

# INFLATION MONITOR

## (CPI) CONSUMER PRICE INDEX ACCELERATED IN MARCH 2014

The Reserve bank's role is to keep inflation contained between 3% and 6%. The Bank raised interest rates for the first time in 18 months in January, and has said that it plans to continue to do so to fight inflationary pressures. Economists expect inflation to rise even further in the second half of the year and lead to more interest rate hikes.

CPI Inflation edged to 6.0% in March from 5.9% February 2014. On average, price increased by 1.3% between February 2014 and March 2014.

The **food** inflation annual rate increased to 7.2% in March 2014 from 5.6% in February 2014. The following component in the food index increased: vegetables 12.8%, fruits 5%, oils and Fats 4.5%, milk, eggs and Cheese 7.2%, fish 7.6% meat 4.2% and bread and cereal 9.2%.

The **transport** index increased by 1.6% between February 2014 and March 2014, mainly due to the 36c/litre increase in the price of petrol. The annual rate decreased to 6.9% in March 2014 from 8% in February 2014.

Public transport index annual rate increased to 6.6% in March 2014 from 4.6% in February 2014. The administrator's price decreased by 7.6% in March compared to 9.1% recorded in February 2014.

The housing index increased by 0.9% between February and March mainly due to a 1.3% increase in actual rentals for housing and a 1.4% increase in owners' equivalent rent. The annual rate increased to 5.6% in March 2014 from 5.5% in February 2014.

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

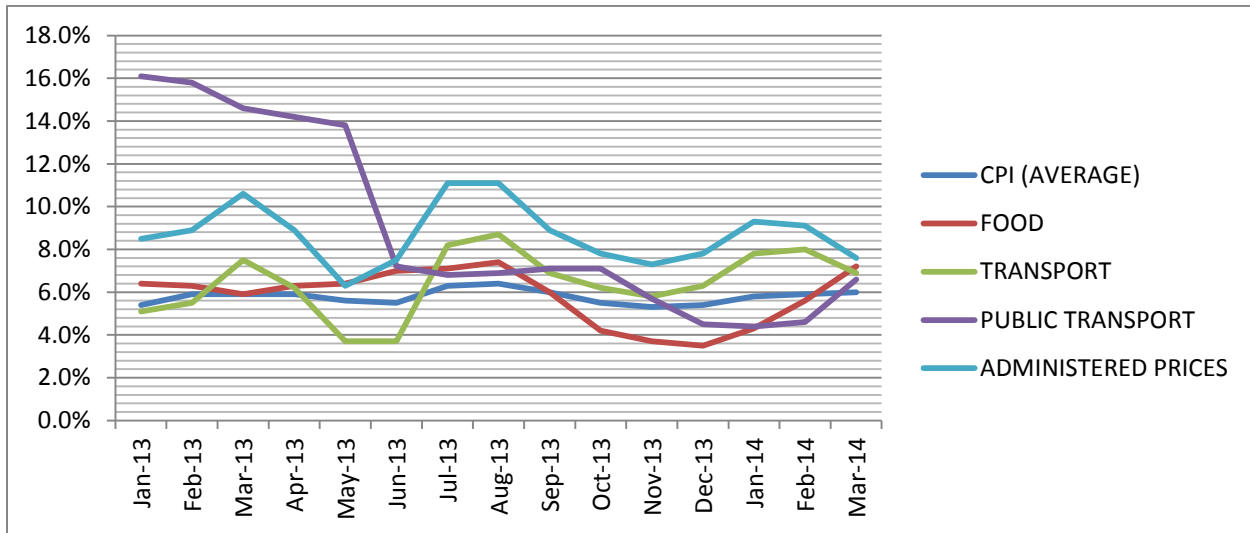
	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14
CPI	5.9%	5.9%	5.6%	5.5%	6.3%	6.4%	6.0%	5.5%	5.3%	5.4%	5.8%	5.9%	6.0%
Food	5.9%	6.3%	6.4%	7.0%	7.1%	7.4%	6.0%	4.2%	3.7%	3.5%	4.3%	5.6%	7.2%
Transport	7.5%	6.2%	3.7%	3.7%	8.2%	8.7%	6.9%	6.2%	5.8%	6.3%	7.8%	8.0%	6.9%
Public Transport	14.6%	14.2%	13.8%	7.2%	6.8%	6.9%	7.1%	7.1%	5.7%	4.5%	4.4%	4.6%	6.6%
Administered Prices	10.6%	8.9%	6.3%	7.5%	11.1%	11.1%	8.9%	7.8%	7.3%	7.8%	9.3%	9.1%	7.6%

