



# Inflation Monitor

## THE CONSUMER PRICE INDEX SLOWED TO 5.5% AT JUNE 2013

The headline CPI (for all urban areas) annual inflation rate in June 2013 was 5, 5%. This rate was 0, 1 of a percentage point lower than the corresponding annual rate of 5,6% in May 2013. On average, prices increased by 0,3% between May 2013 and June

The **food and non-alcoholic beverages** index increased by 0, 1% between May 2013 and June 2013. The annual rate increased to 6,8% in June 2013 from 6,4% in May 2013. The following components in the food and non-alcoholic beverages index increased: other food (1,6%), cold beverages (1,5%), hot beverages (1,0%), milk, eggs and cheese (0,8%), oils and fats (0,8%), sugar, sweets and desserts (0,7%) and fish (0,1%). The following components decreased: vegetables (-1,0%), fruit (-0,6%) and meat (-0,5%).

The **housing and utilities** index increased by 0,9% between May 2013 and June 2013, mainly due to a 1,5% increase in actual rentals for housing and a 1,4% increase in owners' equivalent rent. The annual rate was unchanged at 5,8% in June 2013.

This month the petrol price rose by 84c/l meaning that inflation might rise to 6% (July inflation) and then 6.4% year-on year in August as the will be another petrol increase.

### The Annual Inflation Rate (CPI) and selected price categories

	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13
CPI	5.5%	5.6%	5.6%	5.7%	5.4%	5.9%	5.9%	5.9%	5.6%	5.5%
Food	6.1%	6.7%	7.5%	7.0%	6.4%	6.3%	5.9%	6.3%	6.4%	7.0%
Transport	6.6%	6.1%	5.5%	5.5%	5.1%	5.5%	7.5%	6.2%	3.7%	3.7%
Public Transport	14.8%	13.9%	15.1%	15.5%	16.1%	15.8%	14.6%	14.2%	13.8%	7.2%
Administered Prices	9.8%	9.5%	8.7%	8.8%	8.5%	8.9%	10.6%	8.9%	6.3%	7.5%

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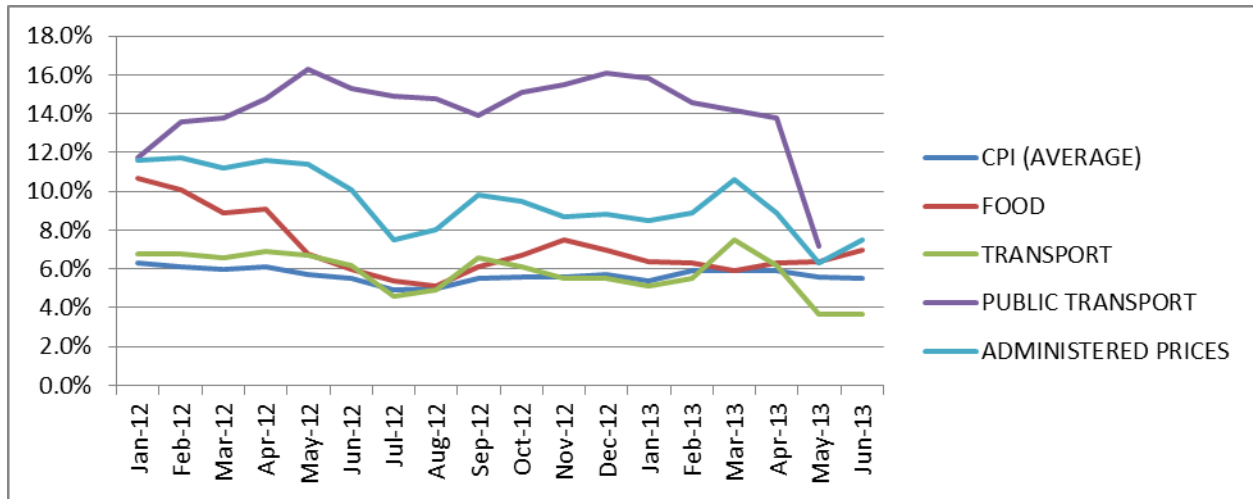
*Our inflation forecast for 2013 is for CPI to peak at just above 6% y/y in the third quarter, easing off toward year-end. This is not at a runaway level, and the SA Reserve Bank seems willing to tolerate inflation around this level because of its ongoing concerns over weak global and local economic growth. As a result of the SARB's concern over slow growth, we expect them to keep interest rates steady in 2013 and through late 2014 (barring a strong pick-up in global inflation or sharp deterioration in the rand). There is also a small possibility of a rate cut if inflation data is better than expected during the year. (Old Mutual)*

