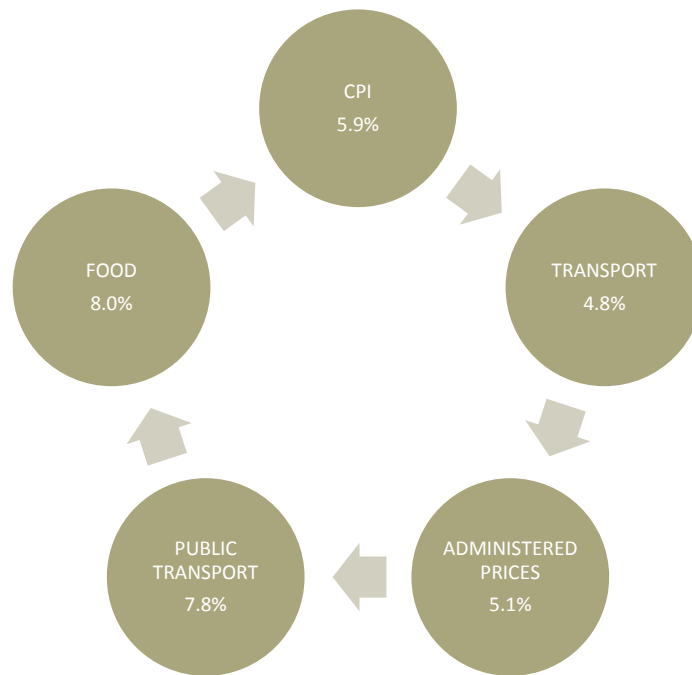


LRS INFLATION MONITOR
OCTOBER 2014



KEY FINDINGS

The Consumer Price Index (CPI) was 5.9% in October 2014; this rate was the same as the corresponding annual rate of 5.9% in September 2014. On average, prices increased by 0.2% between September 2014 and October 2014.

In the food index, fruit (1.9%) other food (1.5%) and meat (0.9%) increased. Oils and fats (-1.1%) vegetables (-0.8%) fish (-0.5%) bread and cereals (-0.3%) milk, eggs and cheese (-0.1%) decreased.

The alcoholic beverages index increased by 1.9% between September and October 2014, while the annual rate increased to 6.3% in October 2014 from 5.3% in September 2014

The transport index, increased by 0.3% between September 2014 and October 2014 The annual rate increased to 4.8% in October 2014 from 4.2% in September 2014

The administered prices increased to 5.1% in October 2014 from 4.7% in September 2014.

THE ANNUAL INFLATION RATE (CPI) AND SELECTED PRICE CATEGORIES

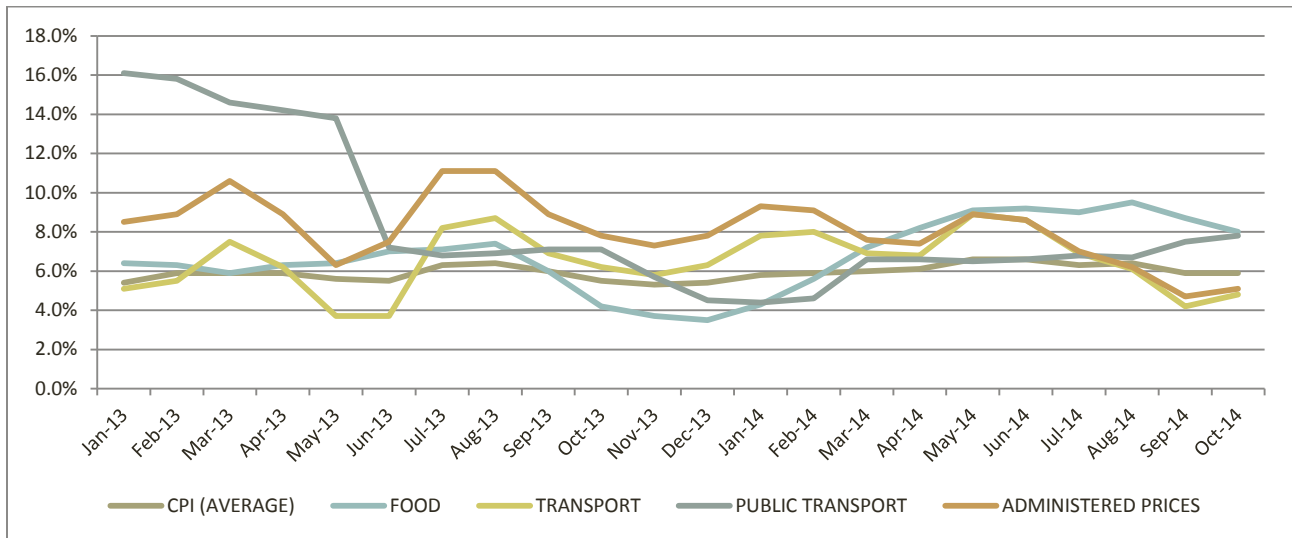
	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14
CPI	5.5%	5.3%	5.4%	5.8%	5.9%	6.0%	6.1%	6.6%	6.6%	6.3%	6.4%	5.9%	5.9%
Food	4.2%	3.7%	3.5%	4.3%	5.6%	7.2%	8.2%	9.1%	9.2%	9.0%	9.5%	8.7%	8.0%
Transport	6.2%	5.8%	6.3%	7.8%	8.0%	6.9%	6.8%	8.9%	8.6%	6.9%	6.1%	4.2%	4.8%
Public Transport	7.1%	5.7%	4.5%	4.4%	4.6%	6.6%	6.6%	6.5%	6.6%	6.8%	6.7%	7.5%	7.8%
Administered Prices	7.8%	7.3%	7.8%	9.3%	9.1%	7.6%	7.4%	8.9%	8.6%	7.0%	6.2%	4.7%	5.1%

