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LABOUR RESEARCH SERVICE

"Knowledge is too important to be left in the hands of the bosses"



INFLATION MONITOR

(CPI) CONSUMER PRICE INDEX RISES TO 6.1% IN APRIL 2014

The inflation has breached the upper end of the target band (3%-6%) and is expected to remain outside the target for some time. The bank decided to keep the repurchase rate unchanged at 5.5% per annum at this stage.

The Consumer Prices Index rose to 6.1% in April 2014 from 6.0% in March 2014, according to the Statistic South Africa. On average, price increased by 0.5% between March 2014 and April 2014. This rise in the CPI rate suggests that the cost of living is once again increasing faster and may have a negative impact to the poor consumers.

The **food** inflation rose by 8.2% in April 2014 from 7.2% in March 2014. The index for meat rose by (2.0%), bread & cereals (1.7%), milk, egg & cheese (1.7%), fish (1.6%), vegetables (0.5%), and oil & fats (0.6%). In contrast to these increases, the index for other food components decline. Fruits (-1.5%)

The **transport** index rose by 0.4% between March 2014 and April 2014, mainly due to a 5c/litre increased in the price of petrol. The annual rate decreased to 6.8% in April 2014 from 6.9% in March 2014. Public transport index was unchanged in April.

Administrator's index excluding petrol declined by 7.4% in April 2014 from 7.6% in March 2014

The Annual Inflation Rate (CPI) and selected price categories

	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14
CPI	5.9%	5.6%	5.5%	6.3%	6.4%	6.0%	5.5%	5.3%	5.4%	5.8%	5.9%	6.0%	6.1%
Food	6.3%	6.4%	7.0%	7.1%	7.4%	6.0%	4.2%	3.7%	3.5%	4.3%	5.6%	7.2%	8.2%
Transport	6.2%	3.7%	3.7%	8.2%	8.7%	6.9%	6.2%	5.8%	6.3%	7.8%	8.0%	6.9%	6.8%
Public Transport	14.2%	13.8%	7.2%	6.8%	6.9%	7.1%	7.1%	5.7%	4.5%	4.4%	4.6%	6.6%	6.6%
Administered Prices	8.9%	6.3%	7.5%	11.1%	11.1%	8.9%	7.8%	7.3%	7.8%	9.3%	9.1%	7.6%	7.4%