*At the July Monetary Policy Committee (MPC) meeting of the Reserve Bank, the MPC upwardly revised its inflation forecast to 5.9% in 2013. It also expects inflation to peak at 6.3% in the third quarter. (SARB)*

*Standard Bank economists expect inflation to peak at 6.1% in the third quarter and average 5.9% in 2013.*

## 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.

<i>Product Groups</i>	<i>Weighting in CPI (%)</i>	<i>Increase</i>	<i>Sub-group (weighting), increase</i>
<b>Food</b>	14.20	+7.0%	Price increases are generalised in the food group, although the price of meat and oils & fats increased at the fastest rate.
<b>Housing &amp; Utilities</b>	24.52	+5.8%	Water (2.85) +9.2%, Electricity (4.18) +10.0%
<b>Transport</b>	16.43	+3.7%	Petrol (5.68) +6.0% Public Transport (3.20) +7.2%
<b>Education</b>	2.95	+9.0%	Primary, secondary and tertiary education
<b>Restaurants &amp; Hotels</b>	3.50	+6.1%	Restaurants (2.54) +6.1% Hotels (0.96) +5.7%
<b>Miscellaneous</b>	14.72	+7.4%	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 5.5% June 2013.

**Contributions of the different groups to the annual percentage change in the CPI headline**

<b>Groups</b>	<b>May-13</b>	<b>Jun-13</b>
<b>Food and non-alcoholic beverages</b>	0.1	0.1
Alcoholic beverages and tobacco	0.4	0.4
Clothing and footwear	0.1	0.1
<b>Housing and utilities</b>	1.4	1.4
<b>Household contents and services</b>	0.1	0.1
<b>Health</b>	0.1	0.1
Transport	0.6	0.6
Recreation and culture	0.2	0.2
Education	0.3	0.3
Restaurants and hotels	0.2	0.2
Miscellaneous goods and services	1.1	1.1
Residual	0.1	0.0
All Items	5.6	5.5

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**Contributions of the different groups to the monthly percentage change in the CPI headline**

<b>Groups</b>	<b>May-13</b>	<b>Jun-13</b>
Housing and Utilities	0.0	0.2
Transport	-0.3	0.0
Residual	0.0	0.1
All items	0.3	0.3

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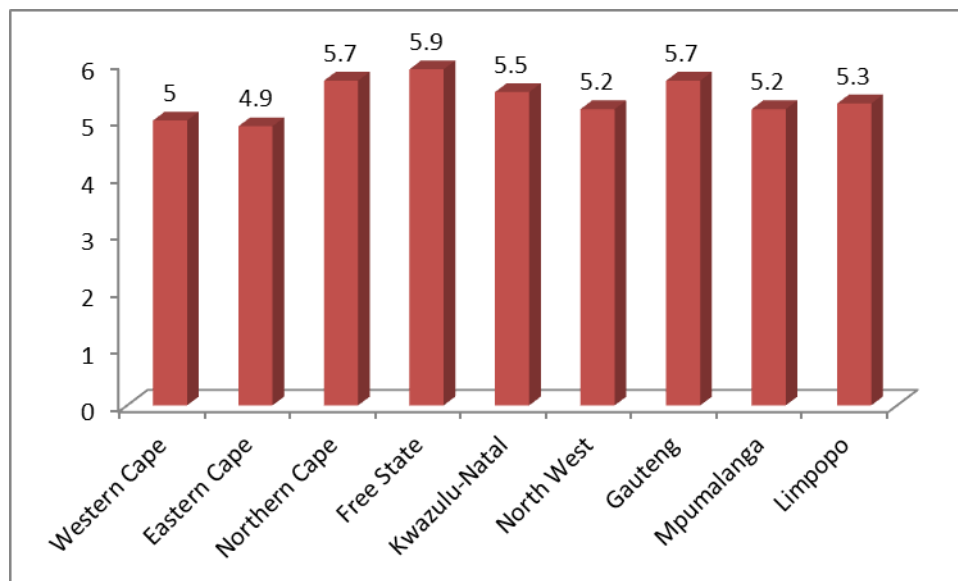
### Inflation rate by expenditure group

