

# Inflation Monitor

## CPI AT MAY 2012

The Consumer Price Index (CPI) which the Reserve Bank uses to target inflation was 5.7% year on year in May down from 6.1% year-on-year in April. On average, prices increased by 0.1% between April 2012 and May 2012. The inflation rate was expected to have come in at 6.0% but was dragged lower by food and non-alcoholic beverages products: fruit (- 2.7%) meat (-1.0%) oil & fats (-0.8%) vegetables (-0.7%) and hot beverages (-0.3%)

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

|                     | Oct-11       | Nov-11       | Dec-11       | Jan-12       | Feb-12       | Mar-12       | Apr-12      | May-12      |
|---------------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|-------------|
| <b>CPI</b>          | <b>+6.0%</b> | <b>+6.1%</b> | <b>+6.1%</b> | <b>+6.3%</b> | <b>+6.1%</b> | <b>+6.0%</b> | <b>6.1%</b> | <b>5.7%</b> |
| Food                | 11.0%        | 11.1%        | +11.6%       | 10.7%        | 10.1%        | 8.9%         | 9.1%        | 6.8%        |
| Transport           | 6.7%         | 6.9%         | +7.0%        | 6.8%         | 6.8%         | 6.6%         | 6.9%        | 6.7%        |
| Public Transport    | 9.8%         | 9.6%         | +11.7%       | 13.0%        | 11.7%        | 13.6%        | 13.8%       | 14.8%       |
| Administered Prices | 13.3%        | 13.4%        | +12.7%       | 11.6%        | 11.7%        | 11.2%        | 11.6%       | 11.4%       |

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While the rate of increase in the price of food has slowed, prices are still high and this affects poorer households the most. This is also reflected in the fact that the inflation rate for poor households at May 2012 was almost 1.2 percent higher than the average inflation rate of 5.7%.

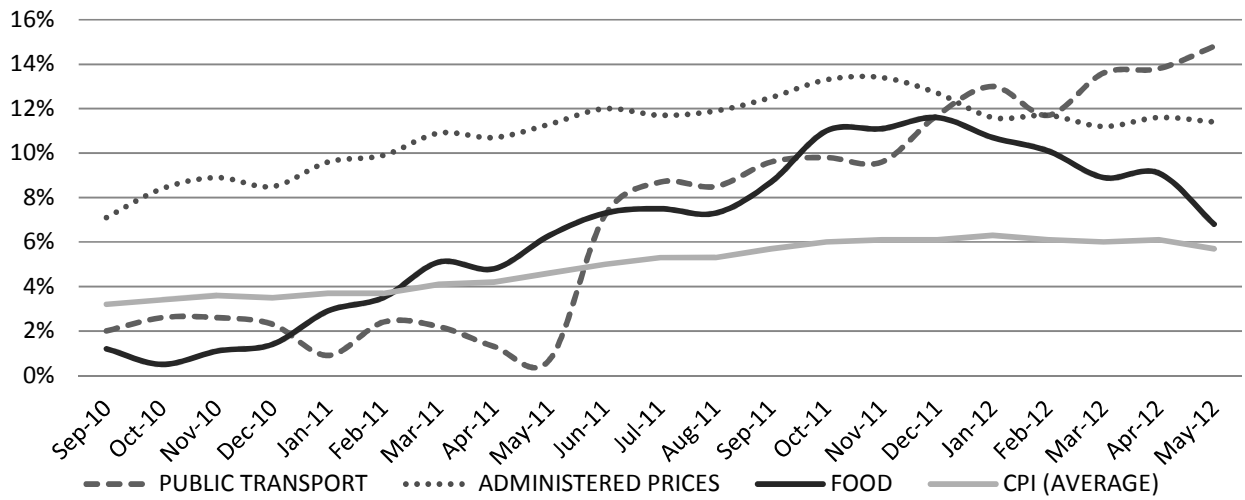
**Take note:** The median wage increase for the first quarter (January-April 2012) was 7.5%.<sup>1</sup>

<sup>1</sup> Source: LRS Wage Rates Database (AWARD)

## 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, although the rate of increase in food prices has slowed just recently.