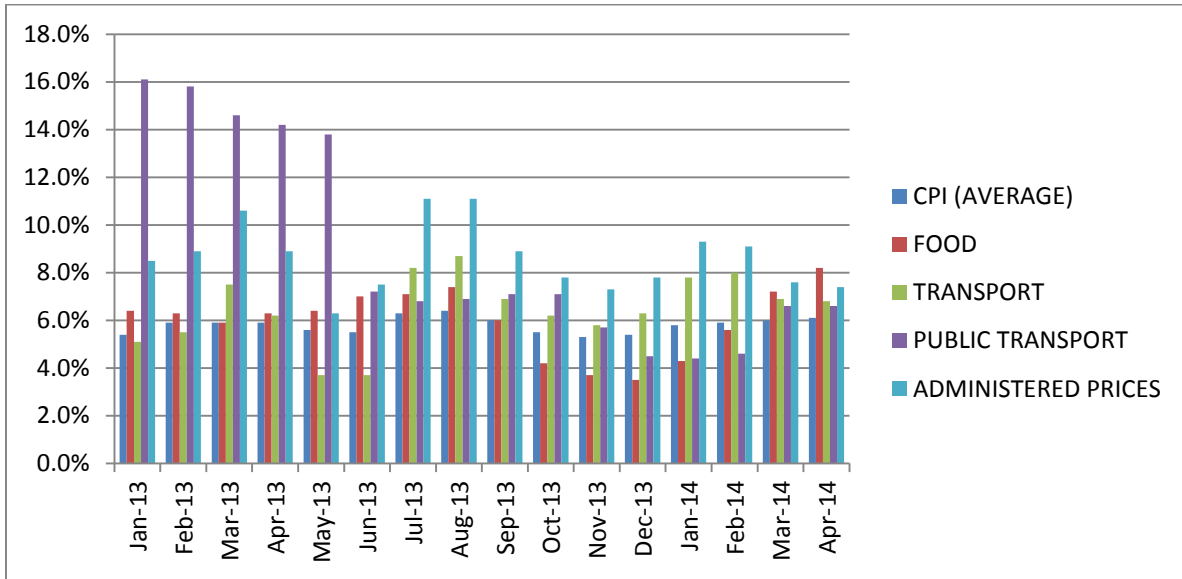
Statistics South Africa

Inflation outlook

The bank's forecast of headline inflation changed marginally since the previous meeting. Inflation is expected to average 6.2% in 2014, compared with 6.3% previously, with the peak of 6.5% (previously 6.6%) expected in the fourth quarter. The forecast average inflation for 2015 remained unchanged at 5.8%. The forecast horizon has been extended and inflation is expected to average 5.5% in 2016 and 5.4% in the final quarter of that year. Inflation is still expected to remain outside the target band from the second quarter of 2014 until the second of 2015. (Monetary policy Committee statement 22 May 2014)

INSIDE INFLATION

Let us look inside inflation into price movements within average CPI. We see that in April 2014, CPI, food, transport, administrative prices and public transport increased at a faster rate than average inflation.

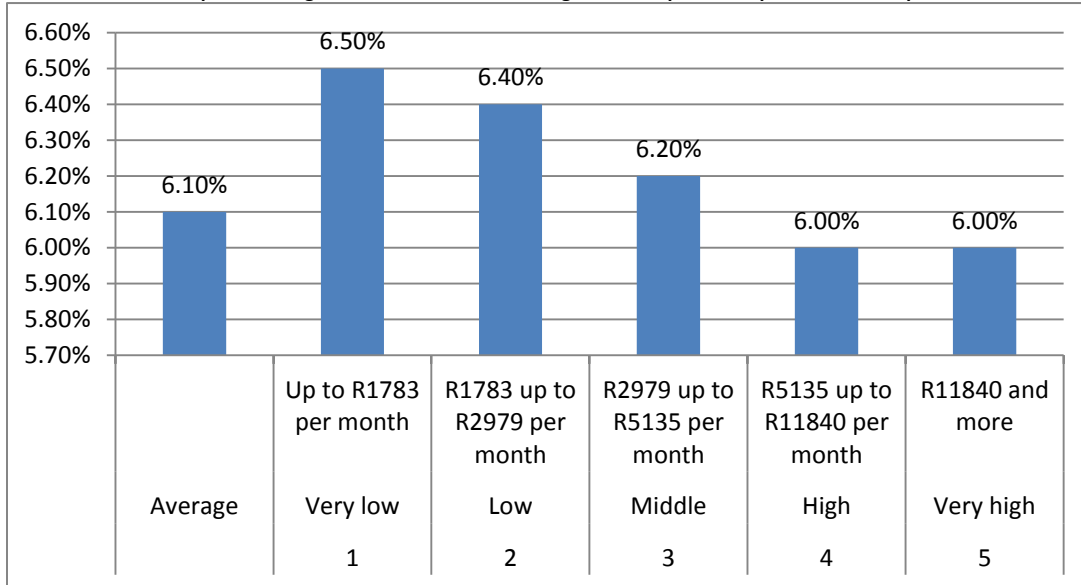


We see that the rise in the cost of housing and utilities is clearly being driven by rising water and electricity prices. The rise in transport costs is being driven by rising petrol and public transport prices.

Product Groups	Weighting in CPI (%)	Increase	Sub-group (weighting), increase
Food	14.20	+8.2%	Price increases are generalised in the food group, although the price of meat and oils & fats increased at the fastest rate.
Housing & Utilities	24.52	+5.7%	Water (2.85) +8.0%, Electricity (4.18) +7.2%
Transport	16.43	+6.8%	Petrol (5.68) +9.1% Public Transport (3.20) +6.6%
Education	2.95	+8.7%	Primary, secondary and tertiary education
Restaurants & Hotels	3.50	+8.5%	Restaurants (2.54) +7.7% Hotels (0.96) +10.3 %
Miscellaneous	14.72	+6.6%	Insurance (9.92) +7.4%