Statistics South Africa

The inflation rate is expected to average 5.9% in the final quarter of 2014, and average of 6.1% for the year, compared with 6.2% previously. The downward trend is expected to continue into next year, with inflation forecast to reach a low of 5.1% in the second quarter, and to average 5.3% for the year compared with 5.7% previously. The forecast for 2016 has been revised down from 5.8% to 5.5%, and is expected to measure 5.4% in the final quarter of 2016. The MPC decided to keep the repurchase rate unchanged at 5.57% per annum. (MPC 20th November 2014)

INSIDE INFLATION

Let us look inside inflation into price movements within average CPI. We see that in September 2014, **food (8.0%)** and **public transport (7.8%)** increased at a faster rate than average **inflation (5.9%)**

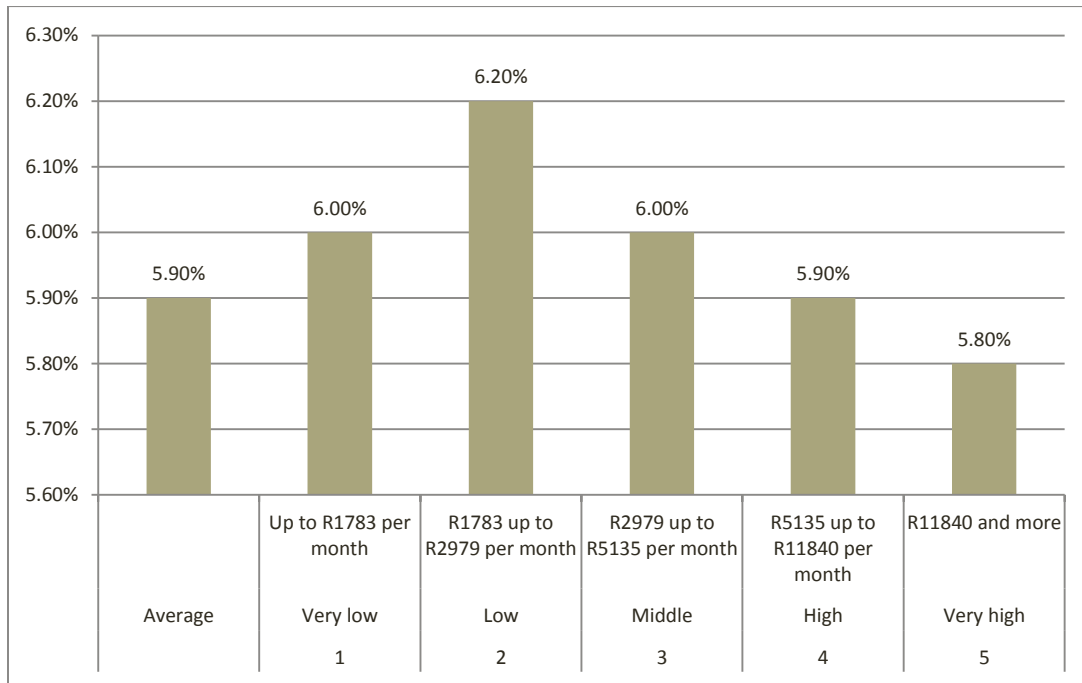


We see that the rise in the cost of housing and utilities is clearly being driven by rising water and electricity prices. The rise in transport costs is being driven by rising petrol and public transport prices. The rise in the cost of health is driven by medical products and medical services.

