



# **SACU INFLATION REPORT**

**October 2013**

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## Selected Global Inflation Rates

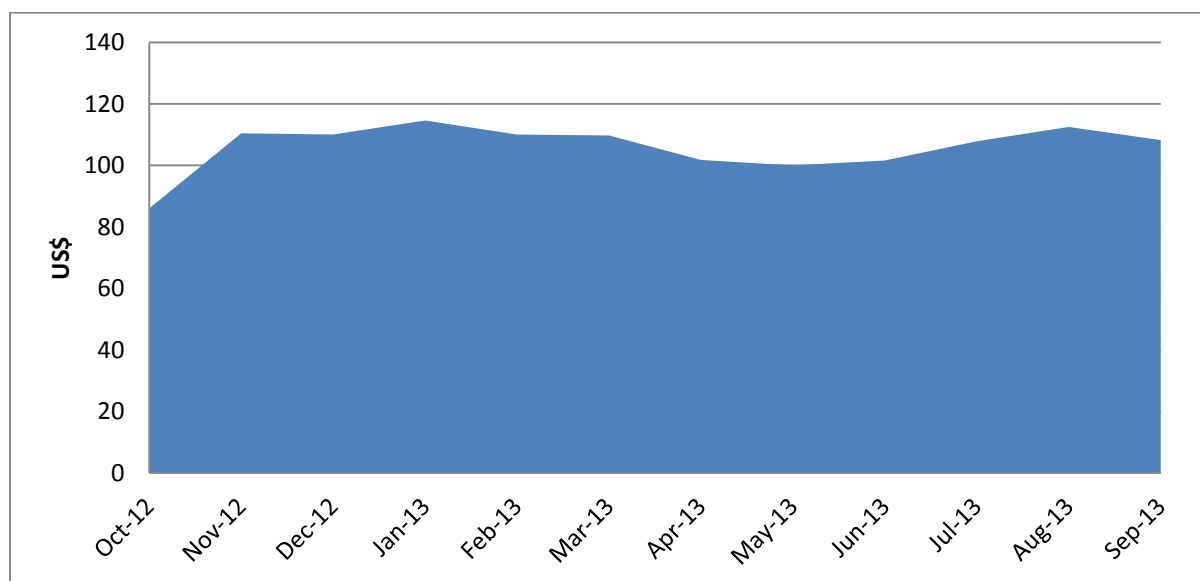
The Food and Agricultural Organisation (FAO) Food Price Index averaged 205.8 points in October 2013, up by 2.7 points from its level in September 2013. The increase was mainly driven by a surge in sugar prices.

The FAO Cereal Price Index averaged 197.0 points in October 2013, up by 2.0 points from September 2013. Similarly, the FAO Oils/Fats Price Index averaged 188.0 points in October 2013, up by 3.7 points from September 2013.

The FAO Meat Price Index averaged 184.2 points in October 2013, nearly unchanged from September 2013. While, the FAO Dairy Price Index averaged 252.0 points in October 2013, 1.0 points more than in September 2013. The FAO Sugar Price Index averaged 265.0 points in October 2013, up by 18.4 points from September 2013. The increase in sugar prices was mainly attributable to harvest delays due to unfavourable weather condition in the centre-south region of Brazil, the world's largest sugar producer and exporter.

Brent crude oil price closed at USD108.66 per barrel at the end of October 2013, which was 0.4 per cent lower than at the end of September 2013, but higher than the USD86.01 per barrel recorded at the end of October 2012.