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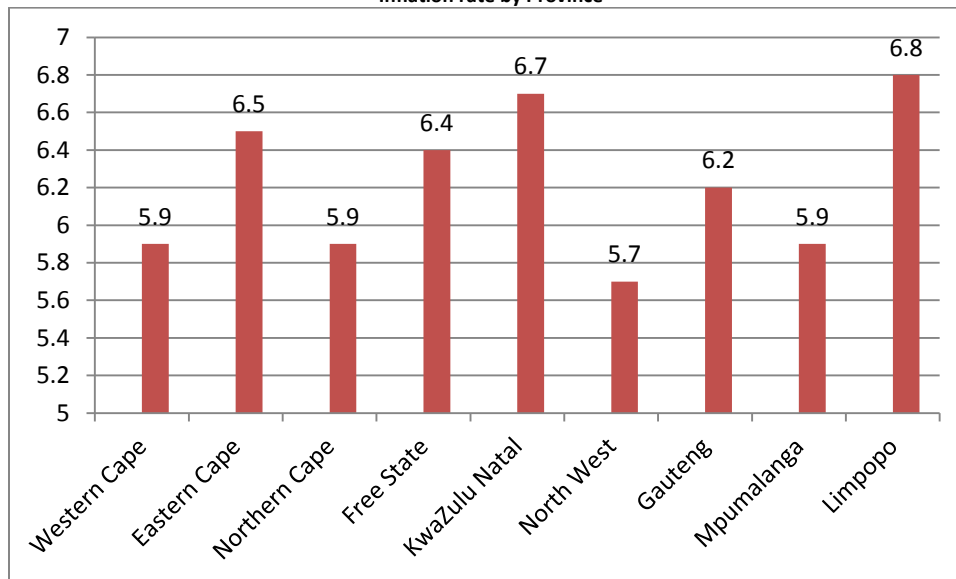
The five quintile categories were defined according to total expenditure per household April 2014



Statistics South Africa

The boundaries of the quintiles were obtained by calculating the quintiles (five equal groups) of the total number of households in South Africa and selecting the total expenditure of the top household (ranked according to expenditure) as the expenditure cut-off point in each of the quintiles. The table above shows that lower income groups have a higher consumer price inflation rate 6.5% compared to the higher income groups who experienced inflation rate of 6.0%. Lower income consumers will continue to be under pressure as high inflation erodes the buying power of households.

Inflation rate by Province



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The provinces with an annual inflation rate lower than or equal to headline inflation were Western Cape (5,9%), Northern Cape (5,9%), Mpumalanga (5,9%) and North West (5,7%).

The provinces with an annual inflation rate higher than headline inflation were Limpopo (6,8%), KwaZulu-Natal (6,7%), Eastern Cape (6,5%), Free State (6,4%) and Gauteng (6,2%).

HISTORICAL INFLATION TABLES

THE CONSUMER PRICE INDEX (CPI)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ave.
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%	5.7%	5.5%	4.9%	5.0%	5.5%	5.6%	5.6%	5.7%	5.6%
2013	5.4%	5.9%	5.9%	5.9%	5.6%	5.5%	6.3%	6.4%	6.0%	5.5%	5.3%	5.4%	5.7%
2014	5.8%	5.9%	6.0%	6.1%									

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.
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%	6.8%	6.0%	5.4%	5.1%	6.1%	6.7%	7.5%	7.0%	7.4%
2013	6.4%	6.3%	5.9%	6.3%	6.4%	7.0%	7.1%	7.4%	6.0%	4.2%	3.7%	3.5%	5.8%
2014	4.3%	5.6%	7.2%	8.2%									

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.
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%	6.7%	6.2%	4.6%	4.9%	6.6%	6.1%	5.5%	5.5%	6.1%
2013	5.1%	5.5%	7.5%	6.2%	3.7%	3.7%	8.2%	8.7%	6.9%	6.2%	5.8%	6.3%	6.1%
2014	7.8%	8.0%	6.9%	6.8%									

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.
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%	11.4%	10.1%	7.5%	8.0%	9.8%	9.5%	8.7%	8.8%	10.0%
2013	8.5%	8.9%	10.6%	8.9%	6.3%	7.5%	11.1%	11.1%	8.9%	7.8%	7.3%	7.8%	8.7%
2014	9.3%	9.1%	7.6%	7.4%									

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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.

The May 2014 CPI document will be released on the 18th June 2014.

All information available at www.statssa.gov.za

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