

LRS INFLATION MONITOR JANUARY 2015



CPI SLOWED SLIGHTLY TO 4.4% IN JANUARY 2015

KEY FINDINGS

Inflation measures how much more expensive a set of goods and services has become over a certain period, usually a year.

According to statistics South Africa, the annual CPI inflation fell by **4.4%** in January 2015 from 5.3% in December 2014. On average, price decreased by (0,2%) between December 2014 and January 2015. Key drivers pulling the CPI down were petrol and food. The 127c/l drop in the price of petrol in January further contributed to the decline in the CPI for petrol, which decreased from -5,5% in December 2014 to -17,6% in January 2015.

Food inflation has also slowed down from 7,4% in December 2014 to 6,6% in January 2015. The main driver of the declining food inflation was fruits,(-1,0%). The following components in the food index increased, other Food (2.0%), fish (1.5%), meat (1.4%), sugar, sweets and desserts (1.0%), oil and fats (1.0%), bread and cereals (0.5%), milk, eggs and cheese (0.2%) and vegetables (0.1%)

The transport price fell by 3.0% between December 2014 and January 2015 mainly due to a 127c litre decrease in the price of petrol. The annual rate decreased to -2.5% in January 2015 from 1.7% in December 2014.

The miscellaneous good and service index increased by 0.6% between December 2014 and January 2015. The annual rate increased to 7.3% in January 2015 from 7.1% in December 2014.

THE ANNUAL INFLATION RATE (CPI) AND SELECTED PRICE CATEGORIES

	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15
CPI	5.8%	5.9%	6.0%	6.1%	6.6%	6.6%	6.3%	6.4%	5.9%	5.9%	5.8%	5.3%	4.4%
Food	4.3%	5.6%	7.2%	8.2%	9.1%	9.2%	9.0%	9.5%	8.7%	8.0%	7.7%	7.4%	6.6%
Transport	7.8%	8.0%	6.9%	6.8%	8.9%	8.6%	6.9%	6.1%	4.2%	4.8%	4.2%	1.7%	-2.5%
Public Transport	4.4%	4.6%	6.6%	6.6%	6.5%	6.6%	6.8%	6.7%	7.5%	7.8%	7.8%	6.7%	6.4%
Administered Prices	9.3%	9.1%	7.6%	7.4%	8.9%	8.6%	7.0%	6.2%	4.7%	5.1%	4.8%	2.6%	-1.4%

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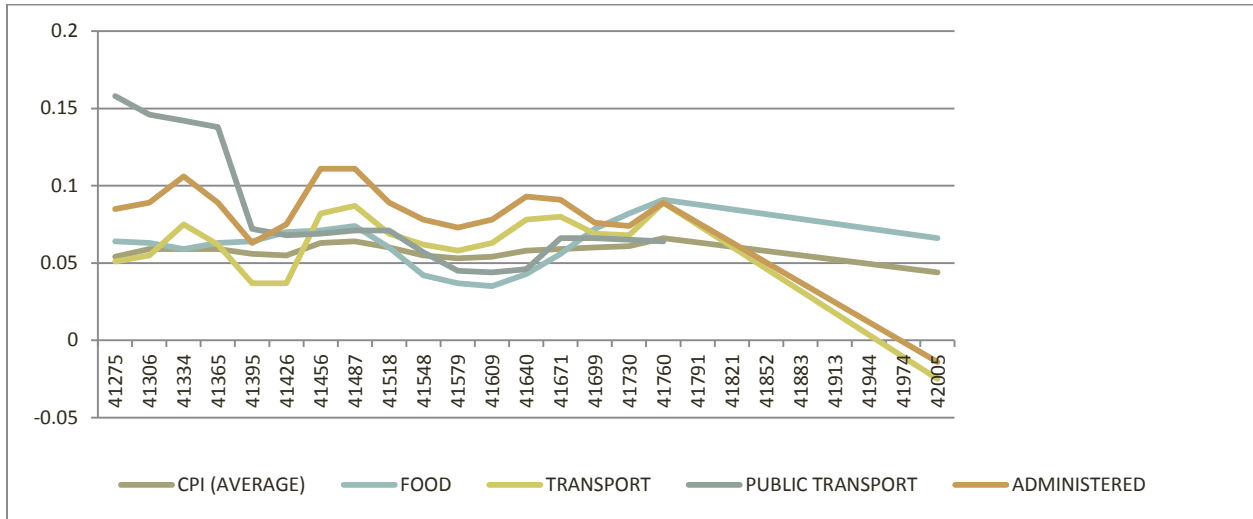
Analysts have warned that the favourable trend will be short-lived making an interest hike likely before end of 2015. For now the annual change in the Consumer Price will resume to trek downwards due to the comparison with last year dipping to a likely low of 4.2% this month or next. But the trajectory further ahead will be upwards. The SARB has predicted that inflation will average 5.3% in the final quarter of this year

