

LRS INFLATION MONITOR AUGUST 2014

KEY FINDINGS

Consumer Price Index (headline CPI) rises slightly to 6, 4% in August compared with July's reading of 6,3% Exceeding the central bank's target for a fifth month The increase was mainly a result of upward pressure from food prices. On average, prices increased by 0.4% between July 2014 and August 2014. The Consumer Price Index for rural areas decreased to 7.1% in August 2014 compared to 7.3% in July 2014.

Annual food inflation rate registered 9.2% and 9.0% in June and July, climbed to 9, 5% in August. Food inflation has been increasing since January 2014 when it registered at 4.3%. **The following food component annual rate increased:** meat inflation increased to 10.1% in August 2014 from 8.7% in July 2014. Milk, eggs and cheese increased to 12.7% in August 2014 from 11.7% in July 2014. Vegetables increased to 13.8% in August 2014 from 11.8% in July 2014. Other food products increased to 10.2% in August 2014 to 8.6% in July 2014. Fruits increased to 2.4% in August 2014 from 2.3% in July 2014. **The following food component annual rate decreased:** bread and cereal 7.7% 2014 from 8.7% in July 2014, fish products to 7.1% in August 2014 from 8.0% in July 2014. Oil and fats decreased to 1.0% in August 2014 from 2.7% in July 2014.

Transport inflation rate increased by 0.4% between July 2014 and August 2014. The annual rate decreased to 6.1% in August 2014 from 6.9% in July 2014. Public transport inflation decreased to 6.7% in August 2014 from 6.8% in July 2014.

Administered inflation rate decreased to 6.2% in August 2014 from 7.0% registered in July 2014.

THE ANNUAL INFLATION RATE (CPI) AND SELECTED PRICE CATEGORIES

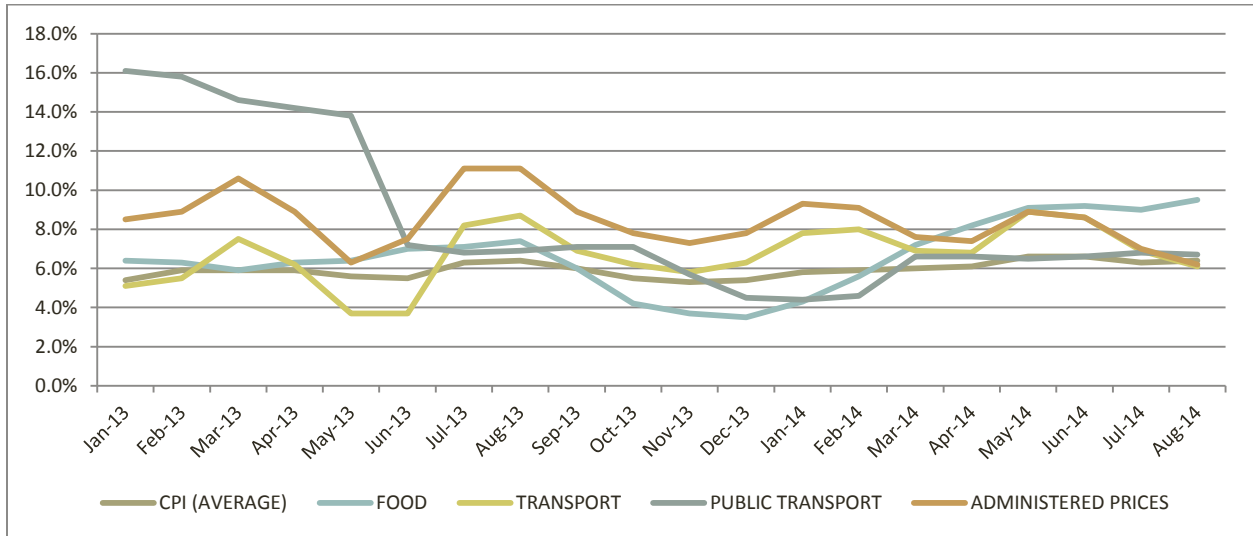
	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14
CPI	6.4%	6.0%	5.5%	5.3%	5.4%	5.8%	5.9%	6.0%	6.1%	6.6%	6.6%	6.3%	6.4%
Food	7.4%	6.0%	4.2%	3.7%	3.5%	4.3%	5.6%	7.2%	8.2%	9.1%	9.2%	9.0%	9.5%
Transport	8.7%	6.9%	6.2%	5.8%	6.3%	7.8%	8.0%	6.9%	6.8%	8.9%	8.6%	6.9%	6.1%
Public Transport	6.9%	7.1%	7.1%	5.7%	4.5%	4.4%	4.6%	6.6%	6.6%	6.5%	6.6%	6.8%	6.7%
Administered Prices	11.1%	8.9%	7.8%	7.3%	7.8%	9.3%	9.1%	7.6%	7.4%	8.9%	8.6%	7.0%	6.2%