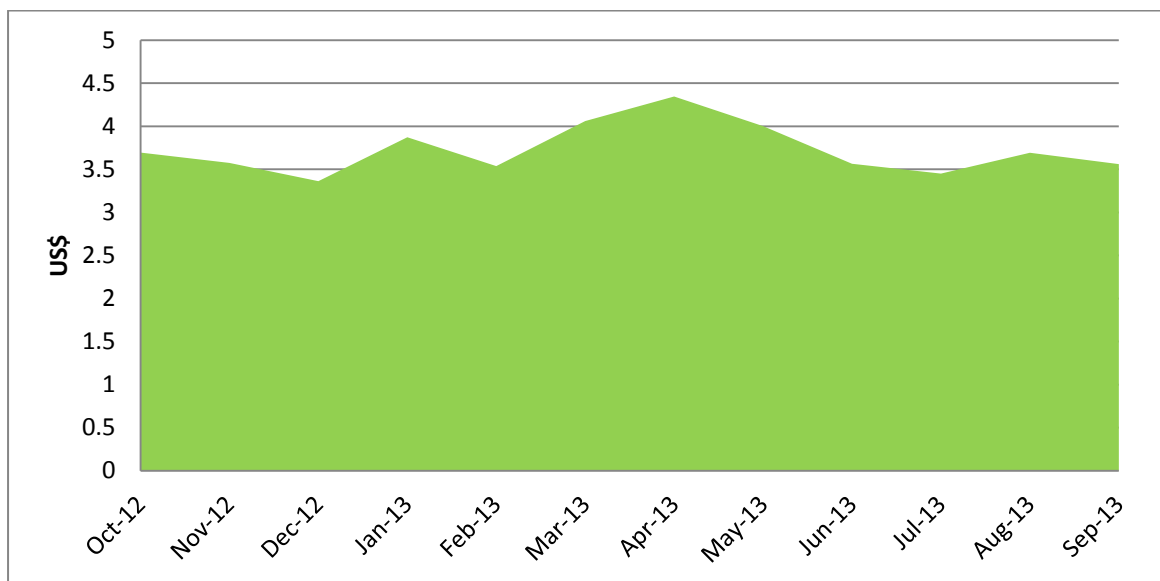
**Chart 1:** Crude Oil



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

The Natural gas price closed at USD3.65 at the end of October 2013, which was 2.5 per cent higher than at the end of September 2013.

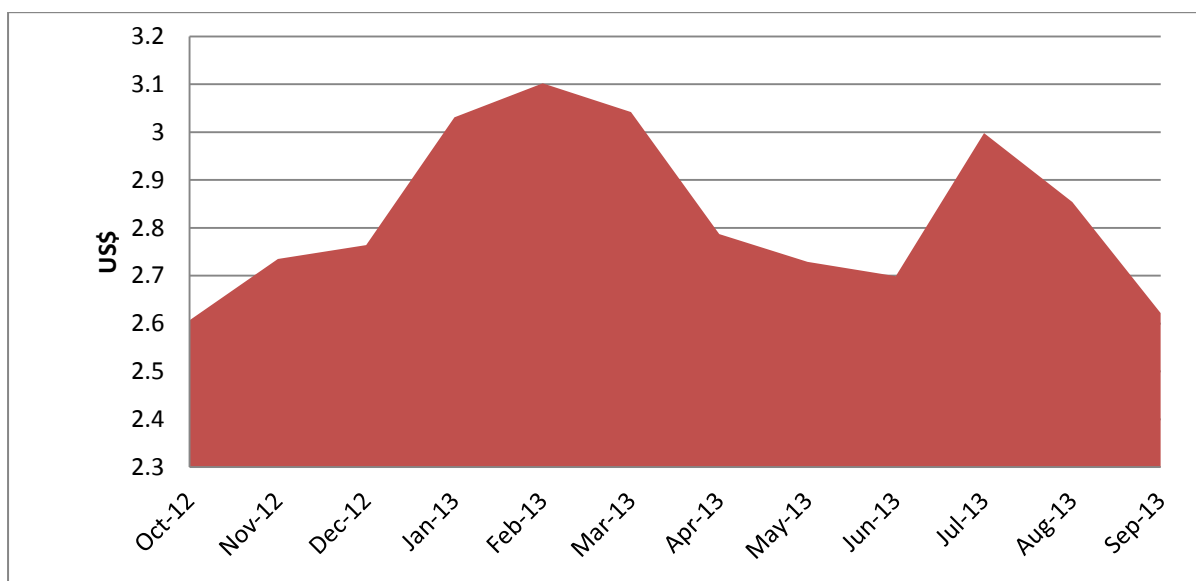
**Chart 2: Natural Gas**



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

RBOB gasoline price closed at USD2.59 per barrel at the end of October 2013, which was 1.1 per cent lower than at the end of September 2013.

**Chart 3: RBOB Gas**



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

## **Developed Economies**

### **Euro Area**

The annual inflation rate was 0.7 per cent in October 2013, down from 1.1 per cent in September 2013. A year earlier the rate was 2.5 per cent. The largest upward impact on the annual inflation in October 2013 came from *electricity (0.11 percentage point), accommodation services (0.09 percentage points) and tobacco (0.08 percentage points)*, while *fuels for transport (-0.31 percentage points), telecommunications (-0.16 percentage points), and heating oil (-0.08 percentage points)* exerted downwards pressure. The annual rate recorded for October 2013 remained below the European Central Bank inflation target of below but close to 2.0 per cent.

