



SACU INFLATION REPORT

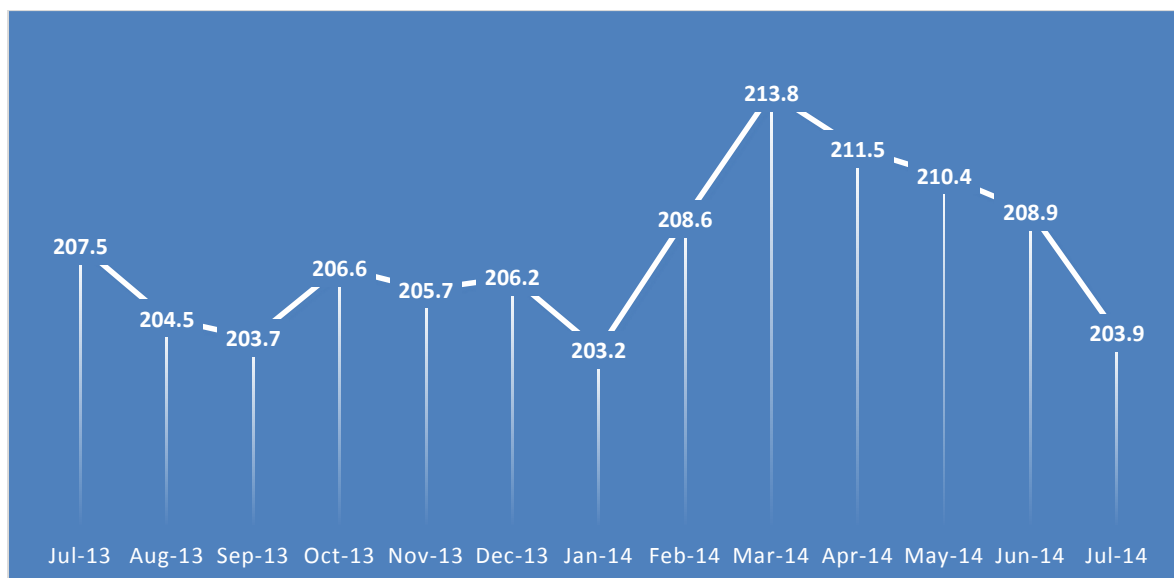
July 2014

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FAO Food Price Index

The Food and Agricultural Organisation (FAO) Food Price Index¹ averaged 203.9 points in July 2014, down by 5.0 points from its level in June 2014. The decline was largely reflected in cereal & vegetable oil, and dairy prices.

Chart 1: FAO Food Price Index



Source: Food and Agriculture Organization of the United Nations

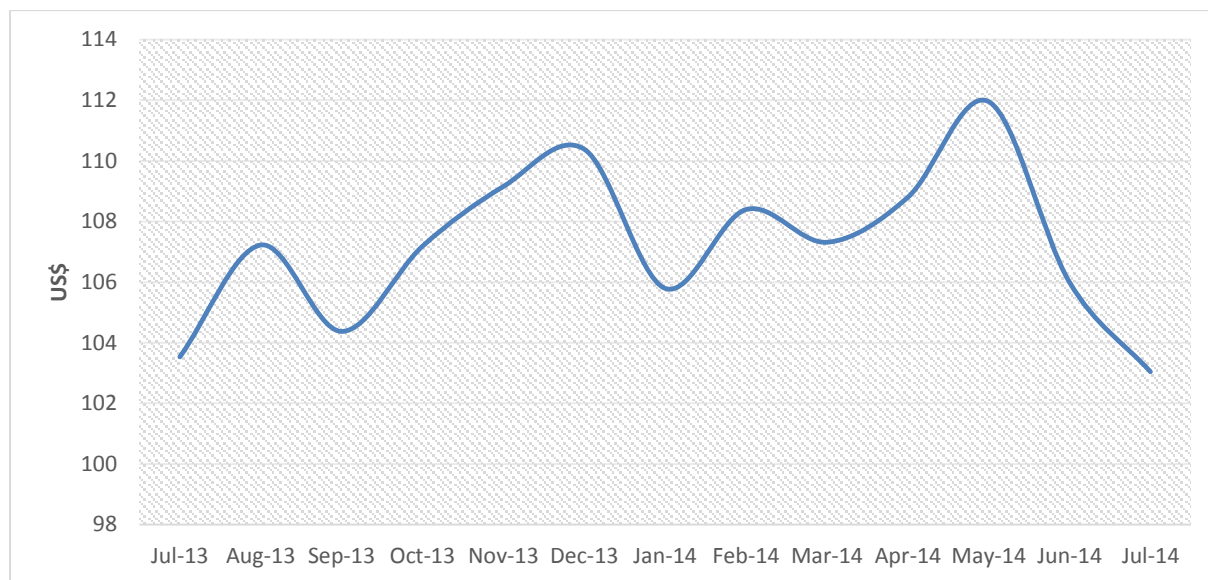
The FAO Cereal Price Index averaged 185.3 points in July 2014, down by 10.8 point from June 2014, this was mainly due to a fall in the prices of wheat and maize. Similarly, the FAO Vegetable Oil Price Index averaged 181.1 points in July 2014, down by 7.7 points from June 2014, the drop in the index was driven by a fall in the price of palm oil due to a subdued global import demand. The FAO Dairy Price Index averaged 226.1 points in July 2014, down by 10.4 points from June 2014. The FAO Meat Price Index averaged 204.8 points in July 2014, up by 2.0 points from June 2014. While, the FAO Sugar Price Index averaged 259.1 points in July 2014, up by 1.1 points from June 2014.

