

Inflation Monitor

CPI INCREASED TO 5.4% IN DECEMBER 2013

The Consumer Price Index (CPI) annual inflation rate for all urban areas increased to 5.4% in December 2013. This rate was 0.1% of a percentage point lower than the corresponding annual rate of 5.3% in November 2013. On average, prices increased by 0.3% between November 2013 and December 2013.

The official average annual inflation rate was 5, 7% for the year 2013 compared to the corresponding average annual inflation rate of 5, 6% for the year 2012. That still placed it within the Reserve Bank's 3%-6% target range.

Food

The food index decreased by 0.2% between November 2013 and December 2013. The annual rate decreased to 3.5% in December from 3.7% in November 2013.

Restaurant and hotels: The annual rate increased to 7, 2% in December 2013 from 7, 0% in November 2013. **Miscellaneous goods and services:** The annual rate decreased to 7, 0% in December 2013 from 7, 3% in November 2013.

Housing and Utilities

The housing and utilities index increased by 0,7% between November 2013 and December 2013, mainly due to a 1,1% increase in actual rentals for housing and a 1,0% increase in owners' equivalent rent. The annual rate increased to 5, 5% in December 2013 from 5, 3% in November 2013.

Price of Petrol

Transport index increased by 0.8% between November and December 2013, mainly due to a 17c/litre increase in the price of petrol. The annual rate decreased to 6.3% in December from 5.8% in November 2013.

The Annual Inflation Rate (CPI) and selected price categories

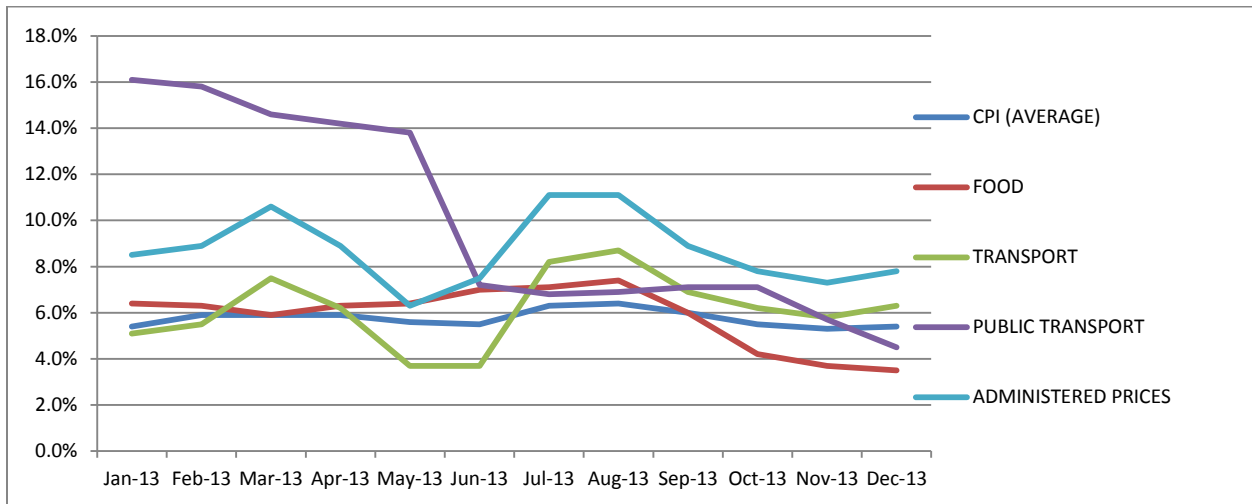
	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13
CPI	5.4%	5.9%	5.9%	5.9%	5.6%	5.5%	6.3%	6.4%	6.0%	5.5%	5.3%	5.4%
Food	6.4%	6.3%	5.9%	6.3%	6.4%	7.0%	7.1%	7.4%	6.0%	4.2%	3.7%	3.5%
Transport	5.1%	5.5%	7.5%	6.2%	3.7%	3.7%	8.2%	8.7%	6.9%	6.2%	5.8%	6.3%
Public Transport	16.1%	15.8%	14.6%	14.2%	13.8%	7.2%	6.8%	6.9%	7.1%	7.1%	5.7%	4.5%
Administered Prices	8.5%	8.9%	10.6%	8.9%	6.3%	7.5%	11.1%	11.1%	8.9%	7.8%	7.3%	7.8%

Statistics South Africa

The headline inflation forecast of the Bank has deteriorated since the previous meeting of the MPC, mainly as a result of revisions to the assumptions regarding the rand exchange rate. The forecast average inflation rate for 2014 is 0,6% points higher at 6,3%, and 0, 6% point higher at 6, 0% in 2015, with inflation expected to average 5,9% per cent in the final quarter of that year. Inflation is expected breach the upper end of the target range in the second quarter of 2014, and to reach a peak of 6, 6% in the final quarter of the year, before declining to 6, 0% in the second quarter of 2015. (Statement of the monetary policy committee 29th January 2014)

INSIDE INFLATION

Let us look inside inflation into price movements within average CPI. We see that public transport, administered prices 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.

Product Groups	Weighting in CPI (%)	Increase	Sub-group (weighting), increase
Food	14.20	+3.5%	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	+5.5%	Water (2.85) +8.0%, Electricity (4.18) +7.2%
Transport	16.43	+6.3%	Petrol (5.68) +10% Public Transport (3.20) +4.5%
Education	2.95	+9.0%	Primary, secondary and tertiary education
Restaurants & Hotels	3.50	+7.2%	Restaurants (2.54) +6.8% Hotels (0.96) +8.5%
Miscellaneous	14.72	+7.0%	Insurance (9.92) +8.1%

Statistics South Africa

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

Quintiles	Groups	Monthly expenditure	Inflation rate Dec-2013
Headline CPI		Average	5.4%
1	Very low	Up to R1783 per month	4.7%
2	Low	R1783 up to R2979 per month	4.6%
3	Middle	R2979 up to R5135 per month	4.7%
4	High	R5135 up to R11840 per month	5.1%
5	Very high	R11840 and more	5.6%

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.

Different groups of people have different experiences of inflation. Inflation affects the poor because their consumption basket is more expensive than the rest. They suffer most from a decline in purchasing power. The poor are also disadvantaged in terms of consumption because their ability to leverage funding is very limited. When prices rise, there is no escape.

Inflation rate by Province

Province	Inflation rate Dec-2013
Western Cape	5.0%
Eastern Cape	5.0%
Northern Cape	4.9%
Free State	5.3%
KwaZulu Natal	5.2%
North West	4.7%
Gauteng	5.6%
Mpumalanga	4.9%
Limpopo	5.3%

Statistics South Africa

Provinces with an annual inflation rate lower than or equal to headline inflation were the Western Cape, Mpumalanga, Northern Cape, KwaZulu-Natal, Eastern Cape, North West, Free State and Limpopo.

The provinces with an annual inflation rate higher than headline inflation were Gauteng.

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%

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%

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%

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%

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 January 2014 CPI document will be released on the 19th February 2014.

All information available at www.statssa.gov.za

For more information contact:

George Mthethwa

021 447 1677

071 489 8875

george@lrs.org.za

www.lrs.org.za