

Inflation Monitor

THE OFFICIAL AVERAGE ANNUAL INFLATION RATE WAS 5.6% FOR THE YEAR 2012

The inflation rate was 5.7% year on year in December 2012 compared to 5.6% that was recorded at November 2012. On average, prices increased by 0.2% between November 2012 and December 2012.

The components of food and non-alcoholic beverages, housing and utilities, and transport together accounted for 3.5% of the inflation outcome.

The housing and utilities increased by 0.5% between November and December 2012 due to 0.8% increase in actual rentals for housing.

Transport increased by 0.3% between November and December 2012 due to a 26.6c/l increase in long distance buses.

The Annual Inflation Rate (CPI) and selected price categories

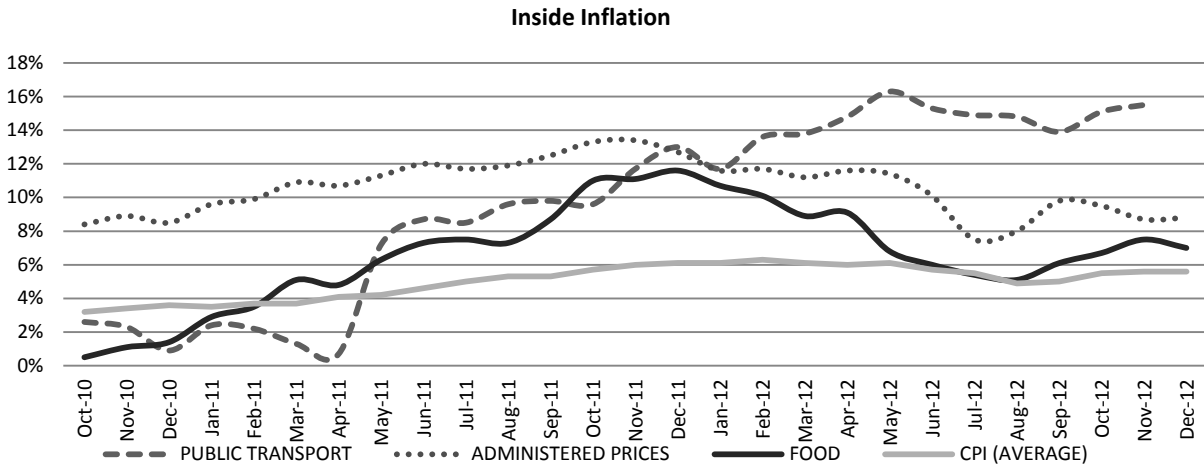
	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12
CPI	6.1%	5.7%	5.5%	4.9%	5.0%	5.5%	5.6%	5.6%	5.7%
Food	9.1%	6.8%	6.0%	5.4%	5.1%	6.1%	6.7%	7.5%	7.0%
Transport	6.9%	6.7%	6.2%	4.6%	4.9%	6.6%	6.1%	5.5%	5.5%
Public Transport	13.8%	14.8%	16.3%	15.3%	14.9%	14.8%	13.9%	15.1%	15.5%
Administered Prices	11.6%	11.4%	10.1%	7.5%	8.0%	9.8%	9.5%	8.7%	8.8%

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The Reserve Bank has left the repo rate unchanged at 5.0% and expects inflation to average 5.8% in 2013 and 5.2% in 2014. The forecasts do not yet include the new CPI weights and rebasing recently announced by Statistics South Africa, but these changes will be included formally into the Bank’s next monetary policy meeting in which directive forecast will be announced.

INSIDE INFLATION

Let us look inside inflation into price movements within average CPI. 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. 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	14.27	+7.0%	Price increases are generalised in the food group, although the price of meat and oils & fats increased at the fastest rate.
Housing & Utilities	22.56	+6.0%	Water (3.31) +9.1%, Electricity (1.87) +10.3%
Transport	18.8	+5.5%	Petrol (3.93) +12.4% Public Transport (2.73) +15.5%
Education	2.19	+9.0%	Primary, secondary and tertiary education
Restaurants & Hotels	2.78	+6.7%	Restaurants (1.85) +7.1% Hotels (0.93) +5.9%
Miscellaneous	13.56	+5.6%	Insurance (7.71) +6.2%

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The table below shows how the different product groups contributed to the average inflation rate of 5.7% at December 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

	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12
Food and non-alcoholic beverages	+0.8	+0.8	+0.9	+1.0	+1.1	+1.1
Alcoholic beverages and tobacco	+0.4	+0.5	+0.4	+0.4	+0.4	+0.4
Clothing and footwear	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1
Housing and utilities	+1.4	+1.4	+1.4	+1.4	+1.4	+1.4
Household contents and services	+0.1	+0.1	+0.1	+0.1	+0.2	+0.2
Health	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1
Transport	+0.8	+0.8	+1.1	+1.1	+0.9	+1.0
Education	+0.2	+0.2	+0.2	+0.2	+0.2	+0.1
Restaurants and hotels	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2
Miscellaneous goods and services	+0.7	+0.7	+0.7	+0.7	+0.8	+0.8
Residual	+0.1	+0.1	+0.2	+0.2	+0.1	+0.1
All Items	+4.9%	+5.0%	5.5%	5.6%	5.6%	5.7%

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Inflation rate by expenditure group

Quintiles	Groups	Monthly expenditure	Inflation rate December 2012
	Average		5.7%
1	Very low	Up to R1213 per month	7.1%
2	Low	R1213 up to R1939 per month	6.9%
3	Middle	R1940 up to R3062 per month	6.7%
4	High	R3063 up to R6596 per month	6.4%
5	Very high	R6596 and more	5.2%

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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 7.1%, higher than headline inflation rate of 5.7%, while the very high expenditure group had an inflation rate of 5.2% compared to 5.7% CPI. Remember the very low expenditure group spends a large proportion of their wages on food and transport than the high income earners.

Inflation rate by Province

Province	Annual rate of inflation December 2012
Western Cape	+5.6%
Eastern Cape	+5.3%
Northern Cape	+6.5%
Free State	+5.7%
Kwazulu-Natal	+5.6%
North West	+6.4%
Gauteng	+5.5%
Mpumalanga	+6.2%
Limpopo	+6.2%

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The following Provinces recorded an annual inflation rate lower than or equal to headline inflation were Free State (5.7%) Western Cape (5.6%) KZN (5.6%) Eastern Cape (5.3%) and Gauteng (5.5%)

The Provinces with an annual inflation rate higher than headline inflation were Northern Cape (6.5%) North West (6.4%), Mpumalanga (6.2%) and Limpopo (6.2%). Cost of living is still remains high in other province, and these cost increases exceed inflation.

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%	5.7%	5.5%	4.9%	5.0%	5.5%	5.6%	5.6%	5.7%	5/6%

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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%	6.8%	6.0%	5.4%	5.1%	6.1%	6.7%	7.5%	7.0%	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.
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%	6.7%	6.2%	4.6%	4.9%	6.6%	6.1%	5.5%	5.5%	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.
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%	11.4%	10.1%	7.5%	8.0%	9.8%	9.5%	8.7%	8.8%	10.0%

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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.

2013	January	20 February 2013
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All information available at www.statssa.gov.za

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