

CONSUMER PRICE INDEX CONTINUED TO RISE IN JUNE 2015

The year-on-year inflation rate as measured by the Consumer Price Index (CPI) stood at 4.7 per cent in June 2015, up by 0.1% point from the 4.6% recorded in May 2015. This rate of inflation for June 2015 is the percentage change in CPI over the 12-month period, from June 2014 to June 2015.

The Consumer Price Index measures the change over time in the general price level of goods and services that households buy for the purpose of consumption.

The Food index decreased by -0.3 percent between May 2015 and June 2015. The annual rate decreased to 4.3% in June 2015. The components in the food index contributing to the increase were: sugar, sweets and desserts (0.2%); oils and fats (0.3%); milk, eggs and cheese (0.2%) and Meat (0.1%) The components which decreased were fruit (-3.6%) and vegetables (-1.8%), other food (-0.6%), bread and cereals (-0.2%) and fish (-0.2%).

The transport index increased by 1.4% between May 2015 and June 2015 mainly due to a 47c/litre increase in the price of petrol. The annual rate decreased to 0.7% in May 2015.

Public transport index increased by 1.5% between May 2015 and June 2015. The annual rate increased to 3.2% in June 2015.

Administrator's index (school fees, telephone fees, electricity, trains, petrol/paraffin, cell calls and public transport) increased by 1.6% between May 2015 and June 2015. The annual rate increased to 2.8% in June 2015.

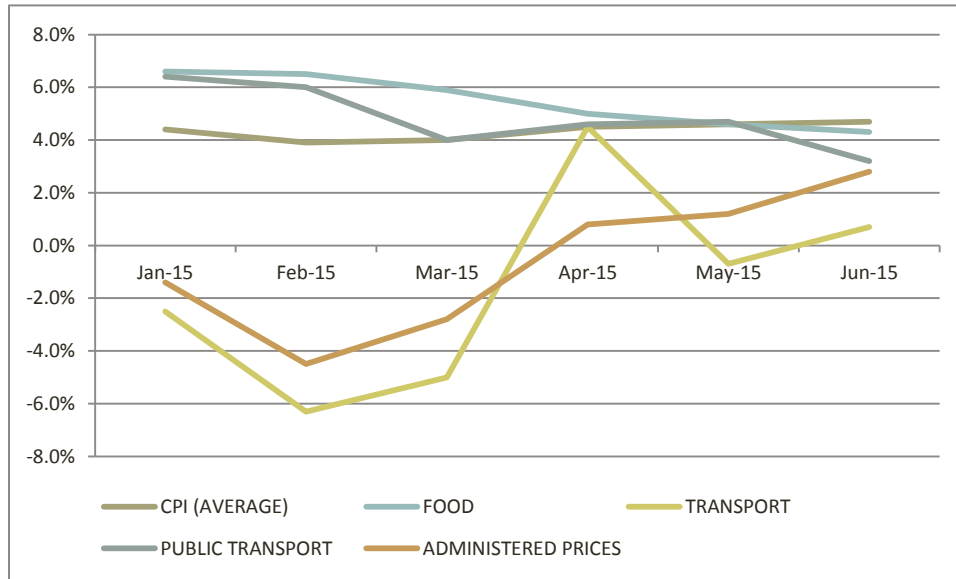
Housing utilities index increased by 0.7% between May 2015 and June 2015 mainly due to a 1.1% increase in actual rentals for housing and a 1.0% in owners' equivalent rent. The annual rate decreased to 5.4% in June 2015 from 5.6% in May 2015.

The Annual Inflation Rate (CPI) and Selected Price Categories

	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15
CPI	4.4%	3.9%	4.0%	4.5%	4.6%	4.7%
Food	6.6%	6.5%	5.9%	5.0%	4.6%	4.3%
Transport	-2.5%	-6.3%	-5.0%	-1.1%	-0.7%	0.7%
Public Transport	6.4%	6.0%	4.0%	4.6%	4.7%	3.2%
Administered Prices	-1.4%	-4.5%	-2.8%	0.8%	1.2%	2.8%

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INSIDE INFLATION



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The rise in the CPI prompted the Reserve Bank to raise interest rates by 0.25% points to 6% per annum, effective 24 July 2015. The governor raised concerns about the inflation increase and indicated that there will be more rate hikes before the end of the year. The raise of the repo rate will have negative impact to workers who hold variable-rate debt face higher monthly payments as rates adjust upwards.

