

“Knowledge is too important to be left in the hands of the bosses”

Inflation Monitor

CPI AT MARCH 2012

The headline Inflation rate at MARCH 2012 was 6.0% year on year. The rate was 0.1% point lower than the corresponding annual inflation rate of 6.1% in FEBRUARY 2012. On average, prices increased by 1.1% between February 2012 and March 2012.

The Annual Inflation Rate (CPI) and selected price categories

| | Jul-11 | Aug-11 | Sep-11 | Oct-11 | Nov-11 | Dec-11 | Jan-12 | Feb-12 | Mar-12 |
|---------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| CPI | +5.3% | +5.3% | +5.7% | +6.0% | +6.1% | +6.1% | +6.3% | +6.1% | +6.0% |
| Food | 7.5% | 7.3% | 8.7% | 11.0% | 11.1% | +11.6% | 10.7% | 10.1% | 8.9% |
| Transport | 5.3% | 5.9% | 6.6% | 6.7% | 6.9% | +7.0% | 6.8% | 6.8% | 6.6% |
| Public Transport | 8.7% | 8.5% | 9.6% | 9.8% | 9.6% | +11.7% | 13.0% | 11.7% | 13.6% |
| Administered Prices | 11.7% | 11.9% | 12.5% | 13.3% | 13.4% | +12.7% | 11.6% | 11.7% | 11.2% |

The prices of food, housing & utilities and transport continue to drive inflation. These are items that households, especially poorer households, cannot easily avoid. This means that poorer households will be feeling the effect of inflation as they attempt to buy essential goods and services.

This is also reflected in the fact that the inflation rate for poor households is almost 1.7 percent higher than the average inflation rate of 6.0 percent and 2.2 percent higher than the inflation rate for the richest households.

Although inflation eased slightly in March and has been in something of a holding pattern over the last six months, the fact is that prices are still rising at an uncomfortably rapid rate.

“Inflation is still expected to peak in the second quarter of 2012 but at a slightly lower rate of 6,5 per cent and to average 6,1 per cent in the final quarter of 2012 and 5,6 per cent in the subsequent quarter.” - Gill Marcus, Governor of the Reserve Bank, Monetary Policy Committee Statement, 29 March 2012.

It is fair to say that even the Reserve Bank is concerned about inflation risks going forward. As such, a cautious bargaining position should build in a seven percent inflation forecast for 2012. Negotiators should remember that inflation statistics refer to the past twelve months, while wage increases refer to the months to come.

HOW TO READ INFLATION RATES

The inflation rate is generally presented as an annualised percentage increase. This means that it records the change in prices over a period of 12 months. So when we say that the inflation rate in March 2012 was 6, 0%, we mean that prices increased by 6, 0% from March 2011 to March 2012.

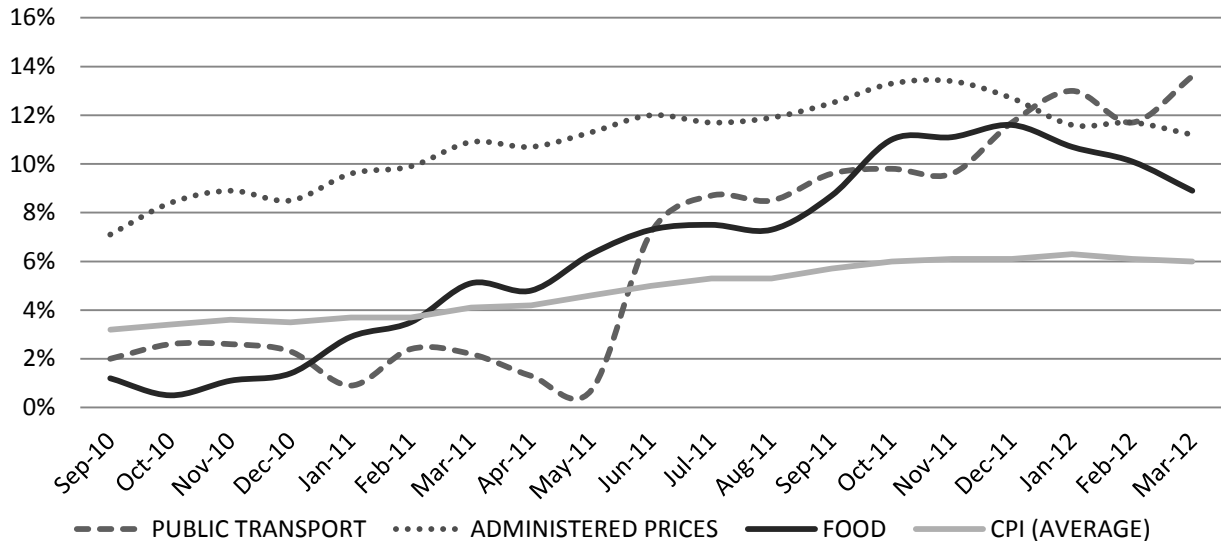
Inflation rates tell you what has happened to prices already. They are not forecasts of future inflation. Having said that, looking at past inflation trends together with an understanding of what is happening to prices now can assist in making short term predictions.

The April 2012 Inflation figures will be released on the 23rd May 2012
All information available at www.statssa.gov.za

INSIDE INFLATION

Let us look inside inflation into price movements within average CPI. We see that administered prices, food prices, public transport have been increasing at a faster rate than average inflation.