### 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>  |
|---------------------------------|-----------------------------|-----------------|---|
| <b>Food</b>                     | 14.27                       | +6.8%           | Price increases are generalised in the food group, although the price of meat and oils & fats increased at the fasted rate. |
| <b>Housing &amp; Utilities</b>  | 22.56                       | +6.7%           | Water (3.31) +9.2%,<br>Electricity (1.87) +17.1%  |
| <b>Transport</b>                | 18.8                        | +6.7%           | Petrol (3.93) +19.4%<br>Public Transport (2.73) +14.8%  |
| <b>Education</b>                | 2.19                        | +9.0%           | Primary, secondary and tertiary education   |
| <b>Restaurants &amp; Hotels</b> | 2.78                        | +6.1%           | Restaurants (1.85) +7.4%<br>Hotels (0.93) +3.7%   |
| <b>Miscellaneous</b>            | 13.56                       | +5.4%           | Insurance (7.71) +6.9%  |

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The table below shows how the different product groups contributed to the average inflation rate of 5.7% at May 2012. We can confirm that the prices of food, transport 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

|                                  | <b>Jan-12</b> | <b>Feb-12</b> | <b>Mar-12</b> | <b>Apr-12</b> | <b>May-12</b> |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|
| Food and non-alcoholic beverages | +1.6          | +1.5          | +1.4          | +1.4          | +1.0          |
| Alcoholic beverages and tobacco  | +0.4          | +0.4          | +0.5          | +0.5          | +0.4          |
| Clothing and footwear            | +0.1          | +0.1          | +0.1          | +0.1          | +0.1          |
| Housing and utilities            | +1.6          | +1.5          | +1.5          | +1.6          | +1.5          |
| Household contents and services  | +0.1          | +0.1          | +0.1          | +0.1          | +0.1          |
| Health                           | +0.1          | +0.1          | +0.1          | +0.1          | +0.1          |
| Transport                        | +1.2          | +1.2          | +1.1          | +1.2          | +1.2          |
| Education                        | +0.2          | +0.2          | +0.2          | +0.2          | +0.2          |
| Restaurants and hotels           | +0.2          | +0.2          | +0.2          | +0.2          | +0.2          |
| Miscellaneous goods and services | +0.8          | +0.8          | +0.8          | +0.8          | +0.8          |
| Residual                         | +0.2          | +0.1          | +0.0          | +0.1          | +0.1          |
| <b>All Items</b>                 | <b>+6.3</b>   | <b>+6.1</b>   | <b>+6.0</b>   | <b>6.1%</b>   | <b>5.7%</b>   |

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### Inflation rate by expenditure group

| Quintiles | Groups         | Monthly expenditure         | Inflation rate<br>May 2012 |
|-----------|----------------|-----------------------------|----------------------------|
|           | <b>Average</b> |                             | <b>5.7%</b>                |
| 1         | Very low       | Up to R1213 per month       | 6.9%                       |
| 2         | Low            | R1213 up to R1939 per month | 6.7%                       |
| 3         | Middle         | R1940 up to R3062 per month | 6.5%                       |
| 4         | High           | R3063 up to R6596 per month | 6.4%                       |
| 5         | Very high      | R6596 and more              | 5.4%                       |

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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 6.9%, higher than headline inflation rate of 5.7%, while the very high expenditure group had an inflation rate of 5.4% compared to 5.7% CPI. Remember the very low expenditure group spends a large proportion of their wages on food and transport than the high income earners.

### Inflation rate by Province

| Province                        | Annual rate of inflation<br>May 2012 |
|---------------------------------|--------------------------------------|
| <b>Western Cape</b>             | + 5.3%                               |
| <b>Eastern Cape</b>             | + 6.7%                               |
| <b>Northern Cape</b>            | + 7.2%                               |
| <b>Free State</b>               | + 5.9%                               |
| <b>Kwazulu-Natal</b>            | + 6.2%                               |
| <b>North West</b>               | + 5.9%                               |
| <b>Gauteng</b>                  | + 5.5%                               |
| <b>Mpumalanga</b>               | + 6.0%                               |
| <b>Limpopo</b>                  | +6.7%                                |
| <b>Overall CPI by Provinces</b> | <b>+6.0%</b>                         |

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The following Provinces recorded an annual inflation rate lower than or equal to headline inflation were Gauteng (5.5%), Limpopo (5.7%)

The Provinces with an annual inflation rate higher than headline inflation were Free State (5.9%) Eastern Cape (6.7%) Northern Cape (7.2%) North West (5.9%), Mpumalanga (6.0%) Western Cape (5.3%) and KZN (6.2%)

## 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%  | 6.1%  | 5.7%  |       |       |       |       |       |       |      |       |

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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.  |
|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 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%  | 9.1%  | 6.8%  |       |       |       |       |       |       |       |       |

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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.  |
|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 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%  | 6.9%  | 6.7%  |       |       |       |       |       |       |       |       |

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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.  |
|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 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% | 11.6% | 11.4% |       |       |       |       |       |       |       |       |

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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 June 2012 Inflation figures will be released on the 18<sup>th</sup> July 2012

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

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