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

Selected Commodity Prices

Brent crude oil price closed at USD103.04 per barrel at the end of July 2014, which was 2.8 per cent lower than at the end of June 2014, and lower than the USD103.53 per barrel recorded at the end of July 2013.

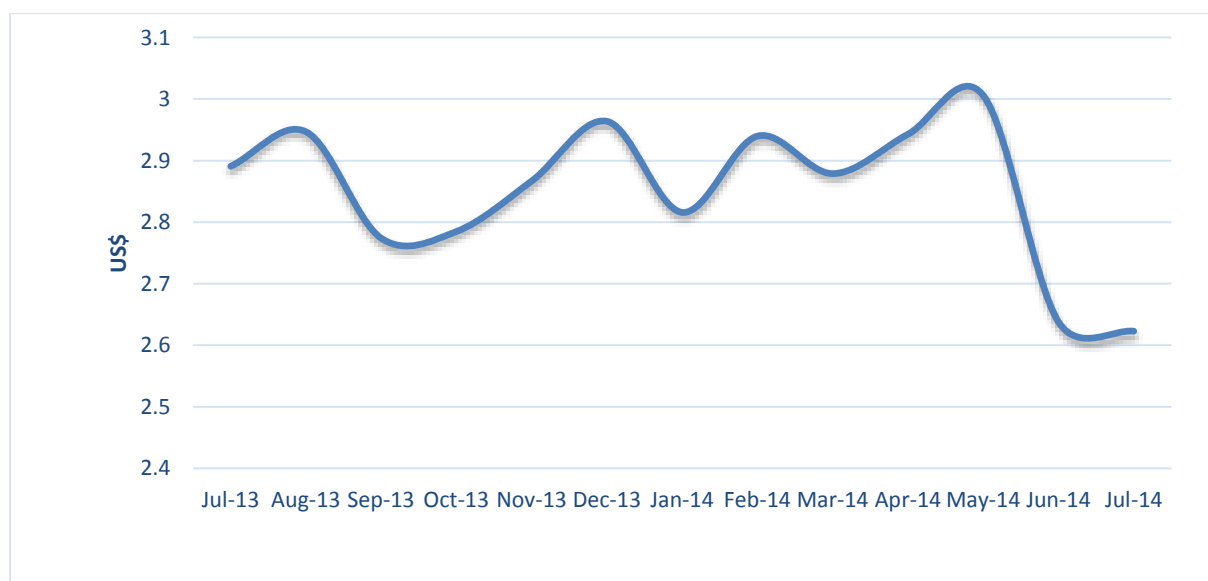
Chart 2: Crude Oil



Source: www.cnbc.com

The Natural gas price closed at USD4.08 at the end of July 2014, which was 6.0 per cent higher than at the end of June 2014.