Inside 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.

| <i>Product Groups</i> | <i>Weighting in CPI (%)</i> | <i>Increase</i> | <i>Sub-group (weighting), increase</i> |
|--------------------------------|-----------------------------|-----------------|--|
| Food | 14.27 | +8.9% | Price increases are generalised in the food group, although the price of meat and oils & fats increased at the fastest rate. |
| Housing & Utilities | 22.56 | +6.6% | Water (3.31) +9.2%, Electricity (1.87) +17.2% |
| Transport | 18.8 | +6.6% | Petrol (3.93) +19.2% Public Transport (2.73) +13.6% |
| Education | 2.19 | +9.0% | Primary, secondary and tertiary education |
| Miscellaneous | 13.56 | +5.5% | Insurance (7.71) +6.7% |

The table below shows how the different product groups contributed to the average inflation rate of 6.0% at March 2012. We can confirm that the prices of food, housing and utilities and

miscellaneous goods and services (insurance and financial services) are the biggest contributors to inflation at present.

Contribution of different groups to annual % change in CPI

| | Jan-12 | Feb-12 | Mar-12 |
|----------------------------------|-------------|-------------|-------------|
| Food and non-alcoholic beverages | +1.6 | +1.5 | +1.4 |
| Alcoholic beverages and tobacco | +0.4 | +0.4 | +0.5 |
| Clothing and footwear | +0.1 | +0.1 | +0.1 |
| Housing and utilities | +1.6 | +1.5 | +1.5 |
| Household contents and services | +0.1 | +0.1 | +0.1 |
| Health | +0.1 | +0.1 | +0.1 |
| Transport | +1.2 | +1.2 | +1.1 |
| Education | +0.2 | +0.2 | +0.2 |
| Restaurants and hotels | +0.2 | +0.2 | +0.2 |
| Miscellaneous goods and services | +0.8 | +0.8 | +0.8 |
| All Items | +6.3 | +6.1 | +6.0 |

The table below 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 7.7%, higher than headline inflation rate of 6.0%, while the very high group had an inflation rate of 5.5% compared to 6.0% CPI.

Annualised change in inflation by expenditure group

| Quintiles | Groups | Monthly expenditure | Inflation rate March 2012 |
|-----------|----------------|-----------------------------|------------------------------|
| | Average | | 6.0% |
| 1 | Very low | Up to R1213 per month | 7.7% |
| 2 | Low | R1213 up to R1939 per month | 7.4% |
| 3 | Middle | R1940 up to R3062 per month | 7.0% |
| 4 | High | R3063 up to R6596 per month | 6.8% |
| 5 | Very high | R6596 and more | 5.5% |

The following Provinces recorded an annual inflation rate lower than or equal to headline inflation were Gauteng (5.8%), and Western Cape (5.5%)

The Provinces with an annual inflation rate higher than headline inflation were Free State (6.4%) Eastern Cape (6.8%) Northern Cape (7.7%) North West (6.5%) Limpopo (6.5%) Mpumalanga (6.6%) and KZN (6.6%)

Average Annualised CPI Inflation by Province

| Province | Annual rate of inflation March 2012 |
|---------------------------------|--|
| Western Cape | + 5.5% |
| Eastern Cape | + 6.8% |
| Northern Cape | + 7.7% |
| Free State | + 6.4% |
| Kwazulu-Natal | + 6.6% |
| North West | + 6.5% |
| Gauteng | + 5.8% |
| Mpumalanga | + 6.6% |
| Limpopo | +6.5% |
| Average CPI by Provinces | +6.5% |

HISTORICAL INFLATION TABLES

THE CONSUMER PRICE INDEX (CPI)

| Year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Ave. |
|------|------|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|------|-------|
| 2007 | 6% | 5.7% | 6.1% | 7% | 6.9% | 7% | 7% | 6.7% | 7.2% | 7.9% | 8.4% | 9% | 7.1% |
| 2008 | 9.3% | 9.8% | 10.6% | 11.1% | 11.7% | 12.2% | 13.4% | 13.7% | 13.1% | 12.1% | 11.8% | 9.5% | 11.5% |
| 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% | | | | | | | | | | |

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. |
|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 2007 | 8.3% | 7.9% | 7.8% | 8.7% | 9.1% | 9.4% | 10.2% | 11.3% | 12.0% | 12.4% | 13.3% | 13.9% | 10.4% |
| 2008 | 13.6% | 14.4% | 15.6% | 15.8% | 16.9% | 18.2% | 18.5% | 19.2% | 17.9% | 17.2% | 16.9% | 16.8% | 16.7% |
| 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% | | | | | | | | | | |

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. |
|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 2007 | 4.5% | 2.1% | 4.3% | 7.4% | 7.1% | 6.3% | 4.2% | 1.4% | 3.1% | 6.6% | 8.1% | 11.4% | 5.5% |
| 2008 | 10.7% | 13.2% | 16.1% | 15.6% | 16.7% | 18.8% | 23.5% | 22.7% | 20% | 17.5% | 14.5% | 2.2% | 15.9% |
| 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% | | | | | | | | | | |

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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. |
|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 2008 | 12.7% | 15.0% | 16.6% | 16.0% | 16.7% | 16% | 21.3% | 22% | 20% | 19.8% | 17.4% | 8.0% | 16.7% |
| 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% | | | | | | | | | | |

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.

For more information contact:

George Mthethwa

021 447 1677

084 423 5231

george@lrs.org.za

www.lrs.org.za