### **Japan**

The annual inflation rate for October 2013 stood at 1.1 per cent, unchanged from the previous month. A year earlier the deflation rate was 0.4 per cent. The main components with the highest annual rates were *fuel, light and water charges (5.7 per cent), and miscellaneous (3.2 per cent)*, while the lowest annual rates were observed for *furniture & household utensils (-0.9 per cent), and medical care (-0.5 per cent)*.

### **United Kingdom**

The annual inflation rate grew by 2.2 per cent in October 2013, down from 2.7 per cent in September 2013. 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 (5.4 per cent), and housing & utilities (4.1 per cent)*, while the lowest annual rates were observed for *transport (-0.3 per cent), and recreation & culture (0.7 per cent)*. The annual inflation rate remained above the Bank of England's inflation target of 2.0 per cent.

### **USA**

The annual inflation rate in the world's largest economy rose by 1.0 per cent in October 2013 compared to 1.2 per cent in the preceding month. The rate was 2.2 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 October 2013, unchanged from the preceding month. The food index rose by 1.3 per cent in October 2013 compared to 1.4 per cent in the preceding month. The energy index declined by 4.8 per cent in October 2013 compared to a decline of 3.1 per cent in the preceding month. The inflation rate for October 2013 remained below the Federal Reserve Bank's long term inflation estimate of 2.0 per cent.

## Developing Economies

### **Brazil**

The annual inflation rate was 5.8 per cent in October 2013, compared to 5.9 per cent in the preceding month. The rate was 5.5 per cent during the similar period a year earlier. The annual rate recorded for October 2013 was in line with the Brazilian Central Bank inflation target of 4.5 per cent with a floating range of 2 percentage points.

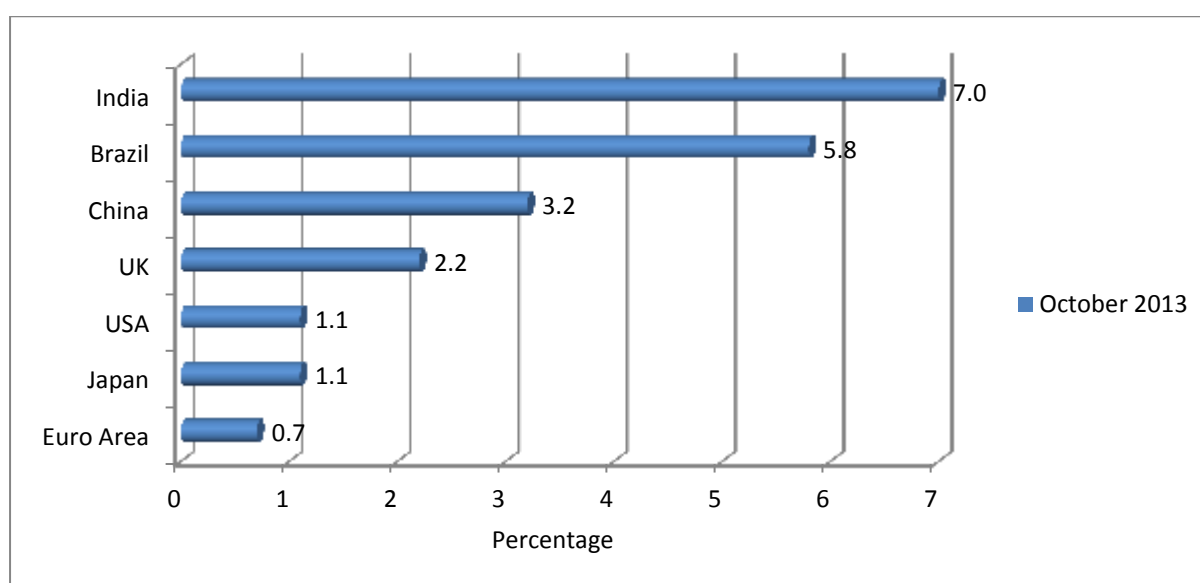
### **China**

The annual inflation rate was 3.2 per cent in October 2013, compared to 3.1 per cent in the preceding month. The rate was 1.7 per cent during the similar period a year earlier. The main components with the highest annual rates were *food (6.5 per cent)*, *residence (2.6 per cent)*, and *recreation, education, culture articles & services (2.5 per cent)*, while the lowest annual rates were observed on *transport & communication (-0.6 per cent)* and *tobacco, liquor & articles (-0.2 per cent)*. The annual inflation rate for October 2013 was above the Government's inflation target of 3.0 per cent.