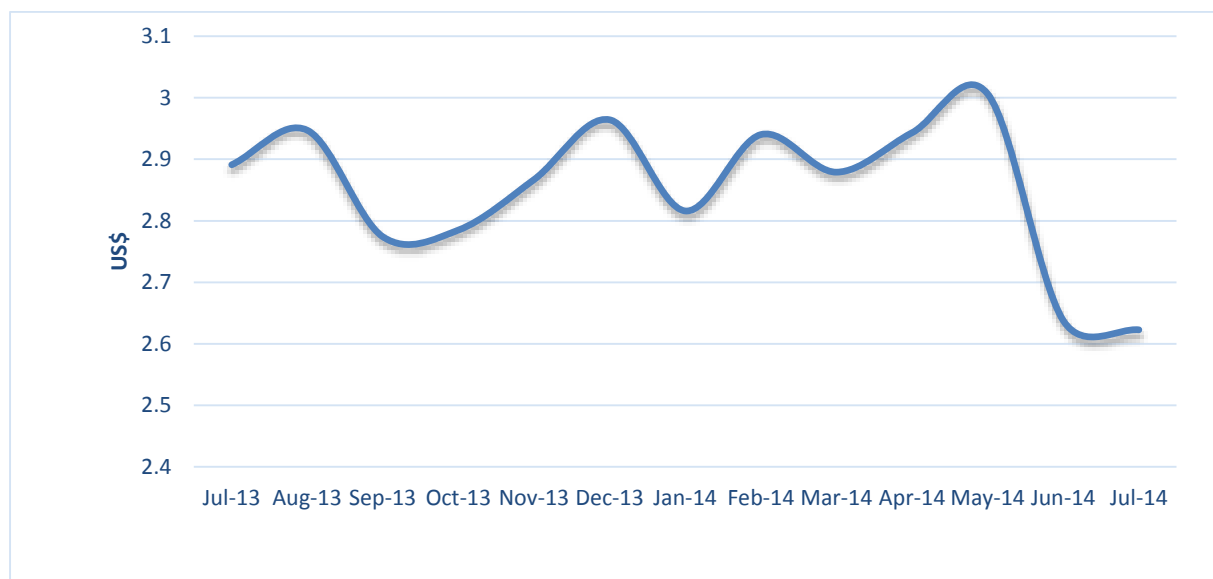
Chart 3: Natural Gas



Source: www.cnbc.com

RBOB gasoline price closed at USD2.62 per barrel at the end of July 2014, which was 0.6 per cent lower than at the end of June 2014.

Chart 4: RBOB Gas



Source: www.cnbc.com

Inflation Rate for a Selected Developed Economies

Euro Area

The annual inflation rate was 0.4 per cent in July 2014, down from 0.5 per cent from June 2014, the lowest inflation rate since October 2009. A year earlier the rate was 1.6 per cent. The largest upward impact on the annual inflation in July 2014 came from *restaurants & cafes* (0.08 percentage point), and *rents* (0.06 percentage point), while *vegetables* (-0.13 percentage point), and *telecommunications* (-0.11 percentage point) exerted the biggest downward pressure. The annual rate recorded for July 2014 remained below the European Central Bank inflation target of below but close to 2.0 per cent.

Japan

The annual inflation rate for July 2014 stood at 3.4 per cent, down from 3.6 per cent in the previous month. A year earlier the rate was 0.7 per cent. The main components with the highest annual rates were *fuel, light and water charges* (7.2 per cent), *culture & recreation* (4.9 per cent), and *food* (4.5 per cent), while the lowest annual rate was observed for *housing* (0.2 per cent).

United Kingdom

The annual inflation rate rose to 1.6 per cent in July 2014, down from 1.9 per cent in June 2014. The rate was 2.8 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 (3.6 per cent)*, and *housing & utilities (3.2 per cent)*, while the lowest annual rates were observed for *miscellaneous goods (-0.6 per cent)* and *food & non-alcoholic beverages (-0.4 per cent)*. The annual inflation rate for July 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 2.0 per cent in July 2014 down from 2.1 per cent in the preceding month. The rate was also 2.0 per cent during the similar period a year earlier. The index for all items less food and energy rose by 1.9 per cent in July 2014, unchanged from the preceding month. The food index rose by 2.5 per cent in July 2014 compared to 2.3 per cent in the preceding month. The energy index registered an increase of 2.6 per cent in July 2014 compared to 3.3 per cent in the preceding month. The inflation rate for July 2014 was in line with 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 6.5 per cent in July 2014, unchanged from the preceding month. The rate was 6.3 per cent during the similar period a year earlier. The annual rate recorded for July 2014 continued to be within the Brazilian Central Bank inflation target of 4.5 per cent with a floating range of 2 percentage points.

