

Inflation Monitor

CPI RISES TO 5.6% IN OCTOBER 2012

The inflation rate rose to 5.6% year on year in October 2012. This rate was 0.1% point higher than the 5.5% which was recorded in September 2012. On average, prices increased by 0.6% between September 2012 and October 2012. The 5.6% inflation rate is edging closely to the upper limit of 3% to 6% set up by the SARB as a way of targeting inflation. In fact, for the lower expenditure groups it has already gone above six percent.

The main contributors to the rise of inflation were Food & non-alcoholic beverage (Meat 2.2%, Vegetables 9.5%, and Bread/Cereals 2.8%). Housing and utilities, miscellaneous goods and services. Transport increased by 1.4% between September and October 2012 due to a 21c/l in the petrol price.

The Statistic has changed the weighting of Consumer Price Index basket to reflect the latest spending pattern. These change resulted in a lower weighting for food and a rise for petrol, electricity and education. Other changes are the newly introduced 393 items included in the basket for urban and rural areas. In 2013, we will see three baskets per province, which are primary urban areas (large town or city), secondary urban areas (smaller towns) and rural areas.

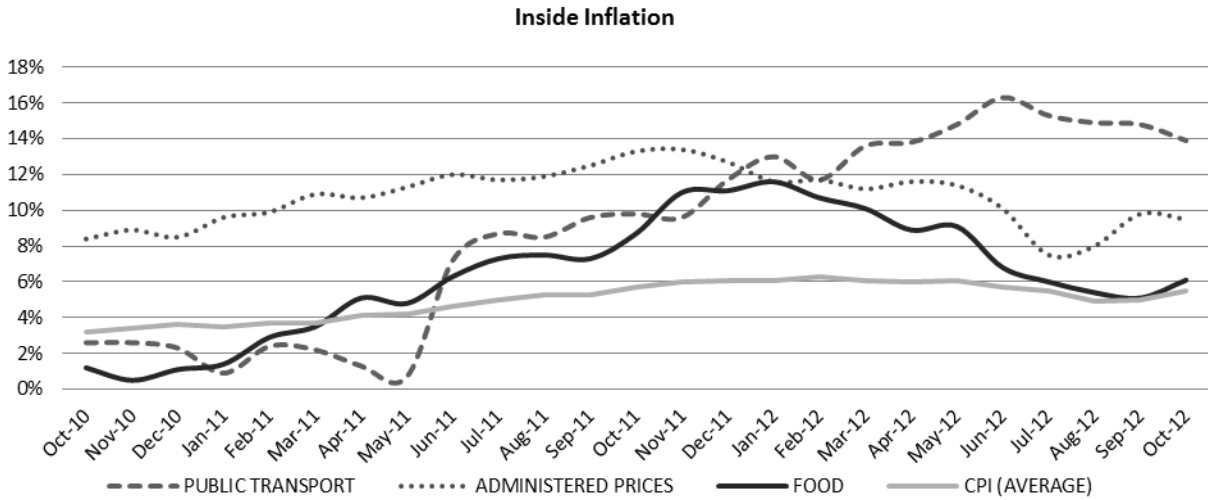
The Annual Inflation Rate (CPI) and selected price categories

	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12
CPI	6.1%	5.7%	5.5%	4.9%	5.0%	5.5%	5.6%
Food	9.1%	6.8%	6.0%	5.4%	5.1%	6.1%	6.7%
Transport	6.9%	6.7%	6.2%	4.6%	4.9%	6.6%	6.1%
Public Transport	13.8%	14.8%	16.3%	15.3%	14.9%	14.8%	13.9%
Administered Prices	11.6%	11.4%	10.1%	7.5%	8.0%	9.8%	9.5%

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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.



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. Poor household are still under great pressure from the below increases.

<i>Product Groups</i>	<i>Weighting in CPI (%)</i>	<i>Increase</i>	<i>Sub-group (weighting), increase</i>
Food	14.27	+6.7%	Price increases are generalised in the food group, although the price of meat and oils & fats increased at the fastest rate.
Housing & Utilities	22.56	+6.0%	Water (3.31) +9.1%, Electricity (1.87) +10.1%
Transport	18.8	+6.1%	Petrol (3.93) +15.6% Public Transport (2.73) +13.9%
Education	2.19	+9.0%	Primary, secondary and tertiary education
Restaurants & Hotels	2.78	+5.6%	Restaurants (1.85) +6.0% Hotels (0.93) +4.9%
Miscellaneous	13.56	+5.3%	Insurance (7.71) +6.2%

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The table below shows how the different product groups contributed to the average inflation rate of 5.6% at October 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

	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12
Food and non-alcoholic beverages	+1.4	+1.4	+1.0	+0.9	+0.8	+0.8	+0.9	+1.0
Alcoholic beverages and tobacco	+0.5	+0.5	+0.4	+0.5	+0.4	+0.5	+0.4	+0.4
Clothing and footwear	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1
Housing and utilities	+1.5	+1.6	+1.5	+1.5	+1.4	+1.4	+1.4	+1.4
Household contents and services	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1
Health	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1	+0.1
Transport	+1.1	+1.2	+1.2	+1.1	+0.8	+0.8	+1.1	+1.1
Education	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2
Restaurants and hotels	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2	+0.2
Miscellaneous goods and services	+0.8	+0.8	+0.8	+0.8	+0.7	+0.7	+0.7	+0.7
Residual	+0.0	+0.1	+0.1	0.0	+0.1	+0.1	+0.2	+0.2
All Items	+6.0%	6.1%	5.7%	5.5%	+4.9%	+5.0%	5.5%	5.6%

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Inflation rate by expenditure group

Quintiles	Groups	Monthly expenditure	Inflation rate October 2012
	Average		5.6%
1	Very low	Up to R1213 per month	6.6%
2	Low	R1213 up to R1939 per month	6.6%
3	Middle	R1940 up to R3062 per month	6.4%
4	High	R3063 up to R6596 per month	6.2%
5	Very high	R6596 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 6.6%, higher than headline inflation rate of 5.6%, while the very high expenditure group had an inflation rate of 5.2% compared to 5.6% 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 October 2012
Western Cape	+5.4%
Eastern Cape	+5.4%
Northern Cape	+5.7%
Free State	+5.5%
Kwazulu-Natal	+5.9%
North West	+6.5%
Gauteng	+5.5%
Mpumalanga	+6.2%
Limpopo	+6.2%
Overall CPI by Provinces	+5.8%

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The following Provinces recorded an annual inflation rate lower than or equal to headline inflation were Free State (5.5%) Western Cape (5.4%) Eastern Cape (5.4%) and Gauteng (5.5%)

The Provinces with an annual inflation rate higher than headline inflation were Northern Cape (5.7%) North West (6.5%), Mpumalanga (6.2%) Limpopo (6.2%) and KZN (5.9%)

The overall median percentage for provinces was 5.8% in October 2012

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%	5.5%	4.9%	5.0%	5.5%	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.
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%	6.0%	5.4%	5.1%	6.1%	6.7%			

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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%	6.2%	4.6%	4.9%	6.6%	6.1%			

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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%	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%			

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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.

Year	Issue	Publication date
2012	November	12 December 2012
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All information available at www.statssa.gov.za

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