<i>Product Groups</i>	<i>Weighting in CPI (%)</i>	<i>Increase</i>	<i>Sub-group (weighting), increase</i>
Food	14.20	+8.0%	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	+5.8%	Water (2.85) +8.5%, Electricity (4.18) +7.2%
Transport	16.43	+4.8%	Petrol (5.68) +2.4% Public Transport (3.20) +7.8%
Education	2.95	+8.7%	Primary, secondary and tertiary education
Restaurants & Hotels	3.50	+8.9%	Restaurants (2.54) +8.9% Hotels (0.96) +9.3%
Miscellaneous	14.72	+6.9%	Insurance (9.92) +7.8%
Health	1.46	+6.0%	Medical Products (0.74) +5.9% Medical Services (0.72) + 6.1%

Statistics South Africa

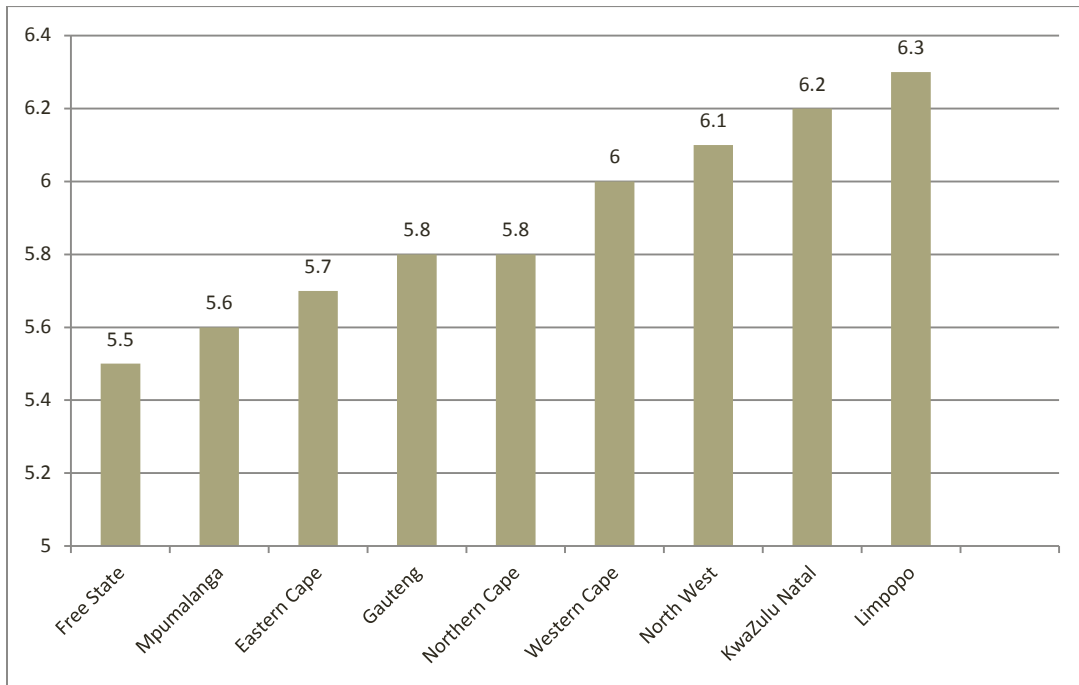
CONSUMER PRICE INDEX (CPI) PER EXPENDITURE QUANTILE OCTOBER 2014



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. Take note, that the consumer inflation impact remains greater on the lower income groups than on the higher income groups, and much of this is due to food price inflation still being above overall CPI inflation, and of course the food component being a far higher weighting in the low income expenditure baskets. As shown in the table above, very low expenditure groups experienced an inflation rate (6.0%), higher than the average annual inflation rate (5.9%). The very high expenditure group had a lower annual inflation rate (5.8%) than the average annual inflation rate (5.9%).

PROVINCIAL INFLATION RATE OCTOBER 2014



Statistics South Africa

The province with annual inflation rate lower than or equal to headline inflation were Northern Cape (5.8%), Gauteng (5.8%), Eastern Cape (5.7%), Mpumalanga (5.6%) and Free State (5.5%)
The province with an annual inflation rate higher than headline inflation were Limpopo (6.3%), KwaZulu-Natal (6.2%), North West (6.1%) and Western Cape (6.0%)

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%	6.6%	6.3%	6.4%	5.9%	5.9%			

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%	9.2%	9.0%	9.5%	8.7%	8.0%			

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%	8.6%	6.8%	6.1%	4.2%	4.8%			

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%	8.6%	7.0%	6.2%	4.7%	5.1%			

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 NOVEMBER 2014 CPI DOCUMENT WILL BE RELEASED ON THE 10 DECEMBER 2014

All information available at www.statssa.gov.za

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