

# Inflation Monitor

October 2011

The headline Inflation rate in at October 2011 was 6.0% compared to 5.7% in September 2011. On average, prices increased by 0.5% between October 2010 and October 2011. On a yearly basis the headline inflation rate was 6% in October 2011 compared to 3.4% in October 2010.

	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11
<b>CPI (AVERAGE)</b>	<b>4.6%</b>	<b>5.0%</b>	<b>5.3%</b>	<b>5.3%</b>	<b>5.7%</b>	<b>6.0%</b>
<b>FOOD</b>	<b>6.3%</b>	<b>7.3%</b>	<b>7.5%</b>	<b>7.3%</b>	<b>8.7%</b>	<b>11.0%</b>
<b>TRANSPORT</b>	<b>3.8%</b>	<b>5.2%</b>	<b>5.3%</b>	<b>5.9%</b>	<b>6.6%</b>	<b>6.7%</b>
<b>PUBLIC TRANSPORT</b>	<b>0.7%</b>	<b>7.2%</b>	<b>8.7%</b>	<b>8.5%</b>	<b>9.6%</b>	<b>9.8%</b>
<b>ADMINISTERED PRICES</b>	<b>11.3%</b>	<b>12.0%</b>	<b>11.7%</b>	<b>11.9%</b>	<b>12.5%</b>	<b>13.3%</b>

## HOW TO READ INFLATION RATES

The inflation rate is generally presented as an annualised rate. This means that it records the change in prices over a period of 12 months. So when we say that the inflation rate in October 2011 was 6%, we mean that prices increased by 6% from October 2010 to October 2011.

Inflation rates tell you what has happened to prices already. They are not forecasts of future inflation. Having said that, looking at past inflation trends together with an understanding of what is happening to prices now can assist in making short term predictions.

**The November 2011 Inflation figures will be released on the 24<sup>th</sup> December 2011**

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

## AVERAGE ANNUALISED CPI INFLATION BY PROVINCE

Province	Annual rate of inflation October 2011
<b>Western Cape</b>	+ 5.9%
<b>Eastern Cape</b>	+ 7.1%
<b>Northern Cape</b>	+ 7.6%
<b>Free State</b>	+ 6.6%
<b>Kwazulu-Natal</b>	+ 6.0%
<b>North West</b>	+ 6.6%
<b>Gauteng</b>	+ 5.9%
<b>Mpumalanga</b>	+ 6.1%
<b>Limpopo</b>	+6.1%

The following Provinces recorded an annual inflation rate lower than or equal to headline inflation were KZN (6.0%) Western Cape (5.9%) and Gauteng (5.9%)

The Provinces with an annual inflation rate higher than headline inflation were Free State (6.6%) Eastern Cape (7.1%) Northern Cape (7.6%) North West (6.6%) Limpopo (6.1%) and Mpumalanga (6.1%)

## THE CONSUMER PRICE INDEX (CPI)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ave.
<b>2007</b>	6%	5.7%	6.1%	7%	6.9%	7%	7%	6.7%	7.2%	7.9%	8.4%	9%	<b>7.1%</b>
<b>2008</b>	9.3%	9.8%	10.6%	11.1%	11.7%	12.2%	13.4%	13.7%	13.1%	12.1%	11.8%	9.5%	<b>11.5%</b>
<b>2009</b>	8.1%	8.6%	8.5%	8.4%	8.0%	6.9%	6.7%	6.4%	6.1%	5.9%	5.8%	6.3%	<b>7.1%</b>
<b>2010</b>	6.2%	5.7%	5.1%	4.8%	4.6%	4.2%	3.7%	3.5%	3.2%	3.4%	3.6%	3.5%	<b>4.3%</b>
<b>2011</b>	3.7%	3.7%	4.1%	4.2%	4.6%	5.0%	5.3%	5.3%	5.7%	6.0%			

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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.
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%			

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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%			

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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.
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%			

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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.

### OWNER'S EQUIVALENT RENT

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ave.
2009	8.2%	8.9%	9.1%	8.8%	8.3%	7.1%	6.9%	6.6%	6.4%	6.0%	5.9%	6.5%	7.3%
2010	6.5%	5.8%	5.2%	4.9%	4.7%	4.4%	3.7%	3.4%	3.1%	3.4%	3.6%	3.5%	4.3%
2011	3.6%	3.7%	4.0%	4.2%	4.6%	5.0%	5.4%	5.5%	5.8%	6.3%			

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Owners' equivalent rent is measured by tracking actual rentals paid for dwelling. This rate is incorporated into the overall CPI inflation rate.

### CPI PER EXPENDITURE GROUP

	Groups	Monthly expenditure	Inflation rate October 2011
	<b>CPI</b>		<b>6.0%</b>
1	Very low	R1213 per month	7.8%
2	Low	R1213 up to R1939 per month	7.5%
3	Middle	R1940 up to R3062 per month	7.3%
4	High	R3063 up to R6596 per month	7.1%
5	Very high	R6596 and more	6.6%

The table above provides the estimated monthly spending for different groups and the impact of inflation rate for these groups. The very low group experienced an inflation rate of 7.8%, higher than headline inflation rate of 6.0%. This is an indication that the very low group is hit hard by inflation compared to the very high group which recorded an inflation rate of 6.6% less than the headline inflation of 6.0%.

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