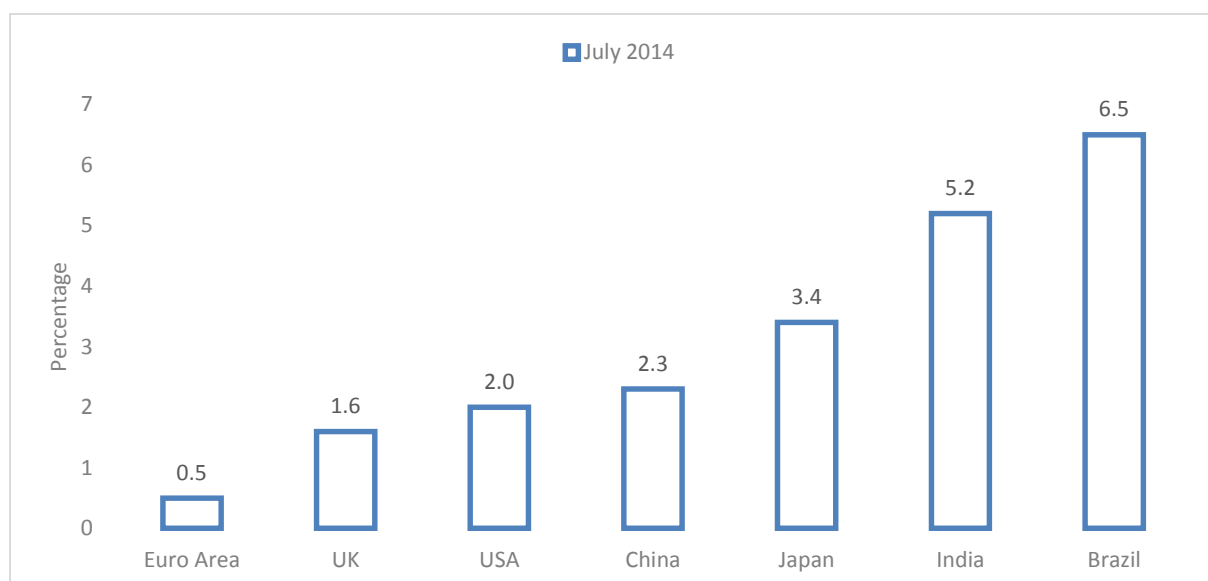
China

The annual inflation rate rose by 2.3 per cent in July 2014, unchanged from the preceding month. The rate was 2.7 per cent during the similar period a year earlier. The main components with the highest annual rates were *food (3.6 per cent)*, and *clothing (2.6 per cent)*, while the lowest annual rates were observed on *tobacco, liquor & articles (-0.6 per cent)*. The annual inflation rate for July 2014 continued to be below the Government's inflation target of 3.0 per cent.

India

The annual inflation rate stood at 5.2 per cent in July 2014 as compared to 5.4 per cent in the preceding month and 5.6 per cent during the corresponding month in the previous year. The main components with the highest annual rates were observed on *primary articles* (2.7 per cent) and *fuel & power* (1.1 per cent), while the lowest annual rates were observed on *manufactured products* (0.3 per cent). The inflation rate registered during July 2014 remained above 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 July 2014, annual inflation remained unchanged in Lesotho (6.5%), while it increased in Swaziland (6.2%, up from 5.3% in June). On the other hand annual inflation declined in Botswana (4.5%, down from 4.6% in June), Namibia (5.6% down from 6.1%), and in South Africa (6.3%, down from 6.6% in June). For the month of July 2014, Lesotho registered the highest annual inflation rate among the Member States, registering inflation rate of 6.5 per cent followed by South Africa at 6.3 per cent, Swaziland at 6.2 per cent, Namibia at 5.6 per cent, and Botswana at 4.5 per cent. All Member States continued to record a single digit annual inflation rate during July 2014 as shown in Table I.

Month-on-month inflation rates varied between 0.1 and 1.3 per cent in Member States between June 2014 and July 2014, as shown in Table 2, with Botswana recording the lowest month-on-month inflation of 0.1 per cent.

Table 1: Annual Inflation Rates in SACU Member States

	Botswana	Lesotho	Namibia	South Africa	Swaziland
June 2014	4.6	6.5	6.1	6.6	5.3
July 2014	4.5	6.5	5.6	6.3	6.2

