

Inflation Monitor

CPI AT DECEMBER 2011

The headline Inflation rate in at December 2011 was 6.1% compared to 6.1% in November 2011. On average, prices increased by 0.2% between November 2011 and December 2011.

The average inflation rate was 5.0% for the year 2011. This is 0.7% higher than the corresponding average annual inflation rate of 4.3% for the year 2010.

The inflation rate has run ahead of most analysts' predictions and given that food prices and administered prices are continuing to rise relatively fast, it seems likely that the inflation rate will maintain its steady rise in 2012.

	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11
CPI	5.0%	5.3%	5.3%	5.7%	6.0%	6.1%	+6.1%
Food	7.3%	7.5%	7.3%	8.7%	11.0%	11.1%	+11.6%
Transport	5.2%	5.3%	5.9%	6.6%	6.7%	6.9%	+7.0%
Public Transport	7.2%	8.7%	8.5%	9.6%	9.8%	9.6%	+11.7%
Administered Prices	12.0%	11.7%	11.9%	12.5%	13.3%	13.4%	+12.7%

HOW TO READ INFLATION RATES

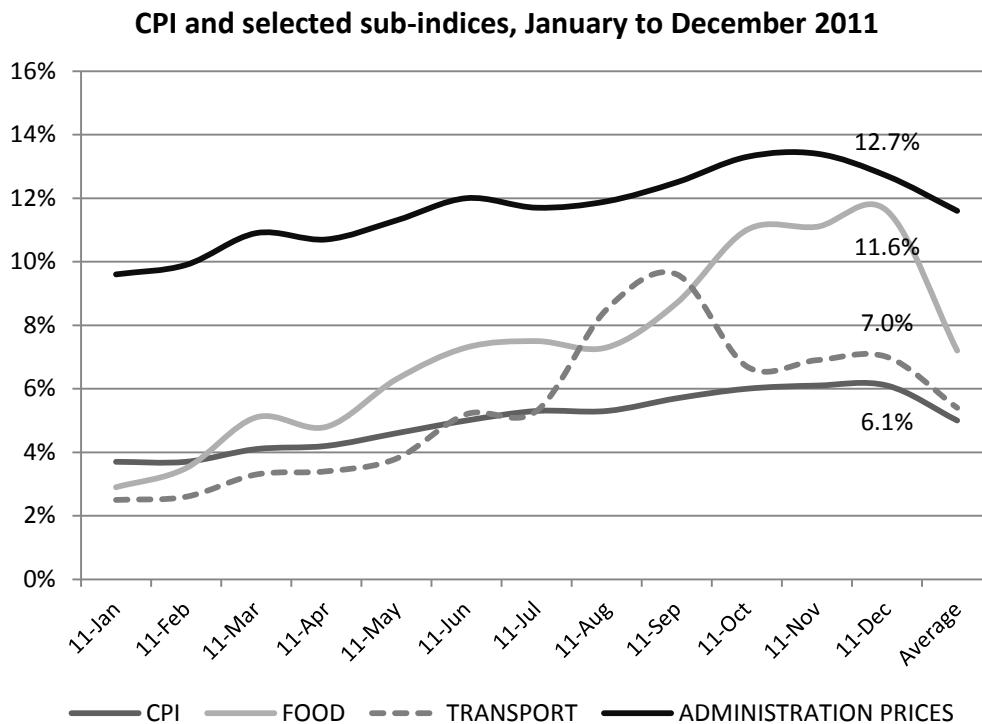
The inflation rate is generally presented as an annualised percentage increase. This means that it records the change in prices over a period of 12 months. So when we say that the inflation rate in December 2011 was 6, 1%, we mean that prices increased by 6, 1% from December 2010 to December 2011.

Inflation rates tell you what has happened to prices already. They are not forecasts of future inflation. Having said that, looking at past inflation trends together with an understanding of what is happening to prices now can assist in making short term predictions.

