

Inflation Monitor March 2015

KEY FINDINGS

According to Statistics South Africa, consumer price index (CPI) used to measure inflation, increased to 4.0% year on year in March 2015 from 3.9% in February 2015. On average, price increased by 1.4% between February 2015 and March 2015.

Workers or a household needs food to survive, grow, and reproduce. Figures released by Stats SA shows that **Food prices** slowed down to (5.9%) in March 2015 from (6.5%) in February 2015. These were the food that increased: fruits (2.9%), vegetables (1.8%), oil/fats (1.8%), bread/cereal (0.9%), meat (0.5%), fish (0.3%) and other food (0.2%)

The transport price increase by 3.1% between February 2015 and March 2015 mainly due to a 96c litre increase in the price of petrol. The annual rate decreased to -5.0% in March 2015 from -6.3% in February 2015.

The importance of **education** cannot be stated enough. It is a self-enlightening process. It is crucial to the overall development of an individual and the society at large. Recent figures released by Stats SA indicate that South African consumers will have to make more room in their budgets to pay for rising tuition fees. Education inflation rose by 9.3% in March 2015 from 8.7% in February 2015.

Rental inflation recorded an inflation rate higher than current headline inflation rate. **Housing and utilities** increased by 1.1% between February 2015 and March 2015 due to a 1.5% increase in actual rental for housing and a 1.6% increase in owner’s equivalent rent. The annual rate increased to 5.7% in March 2015 from 5.6% in February 2015.

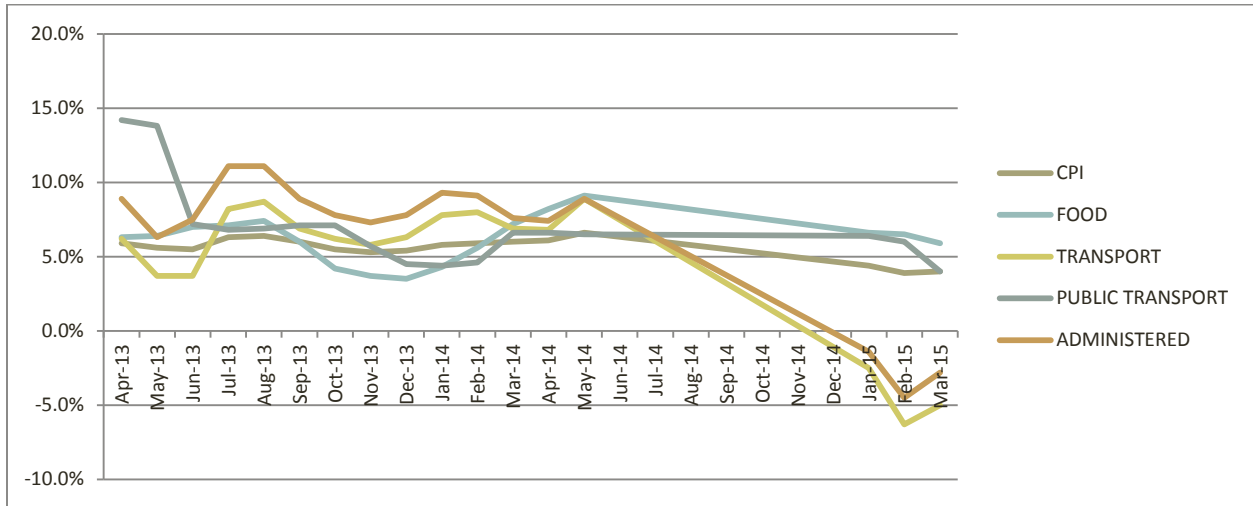
THE ANNUAL INFLATION RATE (CPI) AND SELECTED PRICE CATEGORIES

	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15
CPI	6.0%	6.1%	6.6%	6.6%	6.3%	6.4%	5.9%	5.9%	5.8%	5.3%	4.4%	3.9%	4.0%
Food	7.2%	8.2%	9.1%	9.2%	9.0%	9.5%	8.7%	8.0%	7.7%	7.4%	6.6%	6.5%	5.9%
Transport	6.9%	6.8%	8.9%	8.6%	6.9%	6.1%	4.2%	4.8%	4.2%	1.7%	-2.5%	-6.3%	-5.0%
Public Transport	6.6%	6.6%	6.5%	6.6%	6.8%	6.7%	7.5%	7.8%	7.8%	6.7%	6.4%	6.0%	4.0%
Administered Prices	7.6%	7.4%	8.9%	8.6%	7.0%	6.2%	4.7%	5.1%	4.8%	2.6%	-1.4%	-4.5%	-2.8%

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INSIDE INFLATION

Let us look inside inflation into price movements within average CPI. We see that in March 2015, food inflation (5.9%) rose faster than the annual inflation rate of 4.0%



The below table shows that education had the highest annual inflation rate followed by restaurant, health, housing & utilities and miscellaneous.

