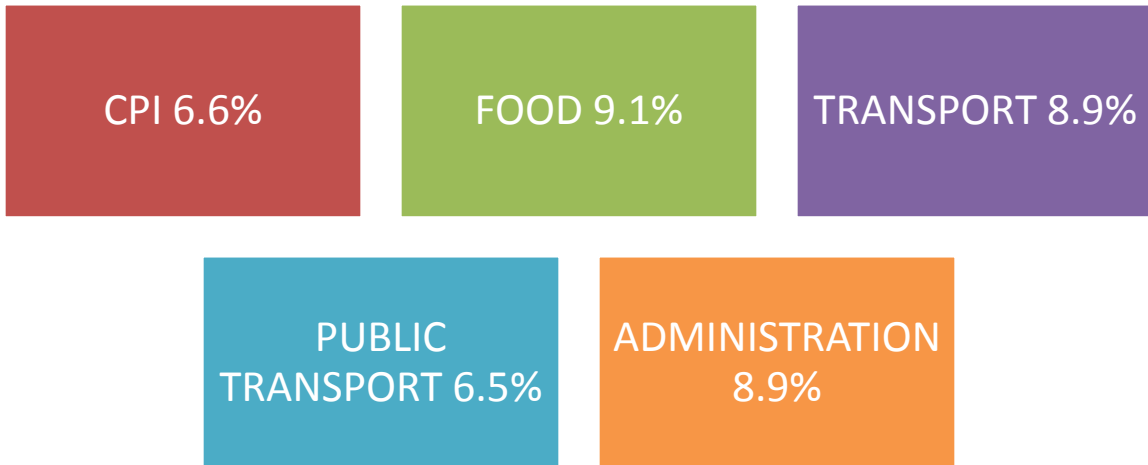


INFLATION MONITOR

MAY 2014



KEY FINDINGS

The Consumer Prices Index increased by 6.6% in May 2014 from 6.1% in April 2014 breaching the Reserve Bank inflation target range of 3%-6%. On average price increased by 0.2% between April 2014 and May 2014 food and transport were the main contributors to this month increase in inflation.

Food inflation rose from 8.2 per cent in April to 9.1 per cent y-o-y in May, its highest rate since February 2012 due to increased prices in foods such as meat at 8.2 per cent, vegetables at 13.3 per cent and dairy produce at 9.9 per cent.

The **transport** index fell by 0.1% between April 2014 and May 2014, mainly due to a 15c/litre decrease in the price of petrol. The annual rate increased to 8.9% in May 2014 from 6.8% in April 2014. Public transport index decreased to 6.5% in May 2014 from 6.6% in April 2014.

Administrator's index excluding petrol increased by 8.9% in May 2014 from 7.4% in April 2014

The Annual Inflation Rate (CPI) and selected price categories

	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14
CPI	5.6%	5.5%	6.3%	6.4%	6.0%	5.5%	5.3%	5.4%	5.8%	5.9%	6.0%	6.1%	6.6%
Food	6.4%	7.0%	7.1%	7.4%	6.0%	4.2%	3.7%	3.5%	4.3%	5.6%	7.2%	8.2%	9.1%
Transport	3.7%	3.7%	8.2%	8.7%	6.9%	6.2%	5.8%	6.3%	7.8%	8.0%	6.9%	6.8%	8.9%
Public Transport	13.8%	7.2%	6.8%	6.9%	7.1%	7.1%	5.7%	4.5%	4.4%	4.6%	6.6%	6.6%	6.5%
Administered Prices	6.3%	7.5%	11.1%	11.1%	8.9%	7.8%	7.3%	7.8%	9.3%	9.1%	7.6%	7.4%	8.9%

