

INFLATION MONITOR APRIL 2015

Introduction

The Consumer price index (known as the headline inflation rate) shows the average increase in the prices of goods and services over a period of time. It is used by employers and unions in wage negotiations as a benchmark for wage settlements.

According to Statistics South Africa, year-on year inflation rate increased to 4.5% in April 2015 from 4.0% in March 2015. On average, prices increased by 0.9% between March 2015 and April 2015.

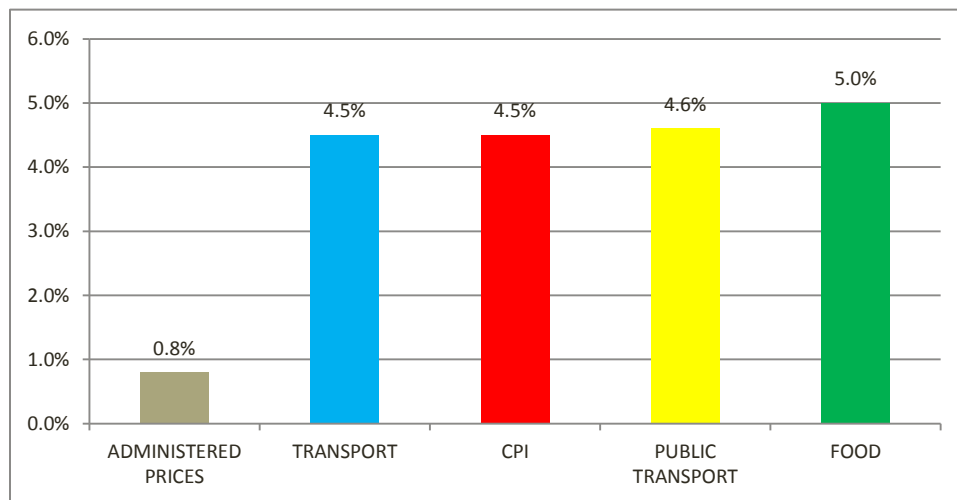
Food prices slowed down to (5.0%) in April 2015 from (5.9%) in March 2015. The following food component index increased: fruit (4.9%), vegetables (2.3%), bread and cereal (0.4%), fish (0.3%) and meat (0.2%). The following food component index decreased: other food (-1.7%) and oil and fats (-0.1%).

Public transport annual rate increased to 4.6% in April 2015 from 4.0% in March 2015.

Administrator's price (school fees, telephone fees, electricity, trains, petrol/paraffin, cell calls and public transport) decreased by 0.8% in April 2015 from -2.8% in March 2015.

The transport price increase to 4.5% between March 2015 and April 2015, down from 3.1% between March and February 2015 mainly due to a 156c litre increase in the price of petrol.

Figure 1: The Annual Inflation Rate (CPI) and Selected Price Categories – April 2015



Source: Statistics South Africa

Table 1: Consumer Price Index (CPI) Per Expenditure Quintile

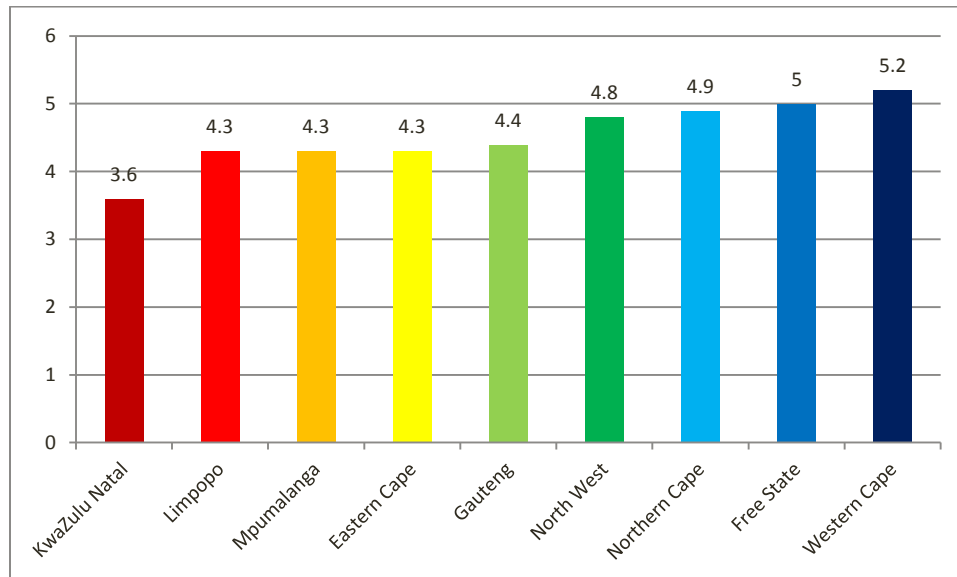
Statistics South Africa divides household monthly expenditure into five quintiles.

