

LRS INFLATION MONITOR
SEPTEMBER 2014



KEY FINDINGS

Inflation is a representation of the loss of monetary value, thus the purchasing power, as consumer prices rise for products and services. The inflation rate is an indication of the average increase in the cost of living. It can be noted that inflation breached the upper level of the Reserve Bank's target band of 3-6%.

The Consumer Price Index (CPI) has declined in the month of September 2014 by 5.9%, from 6.4% that was recorded in August 2014. On average, prices were unchanged between August 2014 and September 2014.

The most notable change during the month of September 2014 was the decrease in the food, transport and administration component. Public transport increased in September 2014.

Food prices were unchanged on average in September compared to August, bringing the annual rate down to 8, 7% compared to the 9,5% of August. The following food products increased fish (1.5%), milk, eggs and cheeses (0.9%), vegetables (0.3%), fruits (0.1%). Food products that decreased were oil and fats (-1.1%), bread and cereals (-0.3%), meat (-0.2%) and other food products (-0.2%)

The housing and utilities costs rose by 0.7% between August 2014 and September 2014, mainly due to a 1.2% increase in actual rentals for housing and a 1.1% increase in owners' equivalent rent. Consumers also paid more for homeowners' home and mortgage insurance, property taxes and electricity in September compared with the same month in 2013. Conversely, the mortgage interest cost index declined year over year

The transport index decreased by 1.5% between August 2014 and September 2014 mainly due to a 67c litre decrease in the price of petrol. The annual rate decreased to 4.2% in September 2014 from 6.1% in August 2014 **The administered prices** decreased to 4.7% in September 2014 from 6.2% in August 2014.

THE ANNUAL INFLATION RATE (CPI) AND SELECTED PRICE CATEGORIES

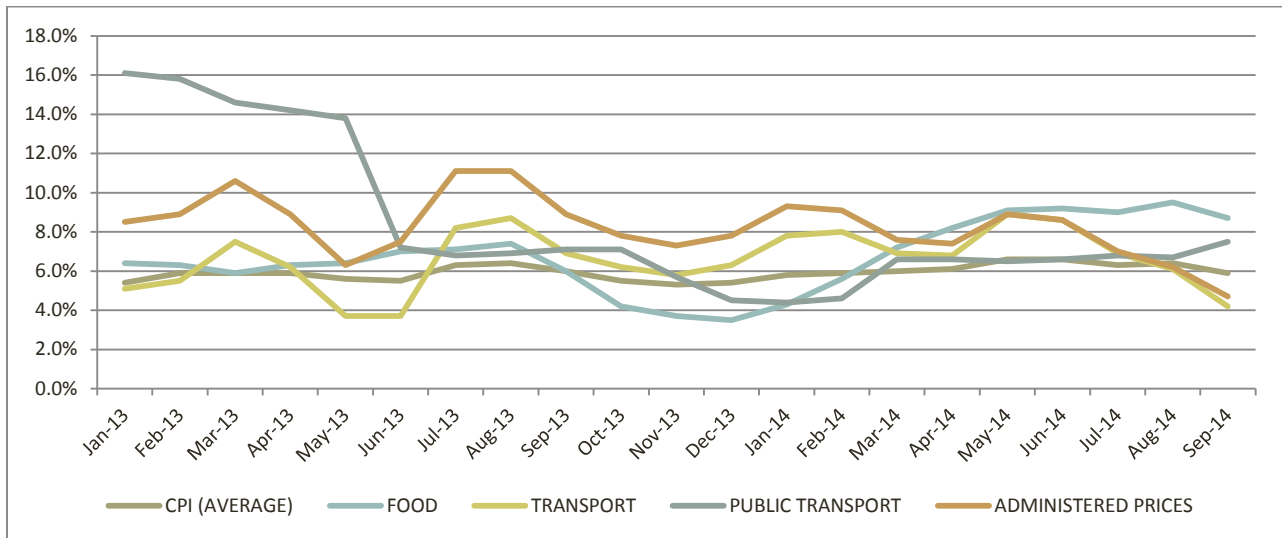
	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14
CPI	6.0%	5.5%	5.3%	5.4%	5.8%	5.9%	6.0%	6.1%	6.6%	6.6%	6.3%	6.4%	5.9%
Food	6.0%	4.2%	3.7%	3.5%	4.3%	5.6%	7.2%	8.2%	9.1%	9.2%	9.0%	9.5%	8.7%
Transport	6.9%	6.2%	5.8%	6.3%	7.8%	8.0%	6.9%	6.8%	8.9%	8.6%	6.9%	6.1%	4.2%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