### **India**

The annual inflation rate was 7.0 per cent in October 2013 as compared to 6.5 per cent in the preceding month and 7.5 per cent during the corresponding month in the previous year. The main components with the highest annual rates were *primary articles (1.5 per cent)*, and *fuel & power (0.9 per cent)*, while the lowest annual rates were observed on *manufactured products (0.4 per cent)*. The inflation rate registered during October 2013 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

The recent developments in the compilation of CPI in SACU is that Namibia has introduced new basket and weights for the Consumer Price Index based on the 2009/10 Household Income and Expenditure Survey from December 2012. One of the international best practices in the compilation of CPI is that it should be rebased periodically to accurately reflect consumer patterns. The purpose of rebasing is to introduce new weights which reflect current consumption patterns of the population based on their expenditure.

In October 2013, annual inflation slowed in Botswana (4.8%, down from 5.0% in September), Namibia (4.9%, down from 5.4% in September), South Africa (5.5%, down from 6.0%), and Swaziland (4.7%, down from 5.7% in September), while inflation rate rose in Lesotho (5.4%, up from 4.8% in September). For the month of October 2013, South Africa registered the highest annual inflation rate among the Member States, registering inflation rate of 5.5 per cent followed by Lesotho at 5.4 per cent, Namibia at 4.9 per cent, Botswana at 4.8 per cent, and Swaziland at 4.7 per cent. All Member States continued to record a single digit annual inflation rate during October 2013 as shown in Table 1.

Month-on-month inflation rates varied between 0.1 and 1.3 per cent in Member States between September 2013 and October 2013, as shown in Table 2, with Lesotho recording the highest month-on-month inflation of 1.3 per cent.

**Table 1:** Annual Inflation Rates in SACU Member States

	<b>Botswana</b>	<b>Lesotho</b>	<b>Namibia</b>	<b>South Africa</b>	<b>Swaziland</b>
September 2013	5.0	4.8	5.4	6.0	5.7
October 2013	4.8	5.4	4.9	5.5	4.7

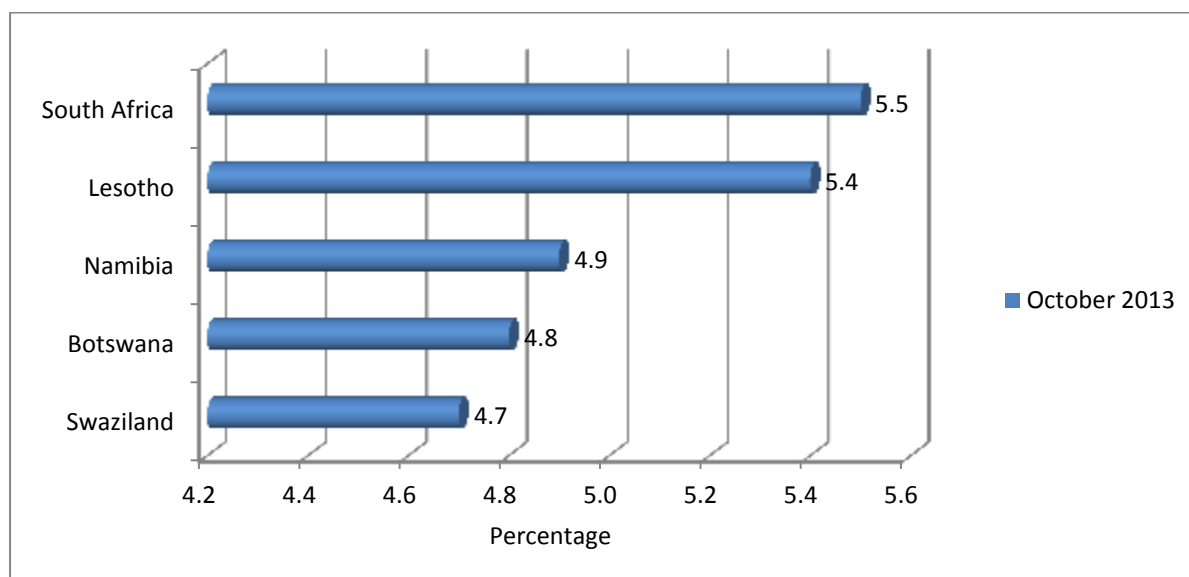
Source: Member States Statistics Offices

