

# Inflation Monitor

## CPI AT APRIL 2012

The headline Inflation rate at APRIL 2012 was 6.1 % year on year. The rate was 0.1% point lower than the corresponding annual inflation rate of 6.0 % in March 2012. On average, prices increased by 0.4% between March 2012 and April 2012.

*The increase relative to March was mainly due to the 71 cent per litre increase in the petrol price in April, which includes the higher levies that were announced in the budget. The categories of food, housing and utilities, and transport together accounted for 4, 2 percentage points of the inflation outcome. Core inflation, as measured by the exclusion of food, petrol and electricity from CPI, increased from 4, 4 per cent in March to 4, 5 per cent in April. Food price inflation reversed the downward trend observed since December 2011 and increased from 8, 9 per cent in March to 9.1 per cent in April. This was in line with expectations, and resumption in the downward trend is expected in May.*

*- Gill Marcus, Governor of the Reserve Bank, Monetary Policy Committee Statement, 24 May 2012.*

### The Annual Inflation Rate (CPI) and selected price categories

	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12
<b>CPI</b>	<b>+5.7%</b>	<b>+6.0%</b>	<b>+6.1%</b>	<b>+6.1%</b>	<b>+6.3%</b>	<b>+6.1%</b>	<b>+6.0%</b>	<b>6.1%</b>
Food	8.7%	11.0%	11.1%	+11.6%	10.7%	10.1%	8.9%	9.1%
Transport	6.6%	6.7%	6.9%	+7.0%	6.8%	6.8%	6.6%	6.9%
Public Transport	9.6%	9.8%	9.6%	+11.7%	13.0%	11.7%	13.6%	13.8%
Administered Prices	12.5%	13.3%	13.4%	+12.7%	11.6%	11.7%	11.2%	11.6%

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The May 2012 Inflation figures will be released on the 20<sup>th</sup> June 2012

All information available at [www.statssa.gov.za](http://www.statssa.gov.za)

Negotiators need to develop an informed opinion of what inflation rates might do in the future. Ideally a negotiator should not look at each single year in isolation. A negotiator should know how wage increases have compared to inflation over the last 2-3 years.

Recent settlements are building in a margin of about two percent above current inflation measures. Remember that the current inflation rate describes the last twelve months. Inflation statistics refer to the past twelve months, while wage increases refer to the months to come.

## Snapshot of Wage Settlements In 2012

Period: January-April 2012

### Median Increases by Industry (%)

Industry	Jan-Apr 12 % Increase
Construction	7
Mining & Quarrying	8.5
Transport, Storage & Communication	7
Manufacturing	7.5
Wholesale & Retail Trade, Catering & Accommodation	7.3
Agriculture, Hunting, Forestry & Fishing	8.9
Financing, Insurance, Real Estate & Business Services	6
Electricity, Gas & Water	-
Community, Social & Personal Services	7.9
<b>AWARD Benchmark</b>	<b>7.5</b>

## Inside Inflation

The prices of food, transport, public transport and administered prices continue to drive inflation. Steep increases in these commodities will therefore have a greater impact to poor household who earn lower wages. This is also reflected in the fact that the inflation rate for poor households is almost 1.6 percent higher than the average inflation rate of 6.1 percent and 2.1 percent higher than the inflation rate for richest household.

