

Inflation Monitor

July 2011

The headline Inflation rate July 2011 was 5.3%. This rate was 0.3% higher than the corresponding annual rate of 5.0% in June 2011. On average, price increase by 0.9% between June 2011 and July 2011.

	Jan 11	Feb 11	Mar 11	Apr 11	May-11	Jun 11	Jul 11
CPI (AVERAGE)	3.7%	3.7%	4.1%	4.2%	4.6%	5.0%	5.3%
FOOD	2.9%	3.5%	5.1%	4.8%	6.3%	7.3%	7.5%
TRANSPORT	2.5%	2.6%	3.3%	3.4%	3.8%	5.2%	5.3%
PUBLIC TRANSPORT	0.9%	2.4%	2.2%	1.3%	0.7%	7.2%	8.7%
ADMINISTERED PRICES	9.6%	9.9%	10.9%	10.7%	11.3%	12.0%	11.7%

MONTH ON MONTH INFLATION RATE AVERAGE CPI INFLATION BY PROVINCE

Province	Annual rate of inflation Jul 2011
Western Cape	+ 5.2%
Eastern Cape	+ 6.5%
Northern Cape	+ 5.7%
Free State	+ 6.3%
Kwazulu-Natal	+ 4.8%
North West	+ 5.6%
Gauteng	+ 5.1%
Mpumalanga	+ 5.5%
Limpopo	+5.1%

The following Provinces recorded an annual inflation rate lower than or equal to headline inflation were KZN (4.8%) Gauteng (5.1%) Western Cape (5.2%) and Limpopo (5.1%)

The Provinces with an annual inflation rate higher than headline inflation were Free State (6.3%) Eastern Cape (6.5%) Northern Cape (5.7%) North West (5.6%) and Mpumalanga (5.5%)

HOW TO READ INFLATION RATES

The inflation rate is generally presented as an annualised rate. This means that it records the change in prices over a period of 12 months. So when we say that the inflation rate in July 2011 was 5.3%, we mean that prices increased by 5.3% from July 2010 to July 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 August 2011 Inflation Figures will be released on the 21th September 2011)

All information available at www.statssa.gov.za

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SELECTED ANNUALISED INFLATION INDICES 2007-2011

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%						

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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%						

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

	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%						

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

	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%						

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.

OWNER'S EQUIVALENT RENT

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ave.
2009	8.2%	8.9%	9.1%	8.8%	8.3%	7.1%	6.9%	6.6%	6.4%	6.0%	5.9%	6.5%	7.3%
2010	6.5%	5.8%	5.2%	4.9%	4.7%	4.4%	3.7%	3.4%	3.1%	3.4%	3.6%	3.5%	4.3%
2011	3.6%	3.7%	4.0%	4.2%	4.6%	5.0%	5.4%						

Statistics South Africa

Owners' equivalent rent is measured by tracking actual rentals paid for dwelling. This rate is incorporated into the overall CPI inflation rate.

CPI PER EXPENDITURE GROUP

	Groups	Monthly expenditure	Inflation rate Jul 2011
1	Very low	R1213 per month	6.6%
2	Low	R1213 up to R1939 per month	6.4%
3	Middle	R1940 up to R3062 per month	6.2%
4	High	R3063 up to R6596 per month	6.0%
5	Very high	R6596 and more	4.9%

The table above 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 6.6%, higher than headline inflation rate of 5.3%. This is an indication that the very low group is hit hard by inflation compared to the very high group which recorded an inflation rate of 4.9% less than the headline inflation.