

Inflation Monitor

The Consumer Price Index (CPI) rises to 5.9% year-over-year in February 2013.

The headline Consumer Price Index for all urban areas annual inflation rate in February 2013 was 5.9%. This rate was 0.5% higher than the annual corresponding annual rate of 5.4% in January 2013 well above expectation and just shy of the Reserve Bank 6% target ceiling. On average, prices increased by 1.0% between January 2013 and February 2013.

The **food and non-alcoholic beverages** index decreased by 0,6% between January 2013 and February 2013. The annual rate decreased to 6,1% in February 2013 from 6,2% in January 2013. The following components in the food and non-alcoholic beverages index increased: milk, eggs and cheese (1,3%), sugar, sweets and desserts (1,2%), oils and fats (1,1%), hot beverages (0,8%), fish (0,3%) and cold beverages (0,2%). The following components decreased: fruit (-1,9%), meat(-1,7%), vegetables (-1,2%), bread and cereals (-0,9%) and other food (-0,2%).

As shown in the table below, public transport recorded a 15.8% inflation rate due to a 41c/l increased in the price of petrol. Administered prices inflation rate was 8.9% and the food inflation rate of 6.3%.

The Annual Inflation Rate (CPI) and selected price categories

	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13
CPI	5.5%	4.9%	5.0%	5.5%	5.6%	5.6%	5.7%	5.4%	5.9%
Food	6.0%	5.4%	5.1%	6.1%	6.7%	7.5%	7.0%	6.4%	6.3%
Transport	6.2%	4.6%	4.9%	6.6%	6.1%	5.5%	5.5%	5.1%	5.5%
Public Transport	16.3%	15.3%	14.9%	14.8%	13.9%	15.1%	15.5%	16.1%	15.8%
Administered Prices	10.1%	7.5%	8.0%	9.8%	9.5%	8.7%	8.8%	8.5%	8.9%

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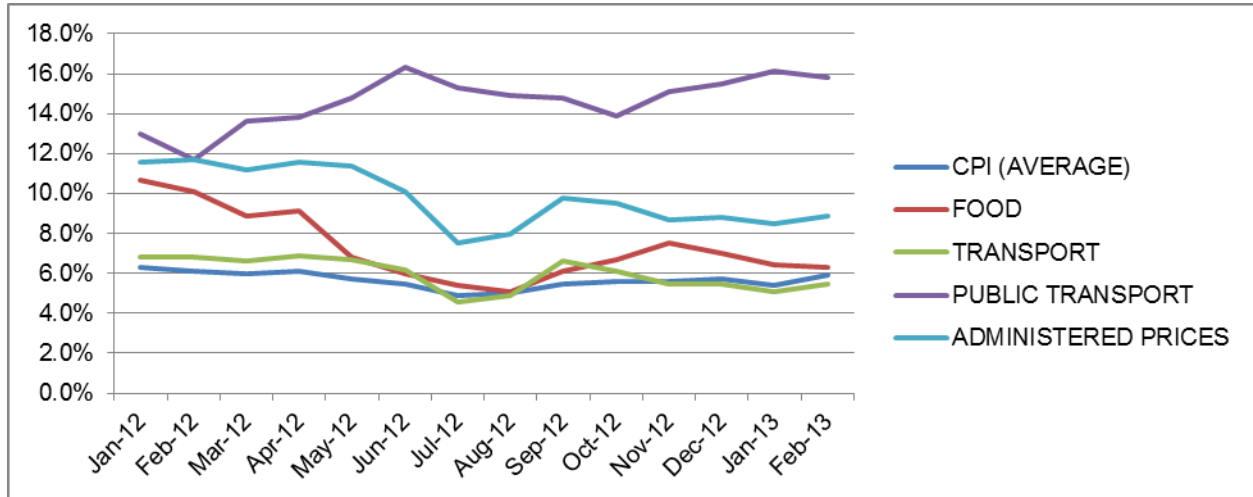
Statement from Reserve Bank governor

The inflation forecast of the Bank reflects a slight deterioration in the inflation outlook for 2013 compared with the previous forecast. The forecasts incorporate the new CPI weights and rebasing announced by Statistics South Africa, as well as the lower electricity price increase of 8 per cent granted to Eskom by Nersa. Inflation is now expected to average 5,9 per cent in 2013 and 5,3 per cent in 2014, compared with the previous forecasts of 5,8 per cent and 5,2 per cent for these respective years. Inflation is expected to breach temporarily the upper end of the target range in the third quarter of 2013, when it is expected to average 6,3 per cent, and then to moderate gradually to 5,2 per cent in the final quarter of 2014. This deterioration is largely due to the depreciation of the rand and higher petrol prices, which more than offset the impact of the lower electricity price

The MPC has therefore decided to keep the repurchase rate unchanged at 5,0 per cent per annum. The Committee will continue to apply monetary policy consistent with its mandate of price stability within a flexible inflation targeting framework. **Gill Marcus**

INSIDE INFLATION

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

Product Groups	Weighting in CPI (%)	Increase	Sub-group (weighting), increase
Food	14.20	+6.3%	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) +9.2%, Electricity (4.18) +10.1%
Transport	16.43	+5.5%	Petrol (5.68) +11.9% Public Transport (3.20) +15.8%
Education	2.95	+8.9%	Primary, secondary and tertiary education
Restaurants & Hotels	3.50	+7.2%	Restaurants (2.54) +7.1% Hotels (0.96) +7.5%
Miscellaneous	14.72	+7.5%	Insurance (9.92) +8.3%

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The table below shows how the different product groups contributed to the average inflation rate of 5.9% at February 2013.