**Table 2:** Monthly Inflation Rates in SACU Member States

	<b>Botswana</b>	<b>Lesotho</b>	<b>Namibia</b>	<b>South Africa</b>	<b>Swaziland</b>
September 2013	0.3	0.5	0.3	0.5	0.3
October 2013	0.2	1.3	0.4	0.2	0.1

Source: Member States Statistics Offices

**Chart 5: Annual Inflation Rates in SACU Member States**



Source: Member States Statistics Offices

### Botswana

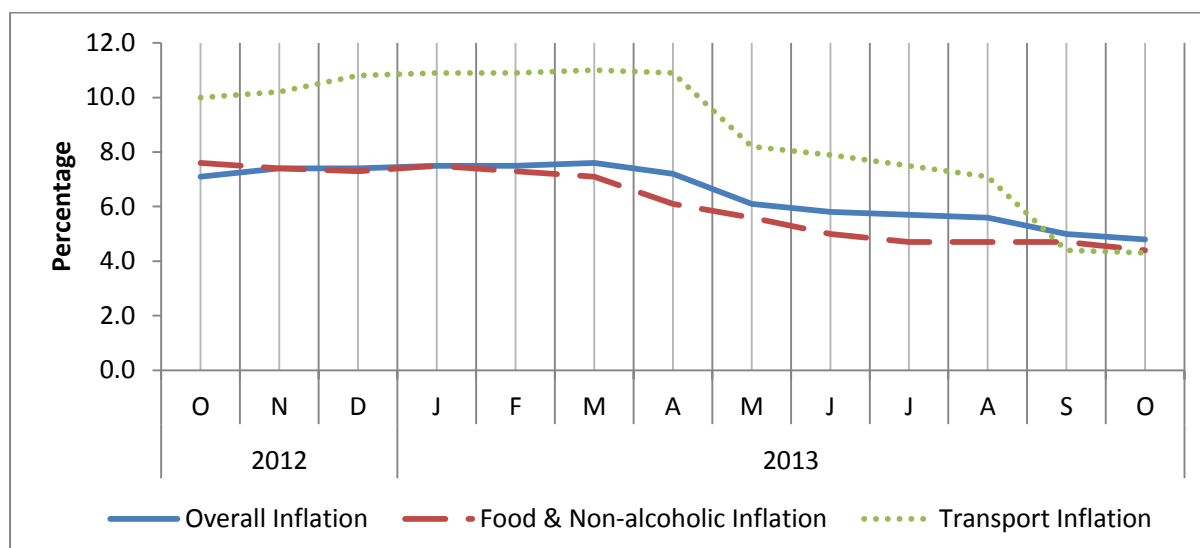
The annual inflation rate continued to ease for the fifth consecutive month registering a rate of 4.8 per cent in October 2013, from 5.0 per cent in the preceding month. The annual rate in October 2013 was lower than the 7.1 per cent recorded during the similar month in 2012. On average, prices increased by 0.3 per cent between September and October 2013.

The main components with the highest annual rates were *alcoholic beverages & tobacco* (8.3 per cent), and *hotels & restaurants* (6.7 per cent), while the lowest annual rate was observed in *communication* (0.3 per cent).

The annual inflation rate for October 2013 remained within the inflation target range of 3 – 6 per cent set out by the Bank of Botswana. During the month of October 2013 the bank rate<sup>1</sup> remained at 8.0 per cent, while the prime rate was at 9.5 per cent.

<sup>1</sup> Bank rate is the rate at which the Central Bank lends to Commercial Banks