Quintiles	Groups	Monthly expenditure	Inflation rate June 2013
<b>Headline CPI</b>		<b>Average</b>	<b>5.5%</b>
1	Very low	Up to R1783 per month	6.5%
2	Low	R1783 up to R2979 per month	6.1%
3	Middle	R2979 up to R5135 per month	5.8%
4	High	R5135 up to R11840 per month	5.9%
5	Very high	R11840 and more	5.5%

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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 6.5%, higher than headline inflation rate of 5.5%. The high expenditure group inflation rate was 5.5%.

### Inflation rate by Province



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The provinces with an annual inflation rate lower than or equal to headline inflation were KwaZulu-Natal (5,5%), Limpopo(5,3%), North West (5,2%), Mpumalanga (5,2%), Western Cape (5,0%) and Eastern Cape (4,9%).

The provinces with an annual inflation rate higher than headline inflation were Free State (5,9%), Northern Cape (5,7%) and Gauteng (5,7%).

## HISTORICAL INFLATION TABLES

### THE CONSUMER PRICE INDEX (CPI)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ave.
<b>2009</b>	8.1%	8.6%	8.5%	8.4%	8.0%	6.9%	6.7%	6.4%	6.1%	5.9%	5.8%	6.3%	<b>7.1%</b>
<b>2010</b>	6.2%	5.7%	5.1%	4.8%	4.6%	4.2%	3.7%	3.5%	3.2%	3.4%	3.6%	3.5%	<b>4.3%</b>
<b>2011</b>	3.7%	3.7%	4.1%	4.2%	4.6%	5.0%	5.3%	5.3%	5.7%	6.0%	6.1%	6.1%	<b>5.0%</b>
<b>2012</b>	6.3%	6.1%	6.0%	6.1%	5.7%	5.5%	4.9%	5.0%	5.5%	5.6%	5.6%	5.7%	<b>5/6%</b>
<b>2013</b>	5.4%	5.9%	5.9%	5.9%	5.6%	5.5%							

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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.
<b>2009</b>	16.1%	15.8%	14.9%	13.6%	12.1%	9.8%	7.6%	6.1%	4.9%	4.9%	4.0%	2.7%	<b>9.3%</b>
<b>2010</b>	1.6%	1.0%	0.5%	0.3%	0.1%	0.0%	1.1%	1.5%	1.2%	0.5%	1.1%	1.4%	<b>0.8%</b>
<b>2011</b>	2.9%	3.5%	5.1%	4.8%	6.3%	7.3%	7.5%	7.3%	8.7%	11.0%	11.1%	11.6%	<b>7.2%</b>
<b>2012</b>	10.7%	10.1%	8.9%	9.1%	6.8%	6.0%	5.4%	5.1%	6.1%	6.7%	7.5%	7.0%	<b>7.4%</b>
<b>2013</b>	6.4%	6.3%	5.9%	6.3%	6.4%	7.0%							

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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%							

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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%							

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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 July 2013 inflation rate document will be released on the 21<sup>st</sup> August 2013.***

All information available at [www.statssa.gov.za](http://www.statssa.gov.za)

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