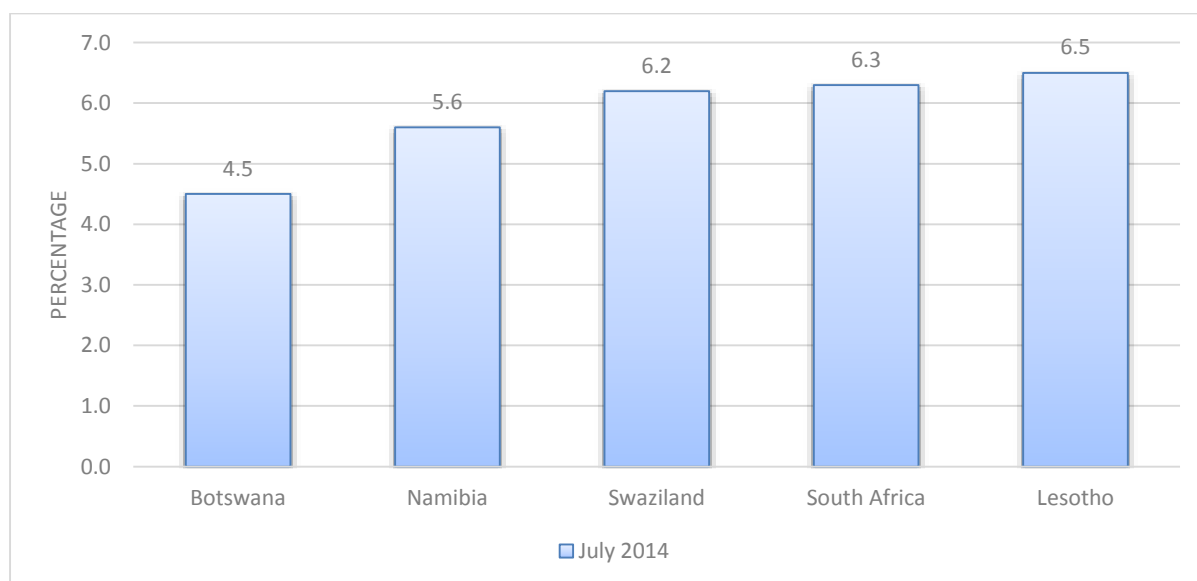
Source: Member States Statistics Offices

Table 2: Monthly Inflation Rates in SACU Member States

	Botswana	Lesotho	Namibia	South Africa	Swaziland
June 2014	0.3	0.3	0.3	0.3	0.0
July 2014	0.1	0.3	0.2	0.8	1.3

Source: Member States Statistics Offices

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



Source: Member States Statistics Offices

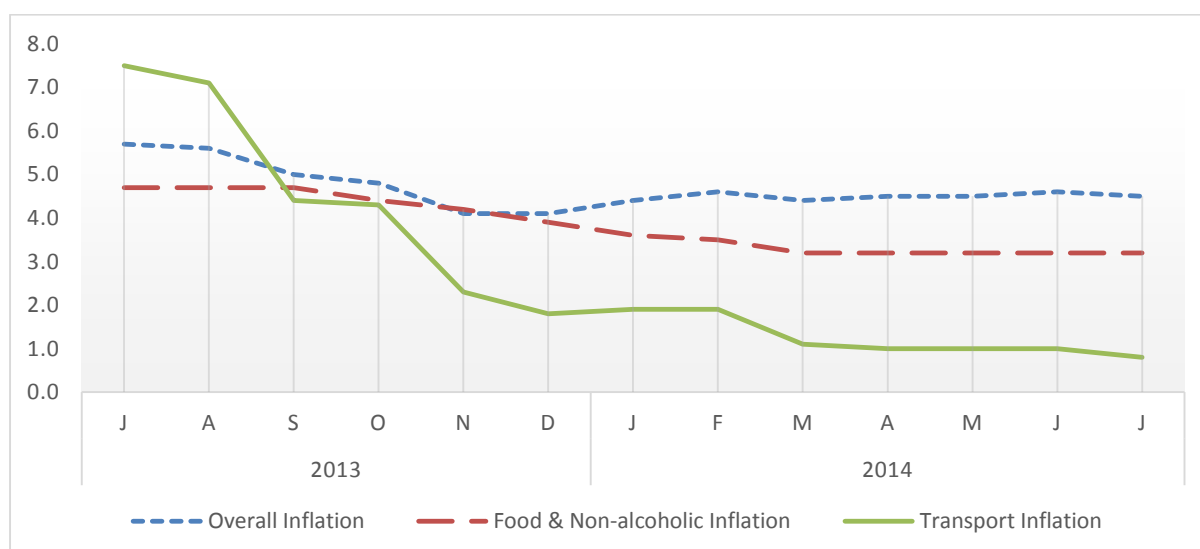
Botswana

The annual inflation rate slightly declined to 4.5 per cent in July 2014 from 4.6 per cent in the preceding month. The annual rate in July 2014 was lower than the 5.7 per cent recorded during the similar month in 2013. The decline of the annual inflation rate in July 2014 as compared to July 2013 was mainly due to the decline in prices for *transport*, and *food & non-alcoholic beverages* categories which dropped by 6.7 and 1.4 percentage points respectively. On average, prices increased by 0.1 per cent between June and July 2014.