**Chart 6: Annual Inflation Rate**



Source: Statistics Botswana

## Lesotho

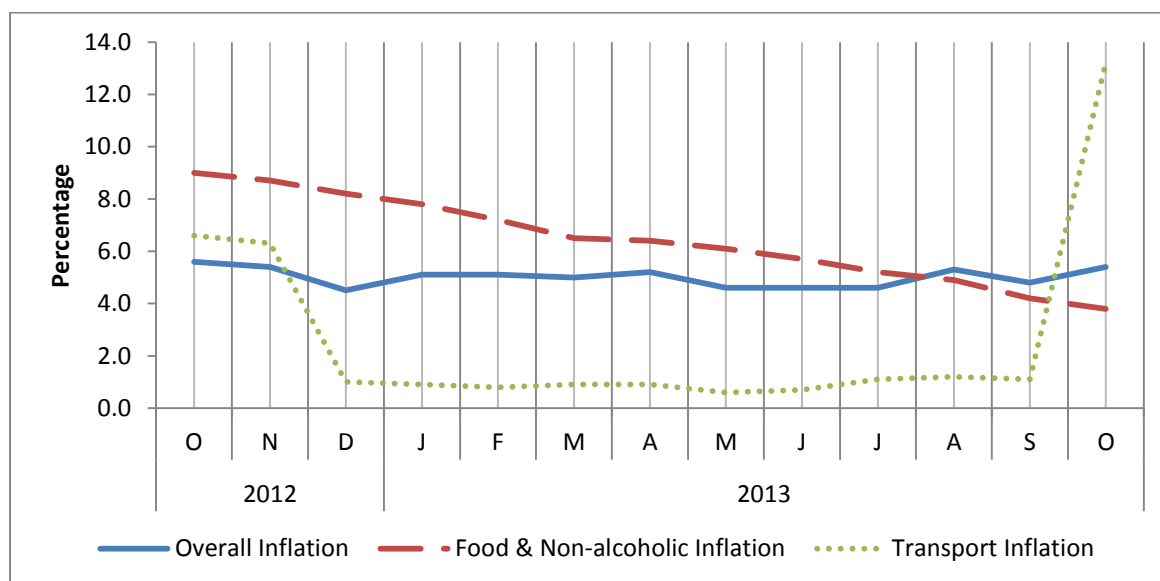
The annual inflation rate rose to 5.4 per cent in October 2013 from 4.8 per cent in the preceding month. A year earlier inflation rate was 5.6 per cent during the corresponding month. On average, prices increased by 1.3 per cent between September and October 2013, mainly because of price increases in transport.

The main components with the highest annual rates were *education (13.4 per cent)*, *transport (13.2 per cent)*, and *housing & utilities (12.5 per cent)*, while the lowest annual rate was observed in *communications (stagnant)*. The significant increase in transport inflation was mainly due to increases in prices for passenger transport by road.

Lesotho monetary policy targets the maintenance of adequate net international reserves (NIR). The NIR target for the quarter ending in December 2013 was set at USD1.04 billion, which translates to M10.28 billion, a target that is consistent with the maintenance of the exchange rate peg between the Loti and the Rand. During the month of October 2013 the Lombard facility stood at 8.94 per cent, while the prime lending rate was recorded at 9.92 per cent.



**Chart 7: Annual Inflation Rate**



Source: Bureau of Statistics of Lesotho

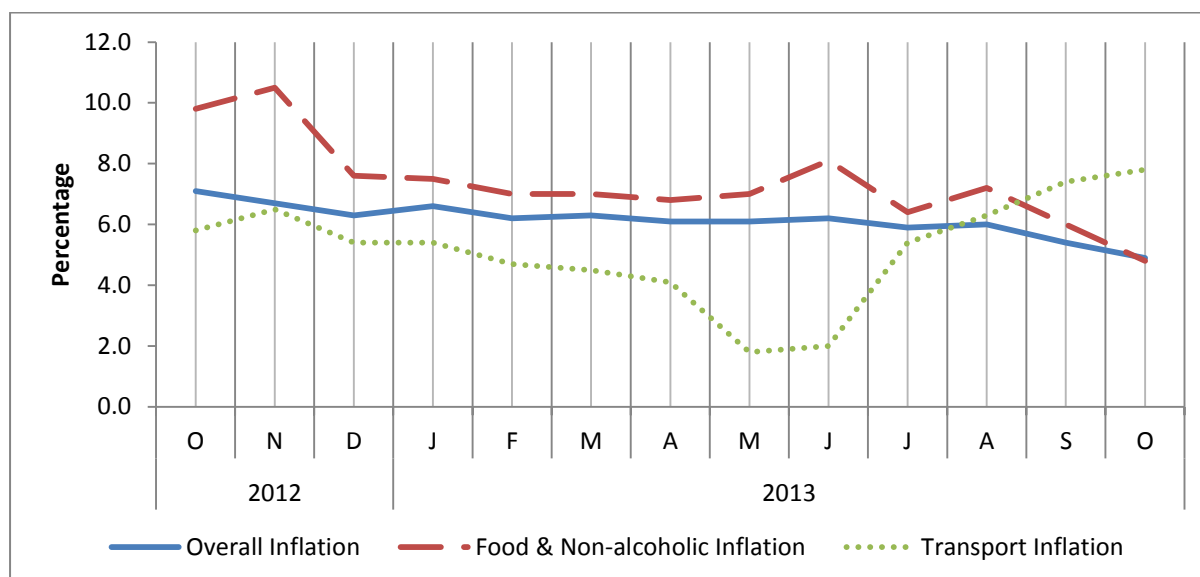
## Namibia

The annual inflation rate eased to 4.9 per cent in October 2013 from 5.4 per cent in the preceding month. The annual rate in October 2013 was lower than the 7.1 per cent recorded during the similar month in 2012. On average, prices increased by 0.4 per cent between September and October 2013.