| Quintiles | Groups | Monthly expenditure | Inflation Rate April 2015 |
|---------------------------|-----------|------------------------------|---------------------------|
| Average annual CPI | | | 4.5% |
| 1 | Very low | Up to R1783 per month | 5.2% |
| 2 | Low | R1783 up to R2979 per month | 5.0% |
| 3 | Middle | R2979 up to R5135 per month | 4.6% |
| 4 | High | R5135 up to R11840 per month | 4.4% |
| 5 | Very high | R11840 and more | 4.6% |

Source: Statistics South Africa

The table above shows that there's a different inflation rate for different groups of quintiles. Inflation is higher in the 'very low' quintile at 5.2%, followed by the 'low' at 5.0%. This is higher than the average inflation of 4.5%. Thus the inflationary effect for lower income households is greater than households that earn 'high' and 'very high' incomes.

Figure 2: Provincial Inflation Rate, April 2015



Source: Statistics South Africa

The provinces with an annual inflation rate **lower than or equal to headline inflation** were Gauteng (4.4%), Eastern Cape (4.3%), Mpumalanga (4.3%), Limpopo (4.3%) and KwaZulu- Natal (3.6%).

The provinces with an annual inflation rate **higher than headline inflation** were Western Cape (5.2%), Free State (5.0%), Northern Cape (4.9%) and North West (4.8%)

Table 2: Historical Consumer Price Index (CPI)

| Year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Ave. |
|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| 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% | 6.6% | 6.6% | 6.3% | 6.4% | 5.9% | 5.9% | 5.8% | 5.3% | 6.1% |
| 2015 | 4.4% | 3.9% | 4.0% | 4.5% | | | | | | | | | |

Source: 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.

Table 3: Historical Food Price Index

| Year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Ave. |
|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| 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% | 9.1% | 9.2% | 9.0% | 9.5% | 8.7% | 8.0% | 7.7% | 7.1% | 8.1% |
| 2015 | 6.6% | 6.5% | 5.9% | 5.0% | | | | | | | | | |

Source: Statistics South Africa

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

Table 4: Historical Transport Price Index

| Year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Ave. |
|------|-------|-------|-------|-------|------|------|------|------|------|------|------|------|------|
| 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% | 8.9% | 8.6% | 6.8% | 6.1% | 4.2% | 4.8% | 4.2% | 1.7% | 6.1% |
| 2015 | -2.5% | -6.3% | -5.0% | -1.1% | | | | | | | | | |

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The transport price index provides an indication of the increase in the 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.

Table 5: Historical Administered Price Index

| Year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Ave. |
|------|-------|-------|-------|------|------|------|-------|-------|------|------|------|------|------|
| 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% | 8.9% | 8.6% | 7.0% | 6.2% | 4.7% | 5.1% | 4.8% | 2.6% | 6.5% |
| 2015 | -1.4% | -4.5% | -2.8% | 0.8% | | | | | | | | | |

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.

THE MAY 2015 CPI DOCUMENT WILL BE RELEASED ON THE 17th JUNE 2015

Concluding Remarks

At the last monetary Committee meeting, (date 21st May 2015) the Reserve Bank changed its inflation forecast to an average of 4.9% in 2015, with the first quarter low of 4.1%.

The bank cautioned that there might be a breach in the upper end of the inflation target band during the first quarter of 2016 to 6.8% and which will decline to 6.0% by the second quarter of 2016. The average inflation rate of 6.1% is forecast for the year (2016) and has been extended to 2017 with an average inflation rate of 5.7% for the year and 5.6% in the final quarter. The reserve bank decided to keep the repo rate unchanged at 5.7%.