The January 2012 Inflation figures will be released on the 22nd February 2012
All information available at www.statssa.gov.za

INSIDE INFLATION

The tables and graphs below provide insight into price movements within average CPI. We see that administered prices, food prices and transport prices have been increasing at a faster rate than average inflation. The graph shows the rate of increase at December 2011.



This next table shows how selected product groups increased and which items within those groups drove those increases. The rise in the cost of housing and utilities is clearly being driven by rising water and electricity prices. The rise in transport costs is being driven by rising and public transport prices.

<i>Product Groups</i>	<i>Weighting in CPI (%)</i>	<i>Increase</i>	<i>Sub-group (weighting), increase</i>
Food	14.27	+11.6%	Price increases are generalised in the food group, although the price of meat and oils & fats increased at the fastest rate.
Housing & Utilities	22.56	+6.5%	Water (3.31) +9.2%, Electricity (1.87) +17.4%
Transport	18.8	+7%	Petrol (3.93) +26.4% Public Transport (2.73) +11.7%
Education	2.19	+8.6%	
Miscellaneous	13.56	+4.9%	Insurance (7.71) +6%

The table below shows how the different product groups contributed to the average inflation rate of 6.1% at December 2011. We can confirm that the prices of food, housing and utilities and miscellaneous goods and services (insurance and financial services) are the biggest contributors to inflation at present.

Contribution of different groups to annual % change in CPI

Food and non-alcoholic beverages	+1.7
Alcoholic beverages and tobacco	+0.4
Clothing and footwear	+0.1
Housing and utilities	+1.5
Household contents and services	+0.1
Health	+0.1
Transport	+1.2
Education	+0.2
Restaurants and hotels	+0.2
Miscellaneous goods and services	+0.7
Residual	-0.1
All Items	+6.1

The table below provides the estimated monthly spending for different groups and the impact of inflation rate for these groups. The very low group experienced an inflation rate of 8.3%, higher than headline inflation rate of 6.1%. This is an indication that the very low group is hit harder by inflation compared to the very high group which recorded an inflation rate of 5.6%.

Annualised change in inflation by expenditure group

Quintiles	Groups	Monthly expenditure	Inflation rate December 2011
	Average		6.1%
1	Very low	Up to R1213 per month	8.3%
2	Low	R1213 up to R1939 per month	8.0%
3	Middle	R1940 up to R3062 per month	7.6%
4	High	R3063 up to R6596 per month	7.3%
5	Very high	R6596 and more	5.6%

Average Annualised CPI Inflation by Province

Province	Annual rate of inflation December 2011
Western Cape	+ 5.9%
Eastern Cape	+ 7.7%
Northern Cape	+ 7.8%
Free State	+ 7.1%
Kwazulu-Natal	+ 6.6%
North West	+ 6.7%
Gauteng	+ 5.6%
Mpumalanga	+ 6.7%
Limpopo	+6.4%
Average CPI	+6.1%

The following Provinces recorded an annual inflation rate lower than or equal to headline inflation were Western Cape (5.9%) and Gauteng (5.6%)

The Provinces with an annual inflation rate higher than headline inflation were Free State (7.1%) Eastern Cape (7.7%) Northern Cape (7.8%) North West (6.7%) Limpopo (6.4%) Mpumalanga (6.7%) and KZN (6.6%)

HISTORICAL INFLATION TABLES

THE CONSUMER PRICE INDEX (CPI)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ave.
2007	6%	5.7%	6.1%	7%	6.9%	7%	7%	6.7%	7.2%	7.9%	8.4%	9%	7.1%
2008	9.3%	9.8%	10.6%	11.1%	11.7%	12.2%	13.4%	13.7%	13.1%	12.1%	11.8%	9.5%	11.5%
2009	8.1%	8.6%	8.5%	8.4%	8.0%	6.9%	6.7%	6.4%	6.1%	5.9%	5.8%	6.3%	7.1%
2010	6.2%	5.7%	5.1%	4.8%	4.6%	4.2%	3.7%	3.5%	3.2%	3.4%	3.6%	3.5%	4.3%
2011	3.7%	3.7%	4.1%	4.2%	4.6%	5.0%	5.3%	5.3%	5.7%	6.0%	6.1%	6.1%	5.0%

Statistics South Africa

The consumer Price Index is known as the headline inflation rate and is also referred to as the official inflation rate. The month to month prices of over a thousand goods and services go into the calculation of CPI.

