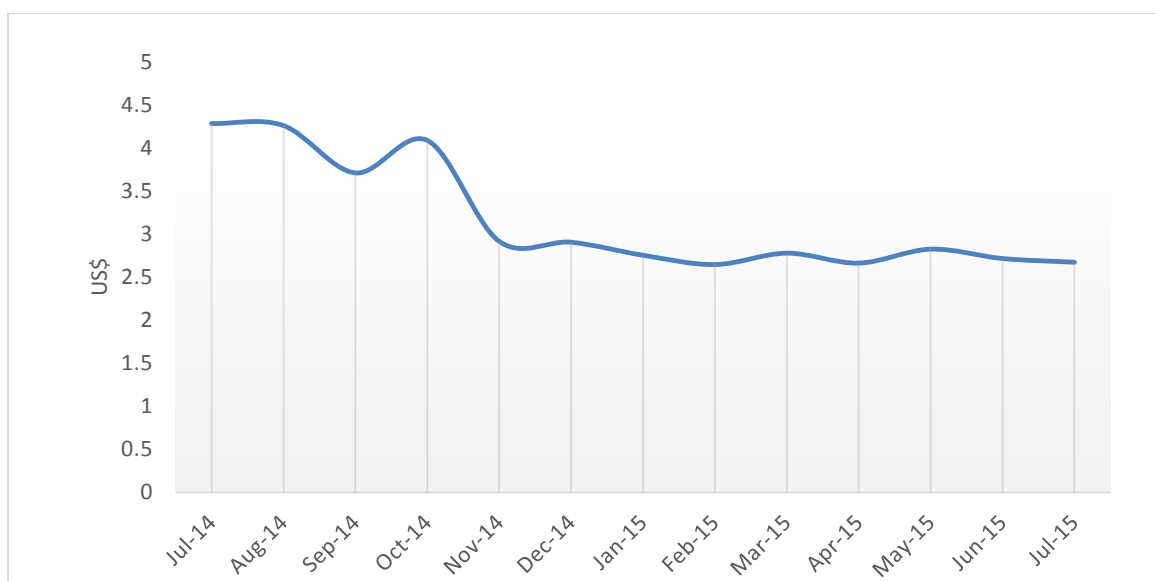
**Chart 2:** Brent Crude Oil



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

The Natural gas price closed at USD2.67 at the end of July 2015, which was 1.6 per cent lower than at the end of June 2015 as outlined in Chart 3.

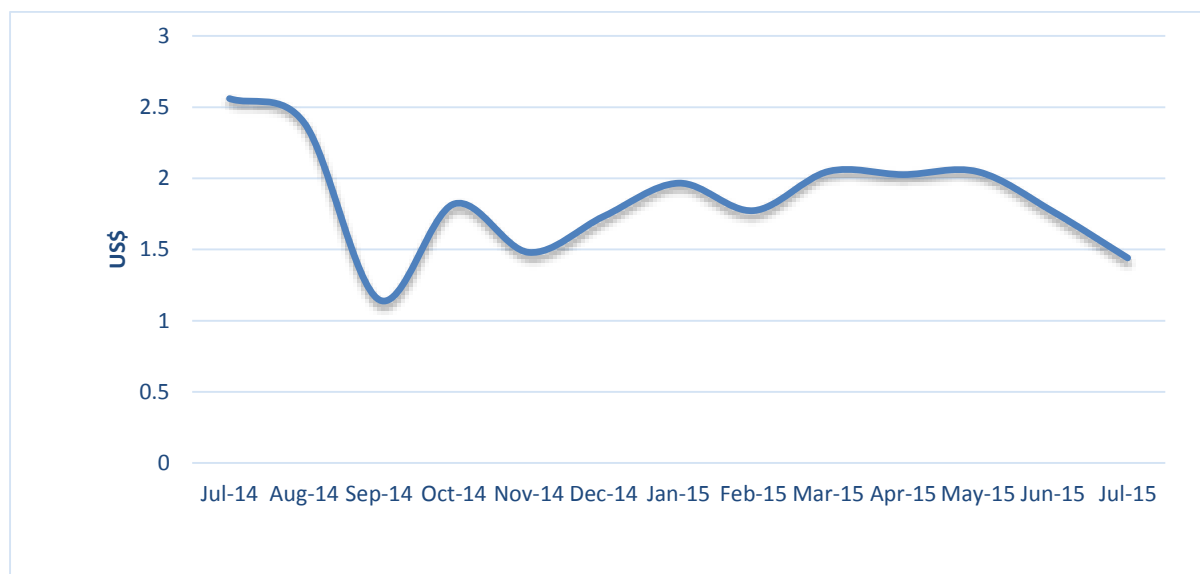
**Chart 3:** Natural Gas



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

RBOB gasoline price closed at USD1.44 per barrel at the end of July 2015, which was 18.4 per cent lower than at the end of June 2015 as illustrated in Chart 4.