- Given that inflation rates have fallen substantially, a big question is to what extent wage negotiations will factor in lower inflation?

Negotiators that are starting their negotiations this month need not look only at the headline inflation, but to build their argument on food inflation and public transport as these components registered higher inflation rate in January 2015. Also to use expenditure quintile inflation as it shows that the very lower household experienced higher inflation rate of (5.3%) in January 2015. Negotiators need to understand the difference between what is called cash wage (cash or nominal wage is the amount of money that the employer pays the worker) and real wage (the value of the wage in terms of what it can buy-the buying of power of the wage).

INSIDE INFLATION

Let us look inside inflation into price movements within average CPI. We see that in January 2015, **food (6.6%)** and **public transport (6.4%)** inflation rate were higher than the annual average inflation (4.4%)

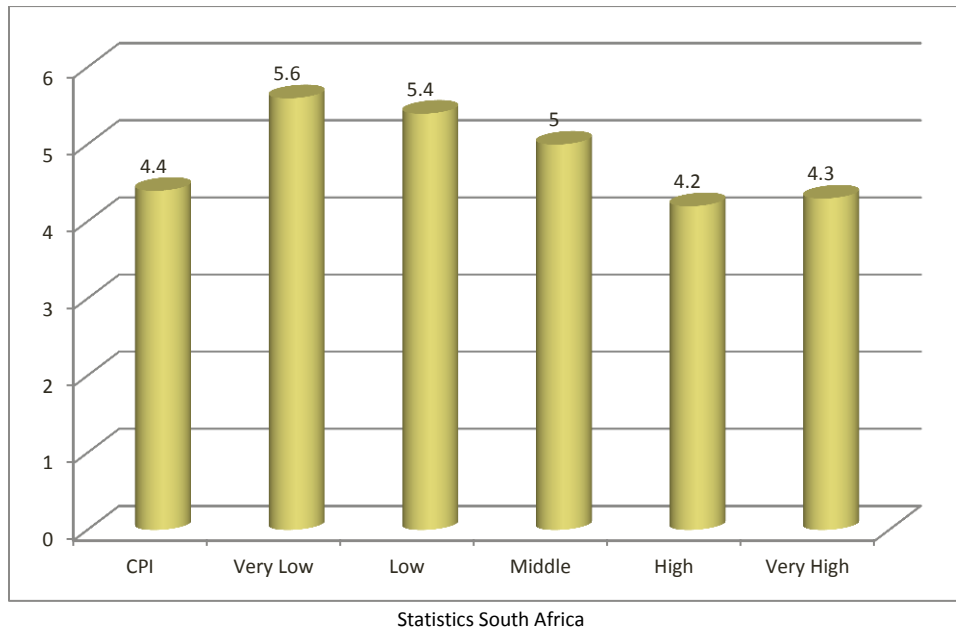


We see that education had the highest annual inflation rate followed by restaurant and miscellaneous. Transport annual inflation rate slowed down due decreased in petrol price.

