

# Inflation Monitor

## THE CONSUMER PRICE INDEX SLOWS TO 5.6% IN MAY 2013

The headline Consumer Price Index for all urban areas annual inflation rate in May was 5.6%. This rate was 0.3% lower than the corresponding annual rate of 5.9% in April 2013.

The **food and non-alcoholic beverages** index was unchanged between April 2013 and May 2013. The annual rate increased to 6,4% in May 2013 from 6,2% in April 2013. The following components in the food and non-alcoholic beverages index increased: fish (1,1%), bread and cereals (0,6%), milk, eggs and cheese (0,3%), oils and fats (0,3%) and hot beverages (0,2%).

The following components decreased: fruit (-3,3%), vegetables (-0,8%), cold beverages (-0,4%) and meat (-0,3%).

The **household contents and services** index increased by 0,1% between April 2013 and May 2013. The annual rate decreased to 3,0% in May 2013 from 3,2% in April 2013.

The **transport** index decreased by 2,0% between April 2013 and May 2013, mainly due to a 73c/litre decrease in the price of petrol. The annual rate decreased to 3,7% in May 2013 from 6,2% in April 2013.

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

	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13
CPI	5.5%	5.6%	5.6%	5.7%	5.4%	5.9%	5.9%	5.9%	5.6%
Food	6.1%	6.7%	7.5%	7.0%	6.4%	6.3%	5.9%	6.3%	6.4%
Transport	6.6%	6.1%	5.5%	5.5%	5.1%	5.5%	7.5%	6.2%	3.7%
Public Transport	14.8%	13.9%	15.1%	15.5%	16.1%	15.8%	14.6%	14.2%	13.8%
Administered Prices	9.8%	9.5%	8.7%	8.8%	8.5%	8.9%	10.6%	8.9%	6.3%

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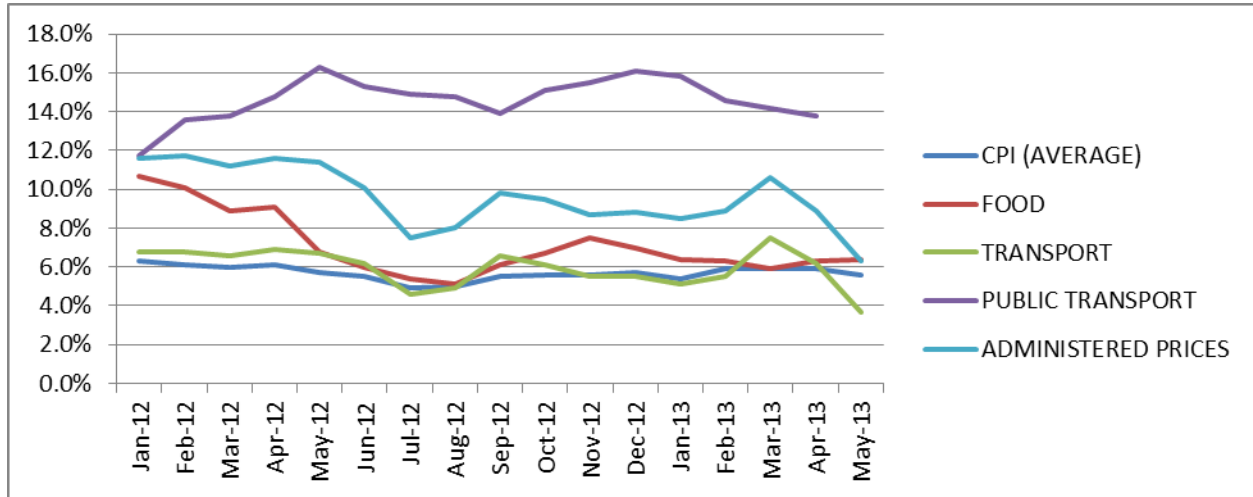
*CPI which the South African Reserve Bank (SARB) uses to target inflation had been in the upper range of the 3 to 6 percent range for three consecutive months*

*Economists had expected inflation to slow to 5.7%*

*The latest inflation numbers do not alter our interest rate view. We believe that rates will remain at current levels for the rest of this year. The MPC will need to strike a balance between high inflation and still poor economic growth outcomes, with the current policy stance likely to remain in place well into 2014,” said Nedbank. – SAnews.gov.za*

## INSIDE INFLATION

Let us look inside inflation into price movements within average CPI. We see that public transport, administered prices, have been increasing 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. The cost of living still remains high and these cost increases is exceeding the inflation rate.