**Chart 4: RBOB Gas**



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

## Inflation Rate for Selected Economies

### Euro Area

Euro area recorded an annual inflation rate of 0.2 per cent in July 2015, unchanged from June 2015. A year earlier the inflation rate was 0.4 per cent. The largest upward impacts to annual rate came from *restaurants & cafes* (0.09 percentage points), *tobacco* (0.08 percentage points) and *rents* (0.06 percentage points), while fuels for *transport* (-0.43 percentage points), *heating oil* (-0.20 percentage points) and *milk, cheese & eggs* (-0.06 percentage points) had the biggest downward impact. The annual rate recorded for July 2015 was below the European Central Bank inflation target of below but close to 2.0 percent.

### United Kingdom

The inflation rate was 0.1 per cent in July 2015, up from 0.0 per cent in June 2015. The rate was 1.6 per cent during a similar period a year earlier. The largest upward impact came from *education* (10.0 per cent), *alcohol beverages & tobacco* (1.9 per cent), and *clothing & footwear* (1.7 per cent), while the largest downward impact came from *food & non-alcoholic beverages* (-2.7

*per cent*). The annual inflation rate for July 2015 remained below the Bank of England's inflation target of 2.0 percent.

## **USA**

The world's largest economy recorded an inflation rate of 0.2 per cent in July 2015, up from 0.1 per cent in the preceding month. The inflation rate was 2.0 per cent during the similar period a year earlier. The index for all items less food and energy rose by 1.8 per cent in July 2015, unchanged from the preceding month. The food index rose by 1.6 per cent in July 2015 compared to 1.8 per cent in the preceding month. The energy index registered a decline of 14.2 per cent in July 2015 compared to a decline of 15.0 per cent in the preceding month. The inflation rate for July 2015 remained below the Federal Reserve Bank's long-term inflation estimate of 2.0 percent.