THE FOOD PRICE INDEX

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ave.
2007	8.3%	7.9%	7.8%	8.7%	9.1%	9.4%	10.2%	11.3%	12.0%	12.4%	13.3%	13.9%	10.4%
2008	13.6%	14.4%	15.6%	15.8%	16.9%	18.2%	18.5%	19.2%	17.9%	17.2%	16.9%	16.8%	16.7%
2009	16.1%	15.8%	14.9%	13.6%	12.1%	9.8%	7.6%	6.1%	4.9%	4.9%	4.0%	2.7%	9.3%
2010	1.6%	1.0%	0.5%	0.3%	0.1%	0.0%	1.1%	1.5%	1.2%	0.5%	1.1%	1.4%	0.8%
2011	2.9%	3.5%	5.1%	4.8%	6.3%	7.3%	7.5%	7.3%	8.7%	11.0%	11.1%	11.6%	7.2%

Statistics South Africa

The food price index shows the increase in the price level of food products only, on a monthly basis. This rate is incorporated in the overall CPI inflation rate (CPI).

THE TRANSPORT PRICE INDEX

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ave.
2007	4.5%	2.1%	4.3%	7.4%	7.1%	6.3%	4.2%	1.4%	3.1%	6.6%	8.1%	11.4%	5.5%
2008	10.7%	13.2%	16.1%	15.6%	16.7%	18.8%	23.5%	22.7%	20%	17.5%	14.5%	2.2%	15.9%
2009	0.1%	1.5%	0.9%	0.9%	0.5%	2.1%	3.4%	2.7%	-1.3%	-1.8%	0.6%	3.4%	1.6%
2010	6.2%	5.1%	4.2%	4.0%	3.5%	2.2%	1.1%	1.1%	0.0%	1.8%	2.1%	1.6%	2.7%
2011	2.5%	2.6%	3.3%	3.4%	3.8%	5.2%	5.3%	8.5%	9.6%	6.7%	6.9%	7.0%	5.4%

Statistics South Africa

The transport price index provides an indication of the increase in then price level of transport items in the basket of goods and services that make up the inflation index. This rate is incorporated in the overall CPI inflation rate.

THE ADMINISTERED PRICE INDEX

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ave.
2008	12.7%	15.0%	16.6%	16.0%	16.7%	16%	21.3%	22%	20%	19.8%	17.4%	8.0%	16.7%
2009	1.4%	2.8%	2.8%	1.7%	0.0%	1.2%	0.4%	0.2%	3.2%	2.7%	4.0%	9.9%	2.5%
2010	14.5%	12.9%	11.2%	11.6%	12.1%	10.8%	8.6%	8.3%	7.1%	8.4%	8.9%	8.5%	10.2
2011	9.6%	9.9%	10.9%	10.7%	11.3%	12.0%	11.7%	11.9%	12.5%	13.3%	13.4%	12.7%	11.6%

Statistics South Africa

An administered price is defined as the price of a product, which is set consciously by an individual producer or group of producers and/or any price, which can be determined or influenced by government, either directly or through one or other government agencies/institution without reference to market forces. For example, school fees, telephone fees, electricity, trains, petrol/paraffin, cell calls and public transport. This rate is incorporated into the overall CPI inflation rate.

For more information contact:
 George Mthethwa
 021 447 1677
 084 423 5231
 george@lrs.org.za
 www.lrs.org.za