The main components with the highest annual rates were *alcoholic beverages & tobacco (7.8 per cent)*, *transport (7.8 per cent)*, and *hotel & restaurants (6.8 per cent)*, while the lowest annual rate was observed in *miscellaneous goods & services (1.8 per cent)*.

The NIR level increased to N\$15.6 billion in October 2013 from N\$14.5 billion recorded in the previous month, and it was sufficient to support the Rand parity. During the month of October 2013, the repo rate remained unchanged at 5.5 per cent. Similarly, the prime rate remained unchanged at 9.25 per cent during October 2013.

**Chart 8: Annual Inflation Rate**



Source: Namibia Statistics Agency

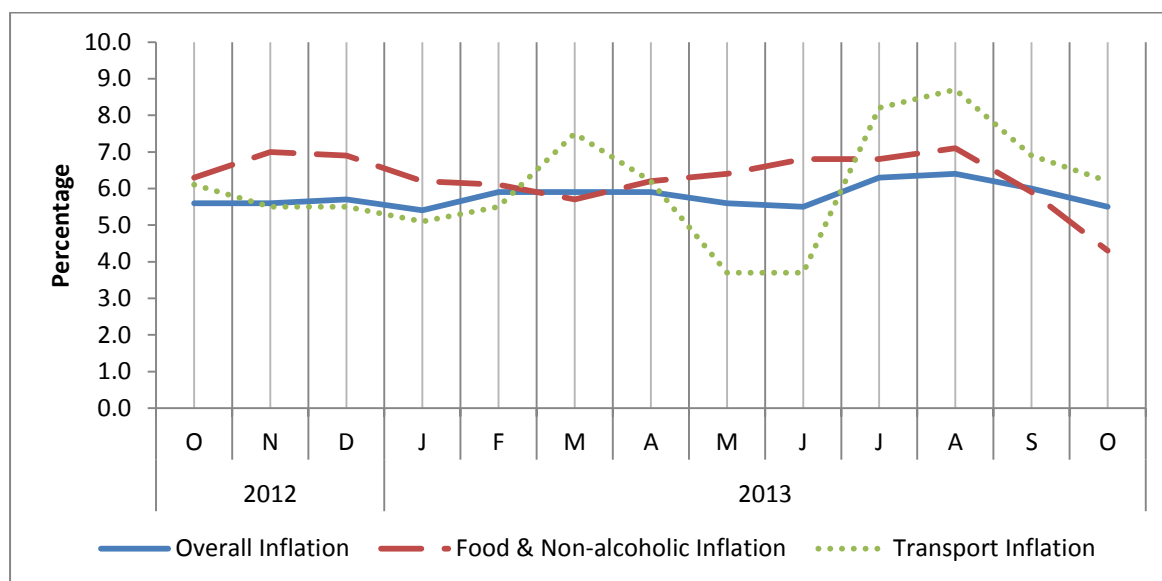
### South Africa

The annual inflation rate eased to 5.5 per cent in October 2013, from 6.0 per cent in the previous month. Annual inflation rate in October 2013 was slightly lower than the 5.6 per cent that was recorded in October 2012. On average, prices increased by 0.2 per cent between September and October 2013.

The main components with the highest annual rates were *education (9.0 per cent)*, *alcoholic beverages & tobacco (7.3 per cent)*, and *miscellaneous goods & services (7.2 per cent)*, while the lowest annual rate was observed in *communication (2.2 per cent)*.

The annual inflation was within the target range of 3-6 per cent during October 2013. 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 October 2013.