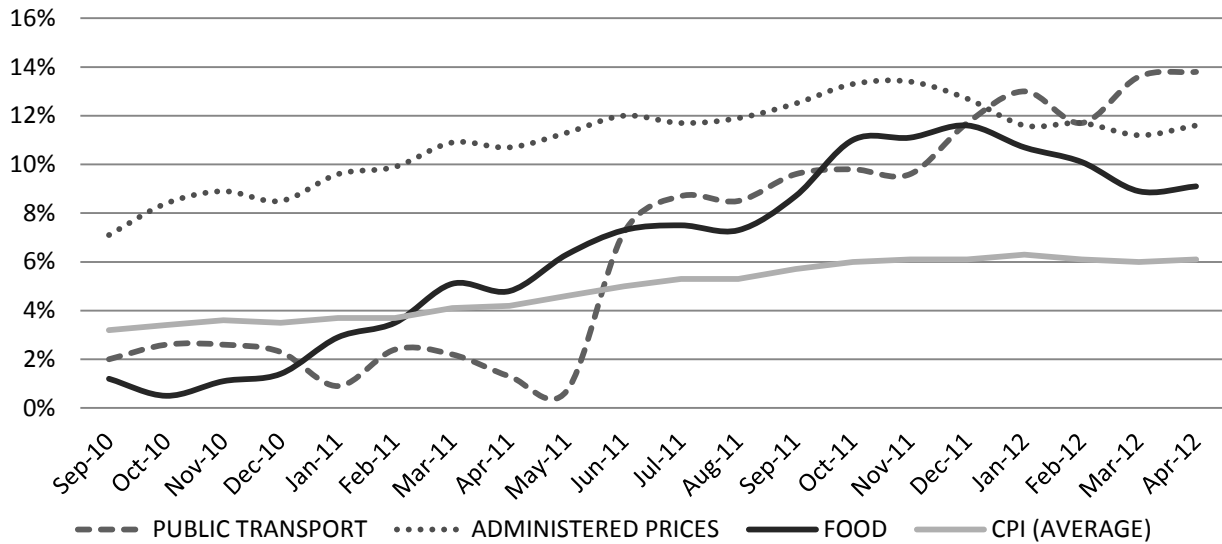
**Inflation rate by expenditure group**

Quintiles	Groups	Monthly expenditure	Inflation rate April 2012
	<b>Average</b>		<b>6.1%</b>
1	Very low	Up to R1213 per month	7.7%
2	Low	R1213 up to R1939 per month	7.5%
3	Middle	R1940 up to R3062 per month	7.3%
4	High	R3063 up to R6596 per month	6.9%
5	Very high	R6596 and more	5.6%

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The table above provides a picture of the inflation rate for different expenditure groups from the lowest income to highest income and the impact of inflation rate for these groups. The very low group experienced an inflation rate of 7.7%, higher than headline inflation rate of 6.1%, while the very high expenditure group had an inflation rate of 5.6% compared to 6.1% CPI. Remember the very low expenditure group spends a large proportion of their wages on food and transport than the high income earners.

We see that administered prices, food prices, public transport have been increasing at a faster rate than average inflation.



We see that 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 petrol and public transport prices.

Product Groups	Weighting in CPI (%)	Increase	Sub-group (weighting), increase
<b>Food</b>	14.27	+9.1%	Price increases are generalised in the food group, although the price of meat and oils & fats increased at the fastest rate.
<b>Housing &amp; Utilities</b>	22.56	+6.7%	Water (3.31) +9.2%, Electricity (1.87) +17.1%
<b>Transport</b>	18.8	+6.9%	Petrol (3.93) +20% Public Transport (2.73) +13.8%
<b>Education</b>	2.19	+9.0%	Primary, secondary and tertiary education
<b>Restaurants &amp; Hotels</b>	2.78	+6.2%	Restaurants (1.85) +6.6% Hotels (0.93) +5.4%
<b>Miscellaneous</b>	13.56	+5.6%	Insurance (7.71) +6.9%

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The table below shows how the different product groups contributed to the average inflation rate of 6.1% at April 2012. We can confirm that the prices of food, transport 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

	Jan-12	Feb-12	Mar-12	Apr-12
Food and non-alcoholic beverages	+1.6	+1.5	+1.4	+1.4
Alcoholic beverages and tobacco	+0.4	+0.4	+0.5	+0.5
Clothing and footwear	+0.1	+0.1	+0.1	+0.1
Housing and utilities	+1.6	+1.5	+1.5	+1.6
Household contents and services	+0.1	+0.1	+0.1	+0.1
Health	+0.1	+0.1	+0.1	+0.1
Transport	+1.2	+1.2	+1.1	+1.2
Education	+0.2	+0.2	+0.2	+0.2
Restaurants and hotels	+0.2	+0.2	+0.2	+0.2
Miscellaneous goods and services	+0.8	+0.8	+0.8	+0.8
Residual	+0.2	+0.1	+0.0	+0.1
<b>All Items</b>	<b>+6.3</b>	<b>+6.1</b>	<b>+6.0</b>	<b>6.1%</b>

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#### Inflation rate by Province

Province	Annual rate of inflation April 2012
<b>Western Cape</b>	+ 5.7%
<b>Eastern Cape</b>	+ 7.1%
<b>Northern Cape</b>	+ 7.5%
<b>Free State</b>	+ 6.2%
<b>Kwazulu-Natal</b>	+ 6.6%
<b>North West</b>	+ 6.5%
<b>Gauteng</b>	+ 6.1%
<b>Mpumalanga</b>	+ 6.5%
<b>Limpopo</b>	+5.9%
<b>Overall CPI by Provinces</b>	<b>+6.5%</b>

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The following Provinces recorded an annual inflation rate lower than or equal to headline inflation were Gauteng (6.1%), Limpopo (5.9%) and Western Cape (5.7%)

The Provinces with an annual inflation rate higher than headline inflation were Free State (6.2%) Eastern Cape (7.1%) Northern Cape (7.5%) North West (6.5%), Mpumalanga (6.5%) 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%
2012	6.3%	6.1%	6.0%	6.1%									

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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%	7.3%	8.7%	11.0%	11.1%	11.6%	7.2%
2012	10.7%	10.1%	8.9%	9.1%									

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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%
2012	6.8%	6.8%	6.6%	6.9%									

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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%
2012	11.6%	11.7%	11.2%	11.6%									

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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.

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