

Inflation Monitor

CPI EASED TO 6% IN SEPTEMBER 2013

The Consumer Price Index rose to 6% year-on-year in September 2013 after rising to 6.4% in August 2013. On average, price increased by 0.5% between August and September 2013. The Reserve Bank has a mandate to keep inflation rate at 3%-6%.

The food and non-alcohol beverages index decreased to 5.9% in September 2013 from 7.1% in August 2013. Cost of transport decelerated to 6.9% in September from 8.7% in August 2013 (petrol price inflation eased to 12.8% in September from 22.3% in August 2013). A cut in the petrol price this month (November) will assist in keeping Consumer Price Index within the 3%-6% target band set by the Reserve Bank.

The housing and utilities index increased by 0.8% due to a 1.2% increase in actual rentals for housing and owner's equivalent rent. The annual rate was unchanged at 5.4% in September 2013.

The Annual Inflation Rate (CPI) and selected price categories

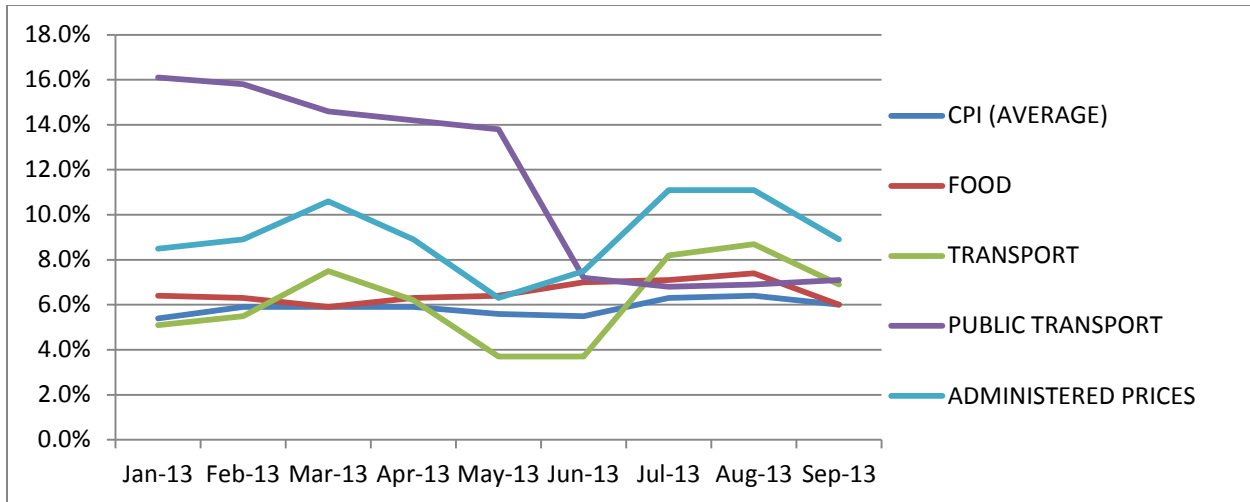
	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13
CPI	5.4%	5.9%	5.9%	5.9%	5.6%	5.5%	6.3%	6.4%	6.0%
Food	6.4%	6.3%	5.9%	6.3%	6.4%	7.0%	7.1%	7.4%	6.0%
Transport	5.1%	5.5%	7.5%	6.2%	3.7%	3.7%	8.2%	8.7%	6.9%
Public Transport	16.1%	15.8%	14.6%	14.2%	13.8%	7.2%	6.8%	6.9%	7.1%
Administered Prices	8.5%	8.9%	10.6%	8.9%	6.3%	7.5%	11.1%	11.1%	8.9%

Statistics South Africa

Inflation is likely to average 5.9% for 2013 as a whole. Today's inflation figures do not alter our interest rate view. We expect that the Reserve Bank will keep rates unchanged well into 2014, to balance the still weak growth with inflation that is just below the bank's upper target range," said Nedbank economists.

