

Inflation Monitor

CPI AT AUGUST 2013

The Consumer Price Index continued to breach the Reserve Bank inflation target band of 3%-6%. The inflation rate was 6.3% in July and rose to 6.4% in August 2013. On average, prices increase by 0.3% between July 2013 and August 2013. The inflation rate was expected to come to 6.2% year on year.

The Monetary Policy Committee s expect inflation to average 6,0 per cent in 2013 and 6,2 per cent and 6,1 per cent in the subsequent two years respectively. Business respondents expect inflation to average 6,4 per cent in both 2014 and 2015, slightly lower than in the previous forecast, while expectations of trade unionists are unchanged from the previous survey, at 6,2 per cent and 6,3 per cent for these respective years. **MPC meeting September 2013**

On an annual basis, the main drivers of inflation were food, transport, housing utilities and administration prices.

The food and non-alcoholic beverages recorded an increase of 7.1% in August 2013 compared to 6.8% in July 2013. Food items that contributed to the 7.1% were oils and fats, hot beverages, bread and cereals, milk, eggs and cheese, fish, sugar, sweets and desserts, other food, cold beverages and fruit. These increases were counteracted by the decrease by vegetables and meat components.

Cost of transport increased by 0.3% between July 2013 and August 2013 mainly due to a 32c/litre increase in the price of petrol. The annual rate increased to 8, 7% in August 2013 from 8, 2% in July 2013.

The housing and utilities index eased.to 5.4% in August 2013 from 5.5% in July 2013 due to the slow increase in the water and electricity component.

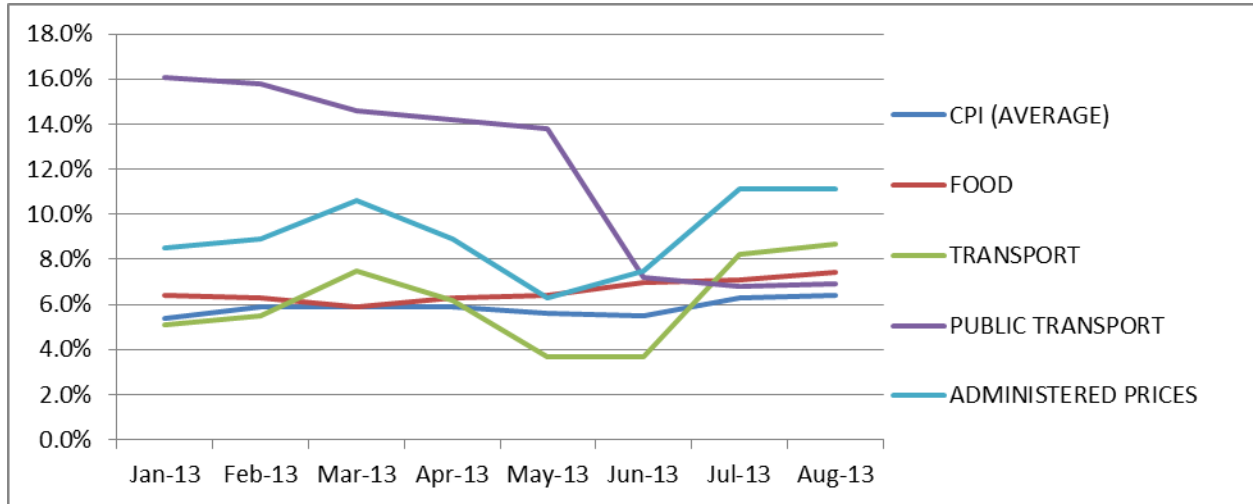
The Annual Inflation Rate (CPI) and selected price categories

	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13
CPI	5.7%	5.4%	5.9%	5.9%	5.9%	5.6%	5.5%	6.3%	6.4%
Food	7.0%	6.4%	6.3%	5.9%	6.3%	6.4%	7.0%	7.1%	7.4%
Transport	5.5%	5.1%	5.5%	7.5%	6.2%	3.7%	3.7%	8.2%	8.7%
Public Transport	15.5%	16.1%	15.8%	14.6%	14.2%	13.8%	7.2%	6.8%	6.9%
Administered Prices	8.8%	8.5%	8.9%	10.6%	8.9%	6.3%	7.5%	11.1%	11.1%

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INSIDE INFLATION

Let us look inside inflation into price movements within average CPI. We see that public transport, administered prices, food and 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. The cost of living still remains high and these cost increases is exceeding the inflation rate. Poor household are still under great pressure from the below increases.