<i>Product Groups</i>	<i>Weighting in CPI (%)</i>	<i>Increase</i>	<i>Sub-group (weighting), increase</i>
Food	14.20	+5.9%	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	-5.0%	Petrol (5.68) -21.7% Public Transport (3.20) +4.0%
Education	2.95	+9.3%	Primary, secondary and tertiary education
Restaurants & Hotels	3.50	+6.7%	Restaurants (2.54) +7.1% Hotels (0.96) +5.5%
Miscellaneous	14.72	+7.5%	Insurance (9.92) +8.4%
Health	1.46	+6.0%	Medical Products (0.74) +5.5% Medical Services (0.72) + 6.5%

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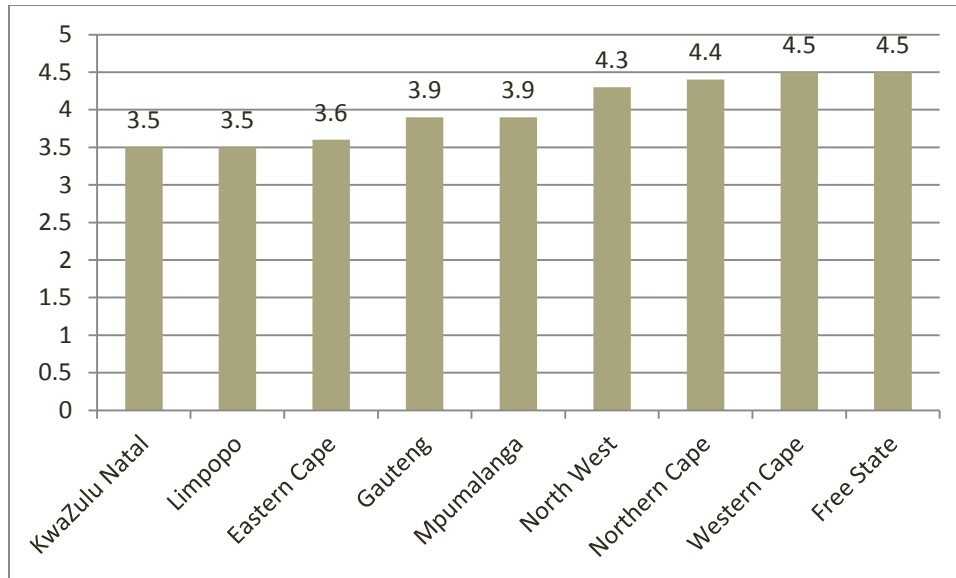
CONSUMER PRICE INDEX (CPI) PER EXPENDITURE QUANTILE FEBRUARY 2015

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.

Quintiles	Groups	Monthly expenditure	Inflation Rate March 2015
Average annual CPI			4.0%
1	Very low	Up to R1783 per month	5.4%
2	Low	R1783 up to R2979 per month	5.0%
3	Middle	R2979 up to R5135 per month	4.7%
4	High	R5135 up to R11840 per month	3.8%
5	Very high	R11840 and more	3.9%

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Inflation affects low income earners more than high income earners. This is because low income earners' income tends not to rise as quickly as prices, therefore, their purchasing power decreases. It should be noted that high inflation generally leads to interest rate increases. This affects low income earners' cost of living and compounds the other effects of inflation. So, inflation decreases purchasing power of low income earners relative to high income earners, whose income increase as quick as inflation. Ultimately, income distribution becomes less equal. Currently inflation is higher in the very low, low and middle expenditure groups at 5.4%, 5.0% and 4.7%. These are the groups were most lower paid workers are found.



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The province with annual inflation rate lower than or equal to headline inflation were Gauteng (3.9%), Mpumalanga (3.9%), Eastern Cape (3.6%), KwaZulu-Natal (3.5%) and Limpopo (3.5%)

The provinces with an annual inflation rate higher than headline inflation were Western Cape (4.5%), Free State (4.5%), Northern Cape (4.4%) and North West (4.3%)

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%	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%										

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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.
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%	6.5%	5.9%										

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.
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%	-6.3%	-5.0%										

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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%	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%	-4.5%	-2.8%										

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.

THE APRIL 2015 CPI DOCUMENT WILL BE RELEASED ON THE 20th MAY 2015

All information available at www.statssa.gov.za

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Reference:

Statistics South Africa publication P0141(Consumer Price Index March 2015), Released 22 April 2015