<i>Product Groups</i>	<i>Weighting in CPI (%)</i>	<i>Increase</i>	<i>Sub-group (weighting), increase</i>
Food	14.20	+6.6%	Price increases are generalised in the food group, although the price of meat and oils & fats increased at the fasted rate.
Housing & Utilities	24.52	+5.7%	Water (2.85) +8.5%, Electricity (4.18) +7.0%
Transport	16.43	-2.5%	Petrol (5.68) -17.5% Public Transport (3.20) +6.4%
Education	2.95	+8.7%	Primary, secondary and tertiary education
Restaurants & Hotels	3.50	+7.4%	Restaurants (2.54) +8.4% Hotels (0.96) +4.9%
Miscellaneous	14.72	+7.3%	Insurance (9.92) +8.1%
Health	1.46	+6.1%	Medical Products (0.74) +5.9% Medical Services (0.72) + 6.1%

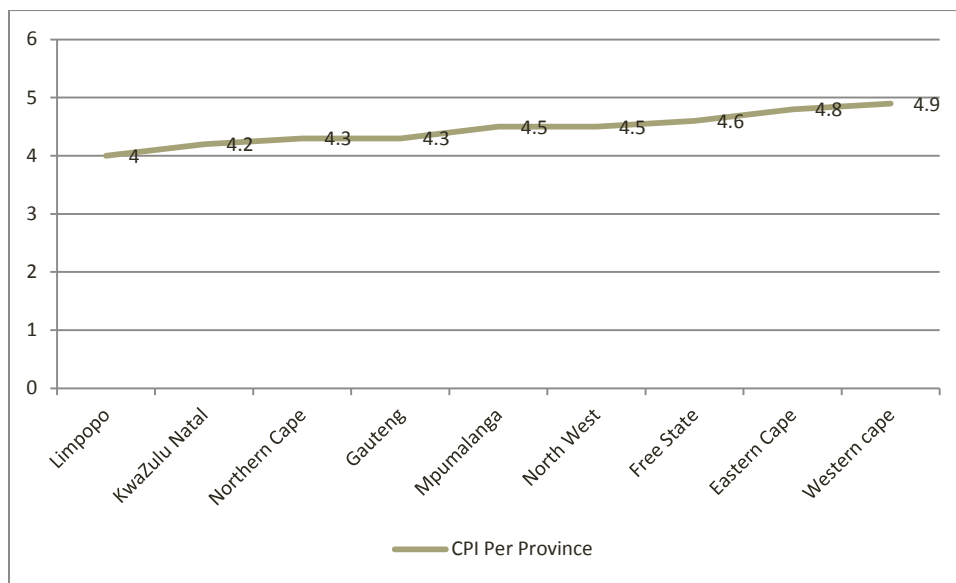
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CONSUMER PRICE INDEX (CPI) PER EXPENDITURE QUANTILE JANUARY 2015



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 (5.6%), higher than the average annual inflation rate (4.4%). The very high expenditure group recorded inflation rate (4.3%) lower than the annualized inflation rate.

PROVINCIAL INFLATION RATE JANUARY 2015



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The province with annual inflation rate lower than or equal to headline inflation were Northern Cape (4.3%), Gauteng (4.3%), KwaZulu-Natal (4.2%) and Limpopo (4.0%)

The provinces with an annual inflation rate higher than headline inflation were Western Cape (4.9%), Eastern Cape (4.8%), Free State (4.6%) North West (4.5%) and Mpumalanga (4.5%)

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%	5.9%	5.9%	5.8%	5.3%	6.1%
2015	4.4%												

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%	8.7%	8.0%	7.7%	7.1%	8.1%
2015	6.6%												

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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%	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%	4.2%	4.8%	4.2%	1.7%	6.1%
2015	-2.5%												

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The transport price index provides an indication of the increase in the 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%	4.7%	5.1%	4.8%	2.6%	6.5%
2015	-1.4%												

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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 FEBRUARY 2015 CPI DOCUMENT WILL BE RELEASED ON THE 18th MARCH 2015

All information available at www.statssa.gov.za

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