The main components with the highest annual rates for July 2014 were *health* (9.3 per cent), followed by *alcoholic beverages & tobacco* (9.2 per cent). While the lowest annual rate was observed in *communication* (0.4 per cent).

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

Chart 7: Annual Inflation Rate



Source: Statistics Botswana

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

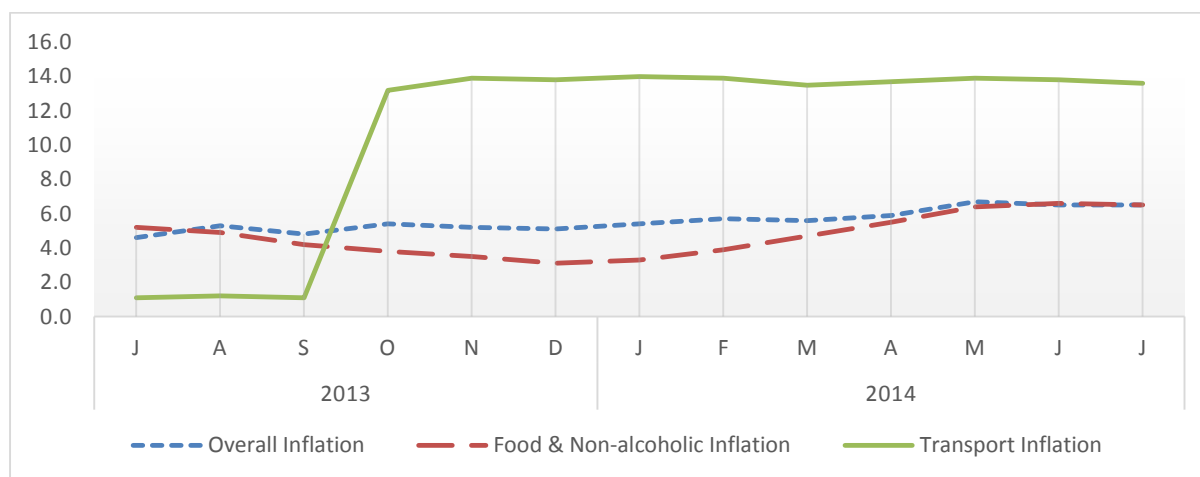
Lesotho

The annual inflation rate rose by 6.5 per cent in July 2014 unchanged from the preceding month. A year earlier inflation rate was 4.6 per cent during the corresponding month. The increase of annual inflation rate in July 2014 as compared to July 2013 was mainly due to the increase in prices for *transport (13.6 per cent from 1.8 per cent in July 2013)*, and *housing & utilities (10.9 per cent from 5.4 per cent in July 2013)*. On average, prices increased by 0.3 per cent between June 2014 and July 2014.

The main components with the highest annual rates in July 2014 were *transport (13.6 per cent)* followed by *housing & utilities (10.9 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 July 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