Contribution of different groups to annual % change in CPI

	Dec-12	Jan-13	Feb-13
Food and non-alcoholic beverages	0.0	0.1	-0.1
Housing and utilities	0.0	0.0	0.2
Miscellaneous goods and services	0.0	0.1	0.8
Residual	0.1	0.1	0.1
All Items	0.2	0.3	1.0

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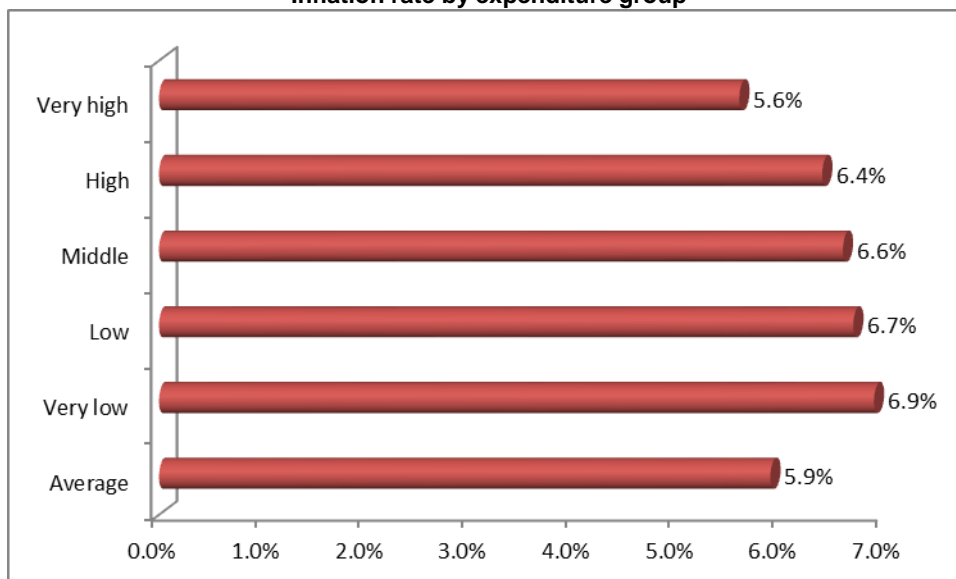
Inflation rate by expenditure group

Quintiles	Groups	Monthly expenditure	Inflation rate February 2013
	Average		5.9%
1	Very low	Up to R1783 per month	6.9%
2	Low	R1783 up to R2979 per month	6.7%
3	Middle	R2979 up to R5135 per month	6.6%
4	High	R5135 up to R11840 per month	6.4%
5	Very high	R11840 and more	5.6%

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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 6.9%, higher than headline inflation rate of 5.9%, while the very high expenditure group had an inflation rate of 5.6% compared to 5.9% CPI.

Inflation rate by expenditure group



Inflation rate by province

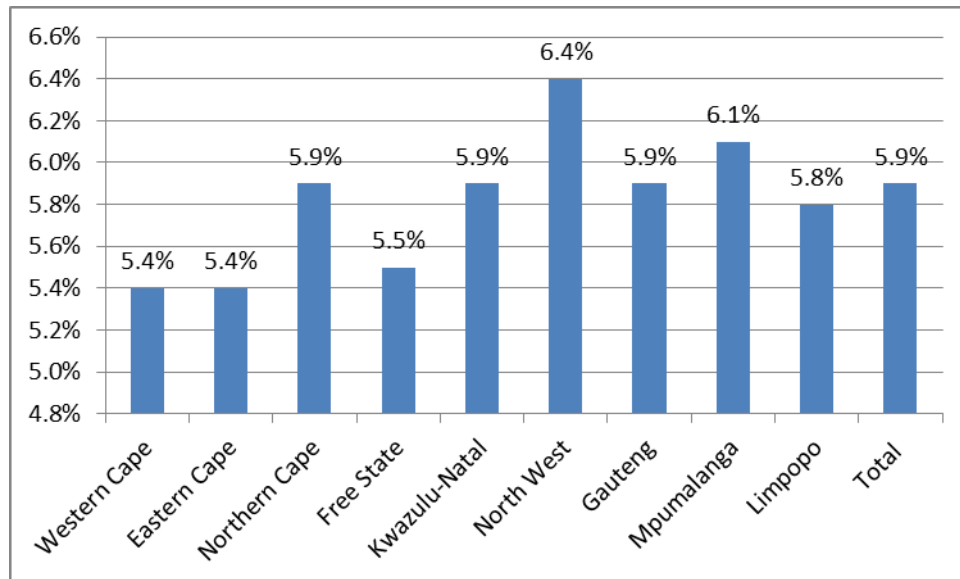
Province	Annual rate of inflation February 2013
Western Cape	+5.4%
Eastern Cape	+5.4%
Northern Cape	+5.9%
Free State	+5.5%
Kwazulu-Natal	+5.9%
North West	+6.4%
Gauteng	+5.9%
Mpumalanga	6.1%
Limpopo	+5.8%
Total	5.9%

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The following Provinces recorded an annual inflation rate lower than or equal to headline inflation were Free State (5.5%) Western Cape (5.4%) Eastern Cape (5.4%) Gauteng (5.9%) KwaZulu-Natal (5.9%) Limpopo (5.8%)

The Provinces with an annual inflation rate higher than headline inflation were North West (6.4%) and Mpumalanga (6.1%)

Inflation rate by Province



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%											

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%											

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%											

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%											

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 March 2013 inflation rate document will be released on the 17th April 2013.

2013 March	17 April 2013
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All information available at www.statssa.gov.za

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