<i>Product Groups</i>	<i>Weighting in CPI (%)</i>	<i>Increase</i>	<i>Sub-group (weighting), increase</i>
Food	14.20	+7.4%	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	+5.4%	Water (2.85) +8.0%, Electricity (4.18) +7.7%
Transport	16.43	+8.7%	Petrol (5.68) +23.0% Public Transport (3.20) +6.9%
Education	2.95	+9.0%	Primary, secondary and tertiary education
Restaurants & Hotels	3.50	+6.7%	Restaurants (2.54) +6.4% Hotels (0.96) +7.8%
Miscellaneous	14.72	+7.6%	Insurance (9.92) +8.4%

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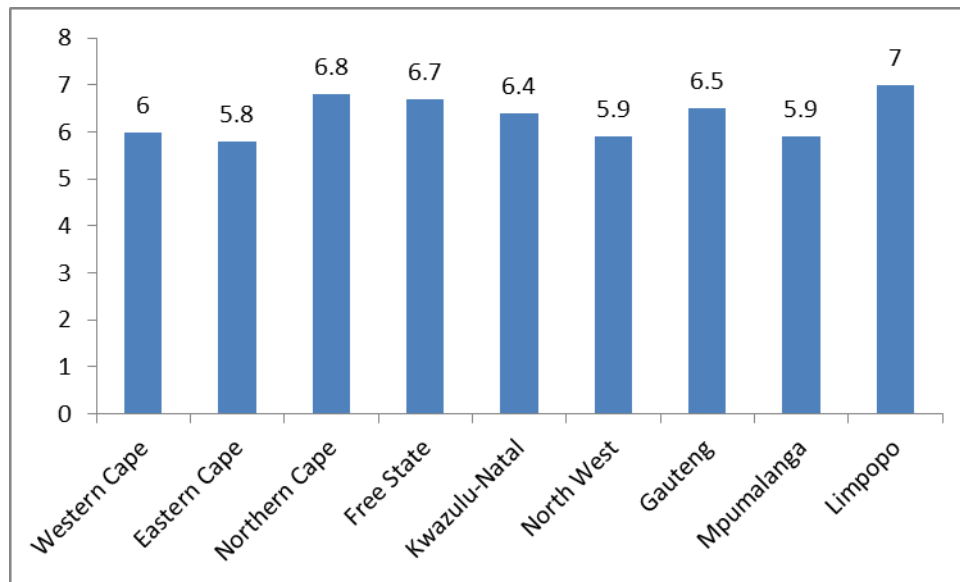
The five quintile categories were defined according to total expenditure per household

Quintiles	Groups	Monthly expenditure	Inflation rate Aug 2013
Headline CPI		Average	6.4%
1	Very low	Up to R1783 per month	6.6%
2	Low	R1783 up to R2979 per month	6.2%
3	Middle	R2979 up to R5135 per month	6.3%
4	High	R5135 up to R11840 per month	6.7%
5	Very high	R11840 and more	6.5%

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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.

Inflation rate by Province



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The provinces with an annual inflation rate lower than or equal to headline inflation were Kwazulu-Natal (6,4%), Western Cape (6,0%), North West (5,9%), Mpumalanga (5,9%) and Eastern Cape (5,8%). The provinces with an annual inflation rate higher than headline inflation were Limpopo (7,0%), Northern Cape (6,8%), Free State (6,7%) and Gauteng (6,5%).

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%					

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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.
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%					

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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.
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%					

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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.
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%					

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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 September 2013 CPI document will be released on the 23rd October 2013.

All information available at www.statssa.gov.za

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