**Chart 9: Annual Inflation Rate**



Source: Stats SA

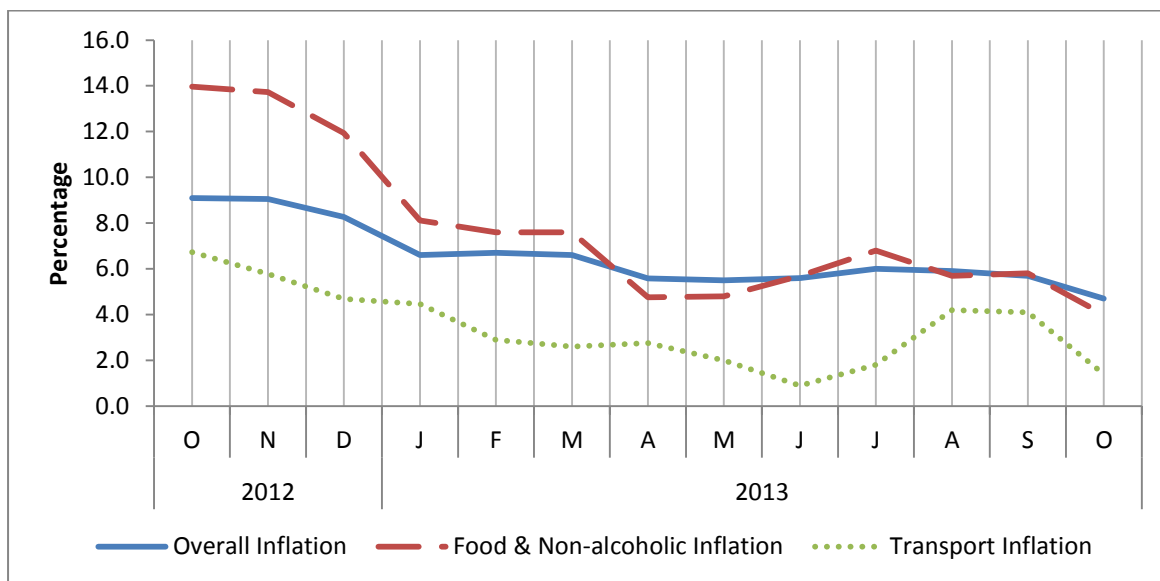
### Swaziland

The annual inflation rate continued to ease for third consecutive month to 4.7 per cent in October 2013, from 5.7 per cent in the previous month. The annual inflation rate for October 2013 was lower than the 9.1 per cent recorded during the similar period in the previous year. On average, prices increased by 0.1 per cent between September and October 2013.

The main components with the highest annual rates were *health (11.3 per cent)*, *education (10.0 per cent)*, and *recreation & culture (4.9 per cent)*, while the lowest annual rate was observed in *restaurants & hotels (-1.7 per cent)* and *communications (stagnant)*.

The NIR level for October 2013 increased to E8.2 billion from E7.1 billion recorded in September 2013, enough to cover 4.8 months of imports of goods and services and it was sufficient to support the Rand parity. Interest rate policy remained accommodative for growth 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 (October 2013)

Main Categories	Botswana	Lesotho	Namibia	South Africa	Swaziland
Food & non-alcoholic beverages	4.4	3.8	4.8	4.3	4.0
Alcoholic beverages & tobacco	8.3	5.1	7.8	7.3	4.2
Clothing & footwear	5.7	1.9	3.2	3.2	4.7
Housing, water, electricity, gas & other fuels	4.2	12.5	3.3	5.3	5.3
Furnishings, household equipment &...	4.3	3.1	5.3	3.6	3.0
Health	5.3	0.7	3.5	4.8	11.3
Transport	4.3	13.2	7.8	6.2	1.4
Communications	0.3	0.0	2.4	2.2	0.0
Recreation & Culture	3.9	0.9	4.9	2.4	4.9
Education	4.7	13.4	4.0	9.0	10.0
Hotels, cafés & restaurants	6.7	0.5	6.8	7.0	-1.7
Miscellaneous goods & services	2.0	2.8	1.8	7.2	0.8
<b>All Item</b>	<b>4.8</b>	<b>5.4</b>	<b>4.9</b>	<b>5.5</b>	<b>4.7</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 Item</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

## Consumer Price Index Basket Weights (Namibia)

Main Categories	Old	New
Food & non-alcoholic beverages	29.63	16.45
Alcoholic beverages & tobacco	3.26	12.59
Clothing & footwear	5.13	3.05
Housing, water, electricity, gas & other fuels	20.59	28.36
Furnishings, household equipment &...	5.61	5.47
Health	1.51	2.01
Transport	14.79	14.28
Communications	0.9	3.81
Recreation & Culture	2.5	3.55
Education	7.36	3.65
Hotels, cafés & restaurants	1.62	1.39
Miscellaneous goods & services	7.11	5.39
<b>All Item</b>	<b>100.00</b>	<b>100.00</b>

Source: Namibia Statistics Agency