<i>Product Groups</i>	<i>Weighting in CPI (%)</i>	<i>Increase</i>	<i>Sub-group (weighting), increase</i>
<b>Food</b>	14.20	+6.4%	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	+5.8%	Water (2.85) +9.2%, Electricity (4.18) +10.0%
<b>Transport</b>	16.43	+3.7%	Petrol (5.68) +1.8% Public Transport (3.20) +13.8%
<b>Education</b>	2.95	+9.0%	Primary, secondary and tertiary education
<b>Restaurants &amp; Hotels</b>	3.50	+6.0%	Restaurants (2.54) +5.8% Hotels (0.96) +6.8%
<b>Miscellaneous</b>	14.72	+7.4%	Insurance (9.92) +8.5%

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The table below shows how the different product groups contributed to the average inflation rate of 5.6% in May 2013.

**Contribution of different groups to the annual % change in CPI Headline**

	<b>Apr-13</b>	<b>May-13</b>
<b>Food and non-alcoholic beverages</b>	<b>0.0</b>	<b>1.0</b>
<b>Alcoholic, Beverages &amp; Tobacco</b>	<b>0.4</b>	<b>0.4</b>
<b>Clothing and Footwear</b>	<b>0.1</b>	<b>0.1</b>
<b>Housing and utilities</b>	<b>1.4</b>	<b>1.4</b>
<b>Household Contents and Services</b>	<b>0.2</b>	<b>0.1</b>
<b>Health</b>	<b>0.1</b>	<b>0.1</b>
<b>Transport</b>	<b>1.0</b>	<b>0.6</b>
<b>Recreation and Culture</b>	<b>0.2</b>	<b>0.2</b>
<b>Education</b>	<b>0.3</b>	<b>0.3</b>
<b>Restaurant and Hotels</b>	<b>0.2</b>	<b>0.2</b>
<b>Miscellaneous goods and services</b>	<b>0.0</b>	<b>0.1</b>
<b>Residual</b>	<b>0.0</b>	<b>0.1</b>
<b>All Items</b>	<b>5.9</b>	<b>5.6</b>

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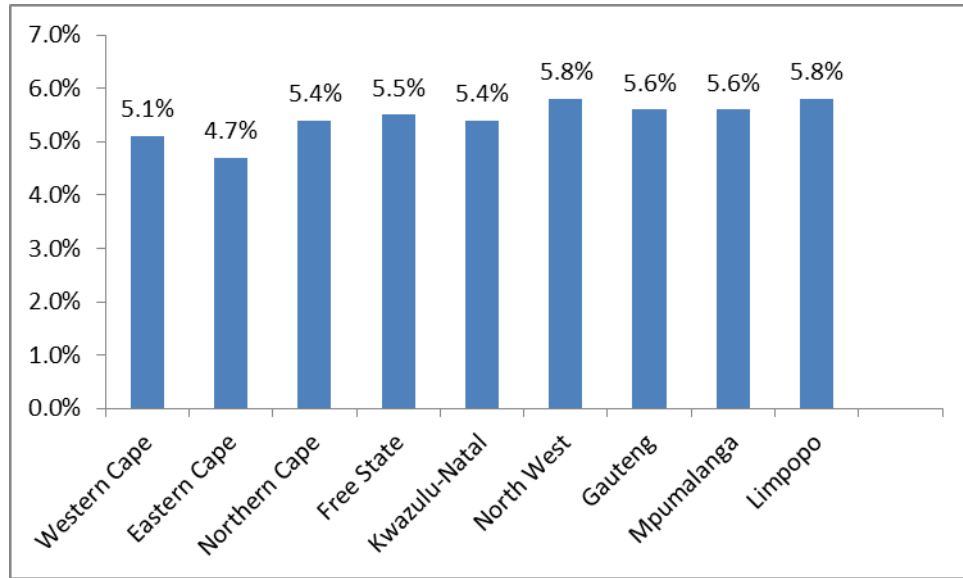
**Inflation rate by expenditure group**

Quintiles	Groups	Monthly expenditure	Inflation rate May 2013
<b>Headline CPI</b>		<b>Average</b>	<b>5.6%</b>
1	Very low	Up to R1783 per month	6.8%
2	Low	R1783 up to R2979 per month	6.5%
3	Middle	R2979 up to R5135 per month	6.4%
4	High	R5135 up to R11840 per month	6.0%
5	Very high	R11840 and more	5.2%

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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 6.8%, higher than headline inflation rate of 5.6%, while the very high expenditure group had an inflation rate of 5.2% that was lower than the recorded inflation rate of 5.6%.

**flation rate by Province**



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The following Provinces recorded an annual inflation rate lower than or equal to headline inflation were Gauteng (5.6%) Mpumalanga (5.6%) Free State (5.5) Northern Cape (5.4%) KwaZulu Natal (5.4%) Western Cape (5.1%) and Eastern Cape (4.7%)

The provinces with an annual inflation rate higher than headline inflation were North West (5.8%) and Limpopo (5.8%)

#### 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%								

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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%								

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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%								

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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%								

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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 2013 inflation rate document will be released on the 24<sup>th</sup> July 2013.***

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

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