Statistics South Africa

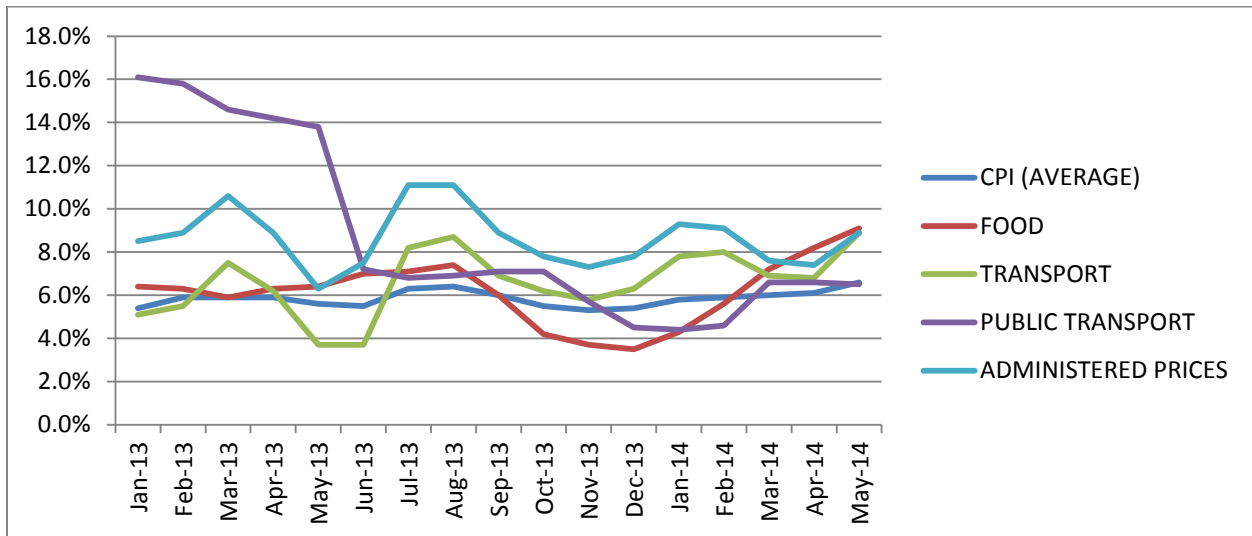
Inflation outlook

Inflation is expected to increase further in the short term due to higher food price caused by weaker currency and petrol price. The Monetary Policy Committee (SARB) revised the inflation forecast in their meeting that took place in May 2014. The forecast for 2014 was reduced to 6.2% with a peak of 6.5% expected in the fourth quarter of 2014.

The forecast for 2015 remained unchanged at 5.8%, the forecast has been extended and inflation is expected to average 5.5% in 2016.

INSIDE INFLATION

Let us look inside inflation into price movements within average CPI. We see that in May 2014, food, transport, administrative prices increased at a faster rate than average inflation.

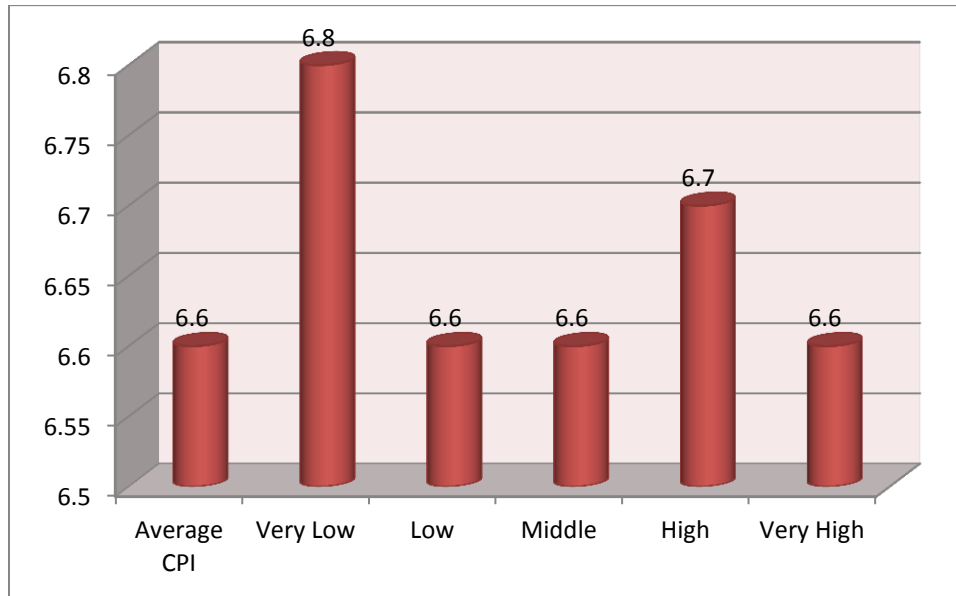


We see that the rise in the cost of housing and utilities is clearly being driven by rising water and electricity prices. The rise in transport costs is being driven by rising petrol and public transport prices.