The bank expects headline inflation to average 5.0% in 2015, 6.15% in 2016 and 5.7% in 2017. The inflation expectation entrenched at the upper end of target range of 3%-6%. **(MPC 23 July 2015)**

Negotiators need to develop an informed opinion of what inflation rates might do in the future. Ideally a negotiator should not look at each single year in isolation. A negotiator should know how wage increases have compared to inflation over the last 3-5 years.

Consumer Price Index (CPI) Per Expenditure Quintile

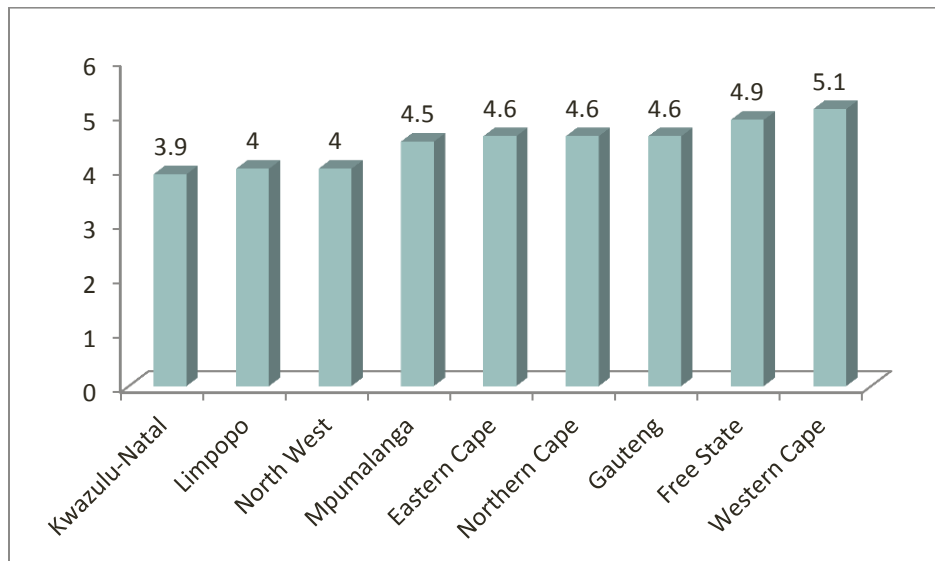
The boundaries of the quintiles were obtained by calculating the quintiles (five equal groups) of the total number of households in South Africa and selecting the total expenditure of the top household (ranked according to expenditure) as the expenditure cut-off point in each of the quintiles.

Quintiles	Groups	Monthly expenditure	Inflation Rate June 2015
Average annual CPI			4.7%
1	Very low	Up to R1783 per month	5.0%
2	Low	R1783 up to R2979 per month	4.8%
3	Middle	R2979 up to R5135 per month	4.7%
4	High	R5135 up to R11840 per month	4.6%
5	Very high	R11840 and more	4.7%

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The table above shows that there's a different inflation rate for different income groups. Inflation is higher in (very low expenditure groups) at 5.0%, followed (low groups) 4.8%. This is higher than the average inflation of 4.7%.

Regional Inflation Rate June 2015



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The province with annual inflation rate **lower than or equal to headline inflation** were Eastern Cape (4.6%), Northern Cape (4.6%), Gauteng (4.6%), Mpumalanga (4.5%), North West (4.0%), Limpopo (4.0%) and KwaZulu-Natal (3.9%).

The provinces with an annual inflation rate **higher than headline inflation** were Western Cape (5.1%) and Free State (4.9%).

HISTORICAL INFLATION TABLES

The Consumer Price Index (CPI)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ave.
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%	3.9%	4.0%	4.5%	4.6%	4.7%							

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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.
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%	6.5%	5.9%	5.0%	4.6%	4.3%							

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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.
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%	-6.3%	-5.0%	4.5%	-0.7%	0.7%							

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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.
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%	-4.5%	-2.8%	0.8%	1.2%	2.8%							

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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 2015 CPI DOCUMENT WILL BE RELEASED ON THE 19th AUGUST 2015