INSIDE INFLATION

Let us look inside inflation into price movements within average CPI. We see that public transport, administered prices, food and 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	14.20	+6.0%	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	+5.4%	Water (2.85) +8.0%, Electricity (4.18) +7.7%
Transport	16.43	+6.9%	Petrol (5.68) +12.8% Public Transport (3.20) +7.1%
Education	2.95	+9.0%	Primary, secondary and tertiary education
Restaurants & Hotels	3.50	+7.0%	Restaurants (2.54) +6.5% Hotels (0.96) +8.6%
Miscellaneous	14.72	+7.8%	Insurance (9.92) +8.5%

Statistics South Africa

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

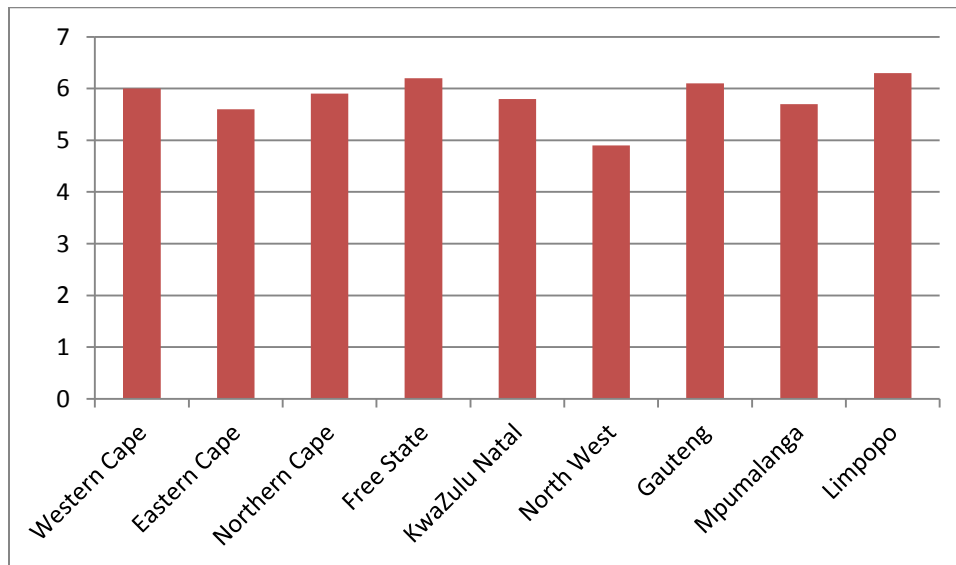
Quintiles	Groups	Monthly expenditure	Inflation rate Sep 2013
Headline CPI		Average	6.0%
1	Very low	Up to R1783 per month	6.3%
2	Low	R1783 up to R2979 per month	5.8%
3	Middle	R2979 up to R5135 per month	5.8%
4	High	R5135 up to R11840 per month	6.1%
5	Very high	R11840 and more	6.2%

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 prices of food, housing & utilities and transport continue to drive inflation. These are items that households, especially poorer households, cannot easily avoid. This means that poorer households will be feeling the effect of inflation as they attempt to buy essential goods and services. This is also reflected in the fact that the inflation rate for poor households is almost 0.3% higher than the average inflation rate of 6.0%.

Inflation rate by Province



Statistics South Africa

The provinces with an annual inflation rate lower than or equal to headline inflation were Western Cape (6,0%), Northern Cape(5,9%), KwaZulu-Natal (5,8%), Mpumalanga (5,7%), Eastern Cape (5,6%) and North West (4,9%).

The provinces with an annual inflation rate higher than headline inflation were Limpopo (6,3%), Free State (6,2%) and Gauteng (6,1%).

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%				

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%				

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%				

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%				

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 October 2013 CPI document will be released on the 20th November 2013.

All information available at www.statssa.gov.za

For more information contact:

George Mthethwa

021 447 1677

071 489 8875

george@lrs.org.za

www.lrs.org.za