Product Groups	Weighting in CPI (%)	Increase	Sub-group (weighting), increase
Food	14.20	+9.1%	Price increases are generalised in the food group, although the price of meat and oils & fats increased at the fastest rate.
Housing & Utilities	24.52	+5.7%	Water (2.85) +8.0%, Electricity (4.18) +7.2%
Transport	16.43	+8.9%	Petrol (5.68) +14.3% Public Transport (3.20) +6.5%
Education	2.95	+8.7%	Primary, secondary and tertiary education
Restaurants & Hotels	3.50	+8.3%	Restaurants (2.54) +7.6% Hotels (0.96) +9.9%
Miscellaneous	14.72	+6.8%	Insurance (9.92) +7.4%

Statistics South Africa

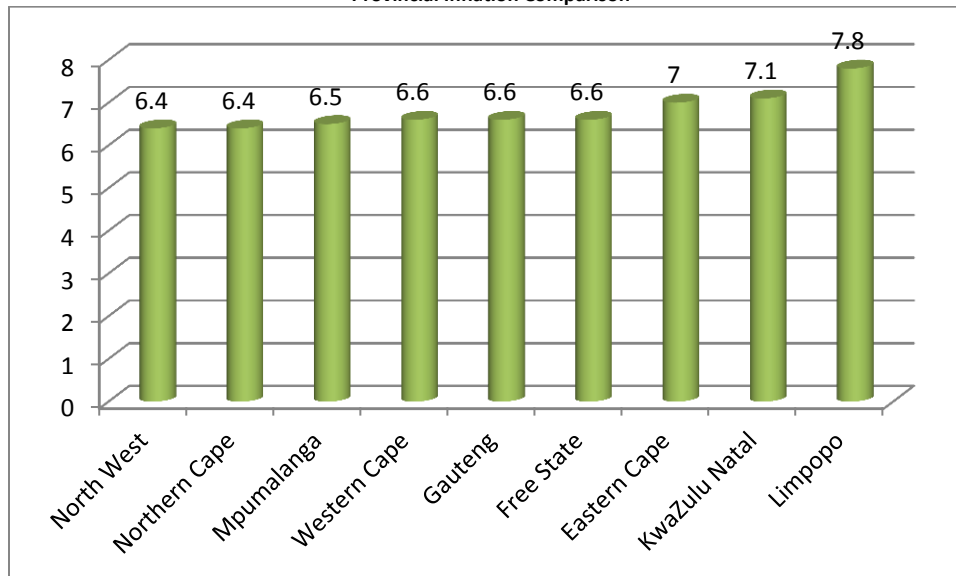
The five quintile categories were defined according to total expenditure per household April 2014



Statistics South Africa

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 6.8% compared to the higher income groups who experienced inflation rate of 6.6%. Lower paid workers spend a larger proportion of their wages on food and transport than high income earners, the continuously increase in the CPI will therefore have a greater impact on poorly workers than those who earn high salaries.

Provincial Inflation Comparison



Statistics South Africa

The province with an annual inflation rate lower than or equal to headline inflation were Western Cape (6.6%), Free State (6.6%), Gauteng (6.6%), Mpumalanga (6.5%), Northern Cape (6.4%), and North West (6.4%).

The province with an annual inflation rate higher than headline inflation were Limpopo (7.8%), KwaZulu-Natal (7.1%) and Eastern Cape (7.0%)

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%								

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%	8.2%	9.1%								

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%								

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%	7.4%	8.9%								

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 June 2014 CPI document will be released on the 23rd July 2014.

All information available at www.statssa.gov.za

For more information contact:

George Mthethwa

021 486 1100

082 336 4533

george@lrs.org.za

www.lrs.org.za