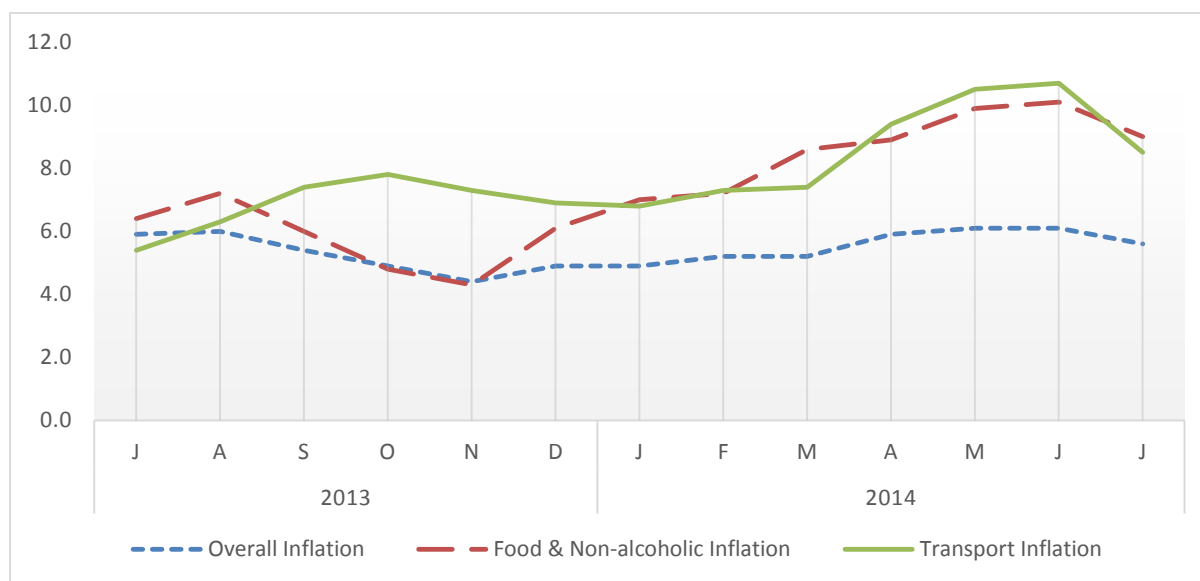
Namibia

The annual inflation rate rose by 5.6 per cent in July 2014 compared to 6.1 per cent in the preceding month. A year earlier inflation rate was 5.9 per cent during the corresponding month. The main drivers of inflation rate in July 2014 were *food & non-alcoholic beverages* (9.0 per cent from 6.4 per cent in July 2013), and *transport* (8.5 per cent from 5.4 per cent in July 2013). On average, prices increased by 0.2 per cent between June 2014 and July 2014.

The main components with the highest annual rates in July 2014 were *food & non-alcoholic beverages* (9.0 per cent) followed by *transport* (8.5 per cent). The lowest annual rate was observed in *communications* (-0.5 per cent).

The NIR level declined to N\$14.8 billion in July 2014 from N\$15.9 billion recorded in the previous month, and it was sufficient to support the Rand parity. During the month of July 2014, the repo rate stood at 5.75 per cent, while the prime rate stood at 9.50 per cent.

Chart 9: Annual Inflation Rate



Source: Namibia Statistics Agency

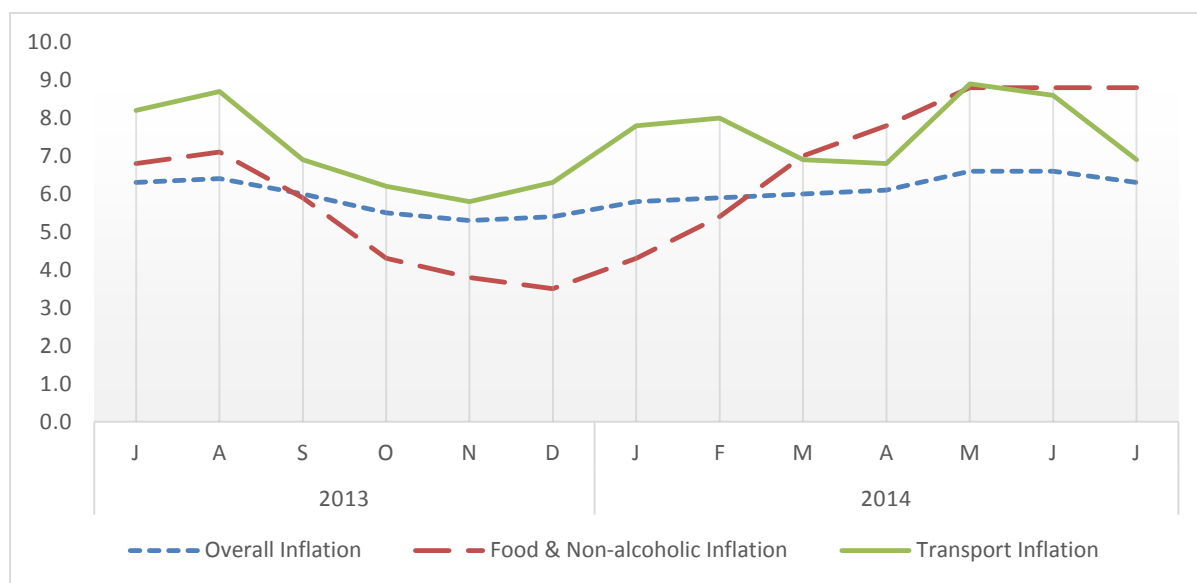
South Africa

The annual inflation rate declined to 6.3 per cent in July 2014 from 6.6 per cent in the previous month. Annual inflation rate in July 2014 was unchanged from the corresponding month in 2013. The main contributors to the annual inflation rate in July 2014 were *housing & utilities* (1.4 percentage points) and *food & non-alcoholic beverages* (1.3 percentage points). On average, prices increased by 0.8 per cent between June 2014 and July 2014.

The main components with the highest annual rates were *food & non-alcoholic beverages* (8.8 per cent) followed by *education* (8.7 per cent). While the lowest annual rate was observed in *communication* (-1.4 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 5.5 per cent in July 2014 and the prime rate at 9.0 per cent.