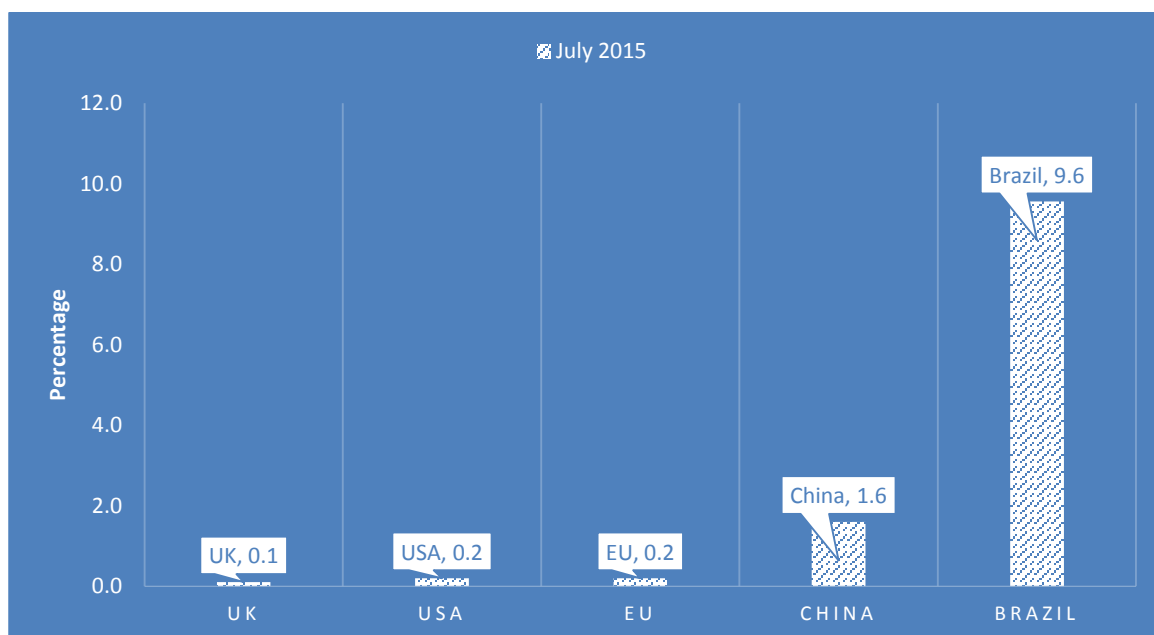
## **Brazil**

The annual inflation rate was 9.6 per cent in July 2015, up from 8.9 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 July 2015 continued to be 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 1.6 per cent in July 2015, from 1.4 per cent in the preceding month. The rate was 2.3 per cent during the similar period a year earlier. The main components with the highest annual rates were *tobacco, liquor & articles (3.6 per cent)*, and *clothing (2.9 per cent)*, while the lowest annual rates were observed on *transport & communication (-1.8 per cent)*. The annual inflation rate for July 2015 continued to be below the Government's inflation target of 3.0 per cent.

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

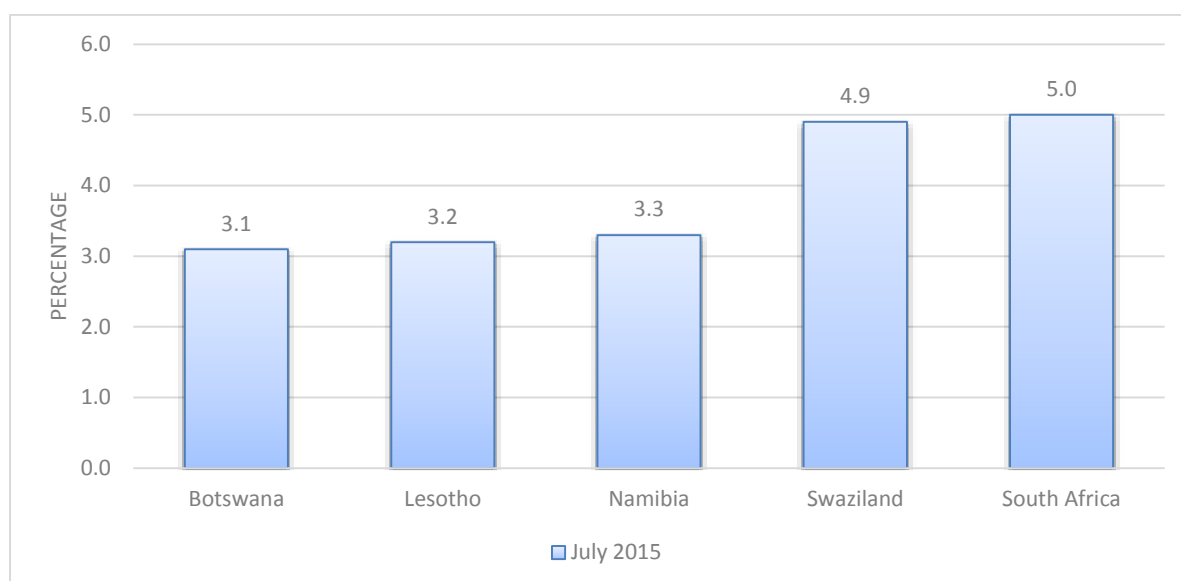


Source: inflation.eu

### **Inflation Rate in SACU Member States**

For the month of July 2015, consumer prices increased in Lesotho, Namibia and South Africa, while it declined in Swaziland. In Botswana consumer prices remained unchanged. South Africa registered the highest annual inflation rate among the Member States, registering inflation rate of 5.0 per cent followed by Swaziland at 4.9 per cent, Namibia at 3.3 per cent, and Lesotho at 3.2 per cent. While, Botswana recorded the lowest inflation rate of 3.1 per cent. All Member States continued to record a single digit annual inflation rate during July 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 rose by 3.1 per cent in July 2015, unchanged from the preceding month. The annual rate in July 2015 was lower than the 4.5 per cent recorded during the similar month in 2014. The fall in the annual inflation rate between July 2014 and July 2015 was mainly due to the fall in prices experienced in *transport* category (-4.6 per cent from 0.8 per cent in July 2014) which accounts for 18.98 per cent of the overall inflation basket. On average, prices increased by 0.1 per cent between June 2015 and July 2015. The annual inflation rate was within the inflation target range of 3 – 6 percent set out by the Bank of Botswana. During the month of July 2015 the bank rate<sup>2</sup> remained unchanged at 6.5 per cent, while the prime rate stood at 8.0 per cent.