Statistics South Africa

Inflation is expected to average 6.2% in 2014 compare to 6.3% previously and 5.7% in 2015 (5.9% previously) and to return to within the target range in the first quarter of 2015. the inflation forecast for 2016 increased to 5.8% from 5.6% mainly as result of the revised electricity price assumption following the review of ESKOM tariffs by NERSA. The revised assumption makes provision for electricity price increases of 11.6% from July 2015 and again July 2016 (Monetary Policy Committee Statement) 18th September 2014

INSIDE INFLATION

Let us look inside inflation into price movements within average CPI. We see that in August 2014, **food (9.5%)** and **public transport (6.7%)** increased at a faster rate than average inflation (6.4%)

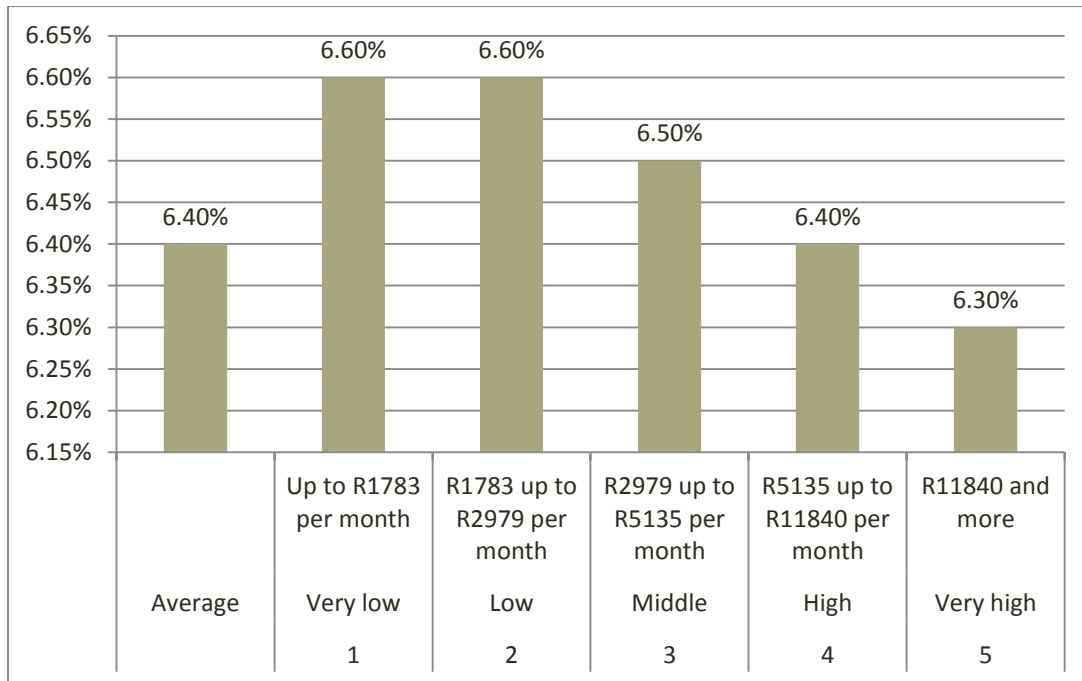


We see that the rise in the cost of housing and utilities is clearly being driven by rising water and electricity prices. The rise in transport costs is being driven by rising petrol and public transport prices.