Chart 10: Annual Inflation Rate



Source: Stats SA

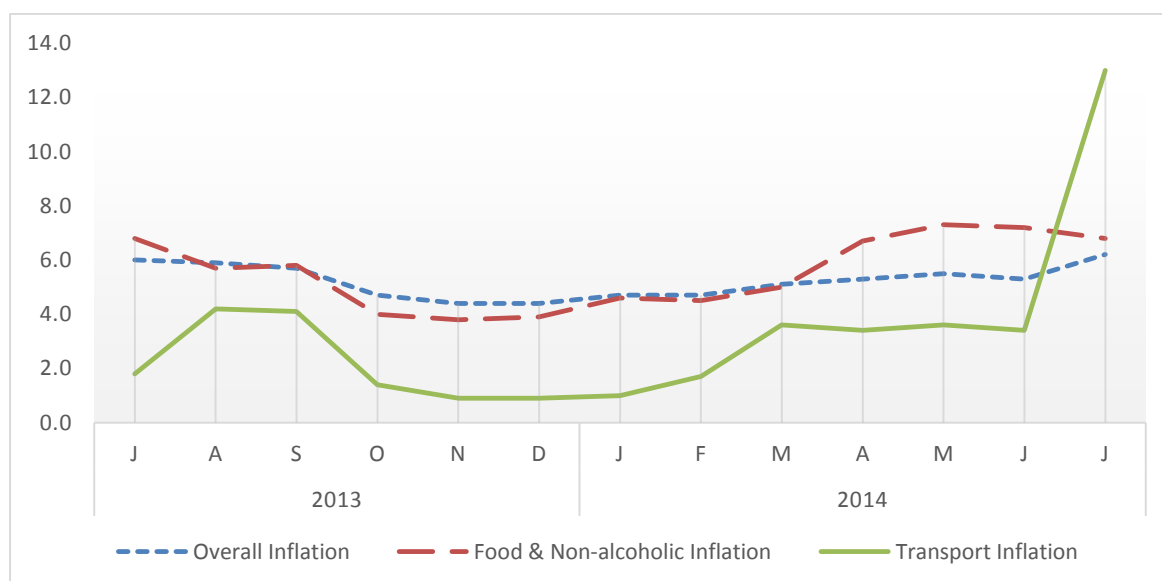
Swaziland

The annual inflation rate rose by 6.2 per cent in July 2014 compared to 5.3 per cent in the previous month. Annual inflation rate in July 2014 was higher than the 6.0 per cent recorded during the similar month in 2013. The increase of the annual inflation rate in July 2014 when compared to July 2013 was mainly due to the increase in prices for *transport* (13.0 per cent from 1.8 per cent in July 2013) which accounts for 10.5 per cent of the overall inflation basket. On average, prices increased by 1.3 per cent between June 2014 and July 2014.

The main components with the highest annual rates in July 2014 were *transport* (13.0 per cent), followed by *health* (10.5 per cent). The steep increase in transport category was mainly reflected in the transport services sub-category that increased by 24.3 per cent. While the lowest annual rate was observed in *communications* (stagnant).

Interest rate policy remained accommodative for growth in July 2014 with the discount rate recorded at 5.5 per cent, and the prime rate at 9.0 per cent.

Chart 11: Annual Inflation Rate



Source: Central Statistics Office of Swaziland

Appendix

Annual inflation rates by main categories (July 2014)

Main Categories	Botswana	Lesotho	Namibia	South Africa	Swaziland
Food & non-alcoholic beverages	3.2	6.5	9.0	8.8	6.8
Alcoholic beverages & tobacco	9.2	6.3	6.1	5.8	7.5
Clothing & footwear	5.8	3.4	2.6	5.2	7.3
Housing, water, electricity, gas & other fuels	3.7	10.9	3.2	5.9	2.8
Furnishings, household equipment &...	5.0	3.1	4.4	3.9	5.4
Health	9.3	1.2	1.5	5.8	10.5
Transport	0.8	13.6	8.5	6.9	13.0
Communications	0.4	0.0	-0.5	-1.4	0.0
Recreation & Culture	4.2	0.8	6.2	3.2	6.2
Education	7.4	7.1	8.1	8.7	9.7
Hotels, cafés & restaurants	7.8	1.0	5.9	8.2	5.5
Miscellaneous goods & services	6.4	4.3	4.6	7.1	4.2
All Item	4.5	6.5	5.6	6.3	6.2

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