In **Lesotho**, the annual inflation rate rose by 3.2 per cent in July 2015 from 2.9 per cent in the preceding month. A year earlier inflation rate was 6.5 per cent during the corresponding month. The deceleration in annual inflation rate between July 2014 and July 2015 was mainly due to a drop in prices for *food & non-alcoholic beverages* (5.3 per cent down from 6.5 per cent in July 2014), *housing & utilities* (-4.5 per cent down from 10.9 per cent in July 2014) and *transport* (0.5 per cent down from 13.6 per cent in July 2014). On average, prices increased by 0.5 per cent between June 2015 and July 2015. Lesotho monetary policy targets the maintenance of adequate net international reserves (NIR). The NIR target is set to a minimum of USD0.6

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

billion, which translates to M6.95 billion, a target that is consistent with the maintenance of the exchange rate peg between the Loti and the Rand. During the month of July 2015 the Lombard facility stood at 10.24 per cent, while the prime lending rate was recorded at 10.44 per cent.

In **Namibia**, the annual inflation rate was 3.3 per cent in July 2015, from 3.0 per cent in the preceding month. A year earlier inflation rate was 5.6 per cent during the corresponding month. The deceleration in annual inflation rate between July 2014 and July 2015 was mainly reflected in *transport (-1.8 per cent down from 8.5 per cent in July 2014)*, *food & non-alcoholic beverages (5.3 per cent down from 9.0 per cent in July 2014)* and *housing & utilities (2.1 per cent down from 3.2 per cent in July 2014)*. On average, prices increased by 0.4 per cent between June and July 2015. During the month of July 2015, the repo rate stood at 6.50 per cent, while the prime rate stood at 10.25 per cent.

In **South Africa**, the annual inflation rate rose to 5.0 per cent in July 2015, up from 4.7 per cent in the previous month. The annual rate in July 2015 was lower than the 6.3 per cent recorded during the similar month in 2014. The main contributors to the annual inflation rate in July 2015 were *housing & utilities (1.6 percentage points)* and *miscellaneous goods & services (1.1 percentage points)*. On average, prices increased by 1.0 per cent between June 2015 and July 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 July 2015 and the prime rate at 9.25 per cent.

In **Swaziland**, the annual inflation rate eased to 4.9 per cent in July 2015 from 5.7 per cent in the previous month. Annual inflation rate in July 2015 was lower than the 6.2 per cent recorded during the similar month in 2014. The deceleration in annual inflation rate between July 2014 and July 2015 was mainly reflected in *food & non-alcoholic beverages (3.4 per cent down from 2.7 per cent in July 2014)* and *transport (0.5 per cent down from 13.0 per cent in July 2014)* which accounts for 29.22 and 10.50 per cent of the overall inflation basket, respectively. On average, prices increased by 0.4 per cent between June 2015 and July 2015. Interest rate policy remained accommodative for growth in July 2015 with the bank rate recorded at 5.75 per cent, and the prime rate at 9.25 per cent.



## Appendix

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

Main Categories	Botswana	Lesotho	Namibia	South Africa	Swaziland
Food & non-alcoholic beverages	1.0	5.3	5.3	4.4	3.4
Alcoholic beverages & tobacco	5.6	5.8	6.9	8.9	3.1
Clothing & footwear	7.5	4.6	2.5	5.6	7.8
Housing, water, electricity, gas & other fuels	7.5	-4.5	2.1	6.4	6.0
Furnishings, household equipment &...	6.1	4.5	4.5	2.3	3.6
Health	6.2	0.8	5.7	5.9	4.2
Transport	-4.6	0.5	-1.8	0.8	0.5
Communications	0.5	0.0	0.3	-0.7	6.6
Recreation & Culture	6.6	3.9	4.0	2.2	6.8
Education	6.3	3.9	4.3	9.3	5.9
Hotels, cafés & restaurants	5.4	4.5	7.5	5.9	9.3
Miscellaneous goods & services	7.9	4.4	6.1	7.0	10.2
<b>All Items</b>	<b>3.1</b>	<b>3.2</b>	<b>3.3</b>	<b>5.0</b>	<b>4.9</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