Product Groups	Weighting in CPI (%)	Increase	Sub-group (weighting), increase
Food	14.20	+9.5%	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	+5.9%	Water (2.85) +8.5%, Electricity (4.18) +7.2%
Transport	16.43	+6.9%	Petrol (5.68) +5.8% Public Transport (3.20) +6.7%
Education	2.95	+8.7%	Primary, secondary and tertiary education
Restaurants & Hotels	3.50	+8.5%	Restaurants (2.54) +8.8% Hotels (0.96) +7.5%
Miscellaneous	14.72	+7.1%	Insurance (9.92) +7.8%

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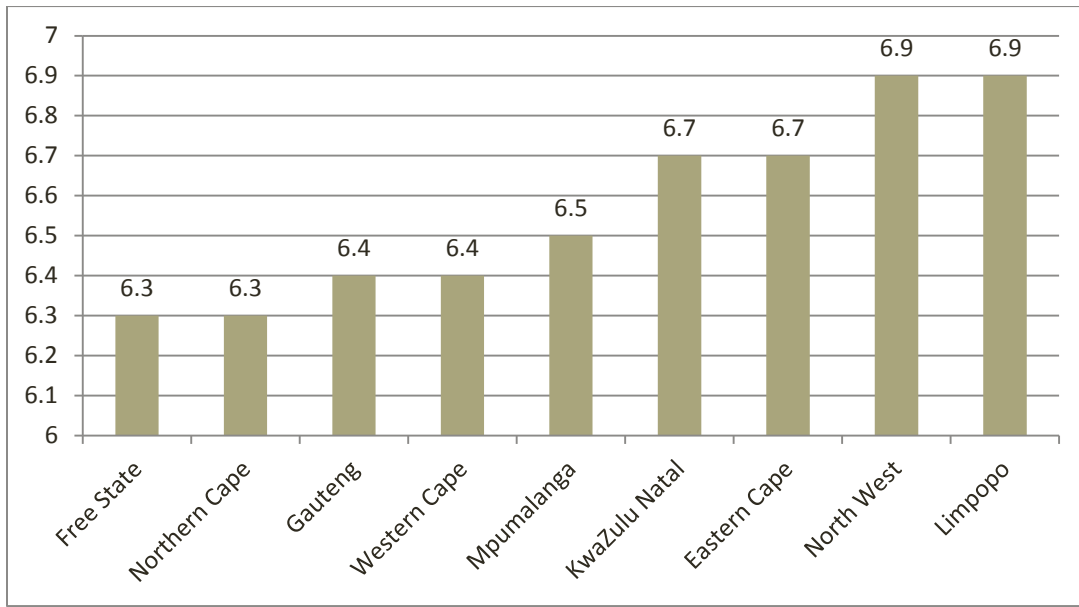
CONSUMER PRICE INDEX (CPI) PER EXPENDITURE QUANTILE



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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. Take note, that the consumer inflation impact remains greater on the lower income groups than on the higher income groups, and much of this is due to food price inflation still being above overall CPI inflation, and of course the food component being a far higher weighting in the low income expenditure baskets. As shown in the table above, very low expenditure groups experienced an inflation rate (6.6%) that was higher than the average annual inflation rate (6.4%). The very high expenditure group had a lower annual inflation rate (6.3%) than the average annual inflation rate (6.4%).

PROVINCIAL INFLATION RATE



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The province with annual inflation rate lower than or equal to headline inflation were Western Cape (6.4%), Gauteng (6.4%), Northern Cape (6.3%) and Free State (6.3%).

The province with an annual inflation rate higher than headline inflation were North West (6.9%), Limpopo (6.9%), Eastern Cape (6.7%), KwaZulu-Natal (6.7%) and Mpumalanga (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%	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%					

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%	9.1%	9.2%	9.0%	9.5%					

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

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%	8.9%	8.6%	6.8%	6.1%					

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%	8.9%	8.6%	7.0%	6.2%					

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 SEPTEMBER 2014 CPI DOCUMENT WILL BE RELEASED ON THE 22 OCTOBER 2014.

All information available at www.statssa.gov.za

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