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The Bank's forecast of headline inflation is unchanged for 2014, and is expected to average 6,3 per cent, with the peak of 6,6 per cent still expected in the fourth 3 quarter. The forecast average inflation for 2015 declined from 6,0 per cent previously, to 5,8 per cent, with inflation expected to average 5,6 per cent in the final quarter of that year, compared with 5,9 per cent previously. This improvement is mainly the result of the lagged effect of the repo rate increase. Inflation is still expected to breach the upper end of the target range in the second quarter of 2014, and to return to within the target range in the second quarter of 2015, when it is expected to measure 5,9 per cent. (Source: Monetary Policy Committee 2014-03-27)

### INSIDE INFLATION

Let us look inside inflation into price movements within average CPI. We see that in March 2014, CPI, food, transport, administrative prices and public transport increased 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.

Product Groups	Weighting in CPI (%)	Increase	Sub-group (weighting), increase
<b>Food</b>	14.20	+7.2%	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	+5.6%	Water (2.85) +8.0%, Electricity (4.18) +7.2%
<b>Transport</b>	16.43	+6.9%	Petrol (5.68) +9.5% Public Transport (3.20) +6.6%
<b>Education</b>	2.95	+8.7%	Primary, secondary and tertiary education
<b>Restaurants &amp; Hotels</b>	3.50	+8.3%	Restaurants (2.54) +7.3% Hotels (0.96) +10.3 %
<b>Miscellaneous</b>	14.72	+6.5%	Insurance (9.92) +7.1%

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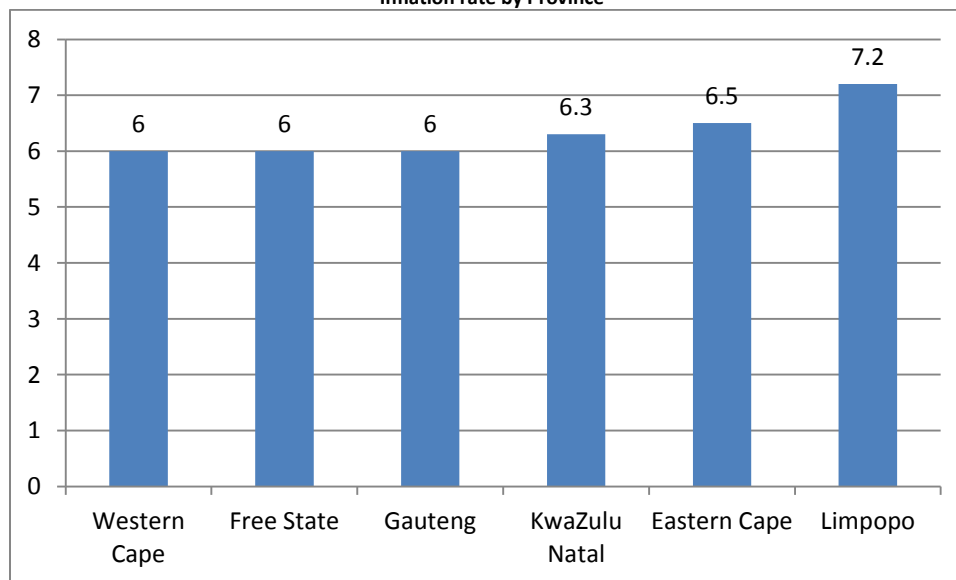
The five quintile categories were defined according to total expenditure per household

Quintiles	Groups	Monthly expenditure (R)	March–14 Inflation
<b>All items CPI headlines</b>			<b>6.0%</b>
1	Very low	1783	6.3%
2	Low	2979	6.1%
3	Middle	5135	6.0%
4	High	11840	6.0%
5	Very high	15000	6.0%

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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. The table above shows that lower income groups have a higher consumer price inflation rate than higher income groups. "lower income consumers will continue to be under pressure as high inflation erodes the buying power of households."

Inflation rate by Province



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The provinces with an annual inflation rate lower than or equal to headline inflation were Western Cape (6,0%), Free State (6,0%), Gauteng (6,0%), Northern Cape (5,9%), North West (5,7%) and Mpumalanga (5,7%).

The provinces with an annual inflation rate higher than headline inflation were Limpopo (7,2%), Eastern Cape (6,5%) and KwaZulu-Natal (6,3%).

## 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%										

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%										

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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%										

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%	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%										

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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 April 2014 CPI document will be released on the 21<sup>st</sup> May 2014.**

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

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