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Inflation is expected to average 6.2% in 2014 compare to 6.3% previously and 5.7% in 2015 (5.9% previously) and to return to within the target range in the first quarter of 2015. the inflation forecast for 2016 increased to 5.8% from 5.6% mainly as result of the revised electricity price assumption following the review of ESKOM tariffs by NERSA. The revised assumption makes provision for electricity price increases of 11.6% from July 2015 and again July 2016 (Monetary Policy Committee Statement) 18th September 2014

INSIDE INFLATION

Let us look inside inflation into price movements within average CPI. We see that in September 2014, **food (8.7%)** and **public transport (7.5%)** increased at a faster rate than average **inflation (5.9%)**



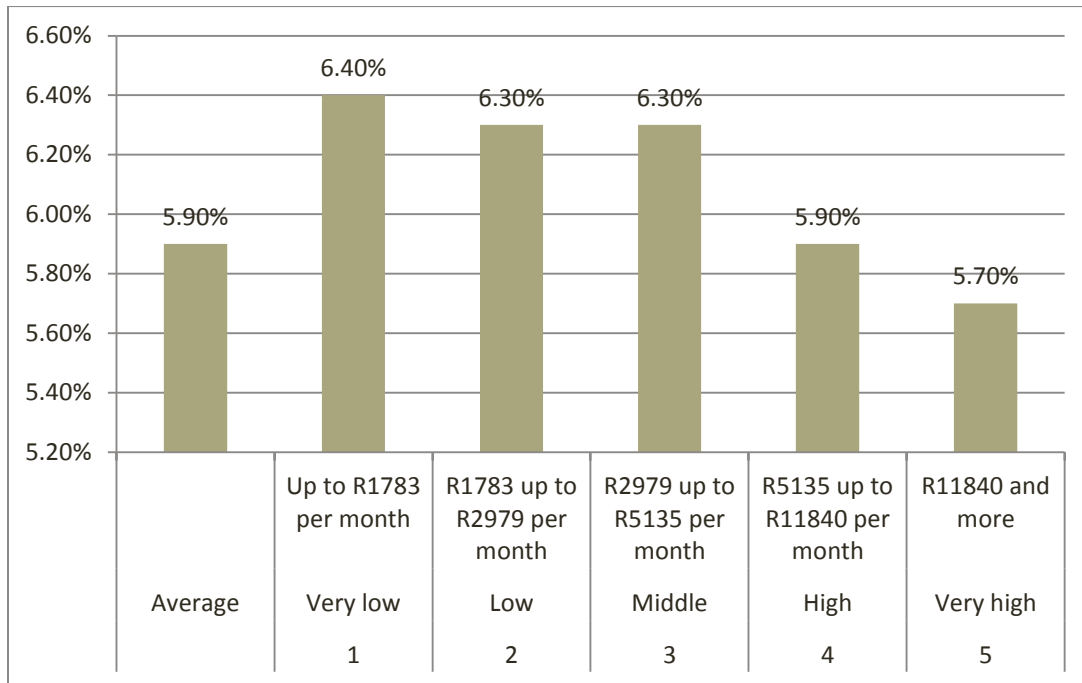
We see that the rise in the cost of housing and utilities is clearly being driven by rising water and electricity prices. The rise in transport costs is being driven by rising petrol and public transport prices. The rise in the cost of health is driven by medical products and medical services.

<i>Product Groups</i>	<i>Weighting in CPI (%)</i>	<i>Increase</i>	<i>Sub-group (weighting), increase</i>
Food	14.20	+8.7%	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	+4.2%	Petrol (5.68) +1.1% Public Transport (3.20) +7.5%
Education	2.95	+8.7%	Primary, secondary and tertiary education
Restaurants & Hotels	3.50	+8.8%	Restaurants (2.54) +9.1% Hotels (0.96) +8.1%
Miscellaneous	14.72	+6.9%	Insurance (9.92) +7.8%
Health	1.46	+5.7%	Medical Products (0.74) +5.2% Medical Services (0.72) + 6.1%

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Miscellaneous goods and services decreased by 0.1 percent between August 2014 and September 2014. The annual rate decreased to 6.9 percent in September 2014 from 7.1 percent in August 2014. The annual rate for the health component increased to 8.8% in September 2014 from 5.5% in August 2014, mainly due to medical products (5.2%) and medical service (6.1%). The restaurant and hotel price increased to 8.8% in September 2014 from 8.5% in August 2014 mainly due to an increase in restaurant (+9.1%) and hotels (+8.1%).

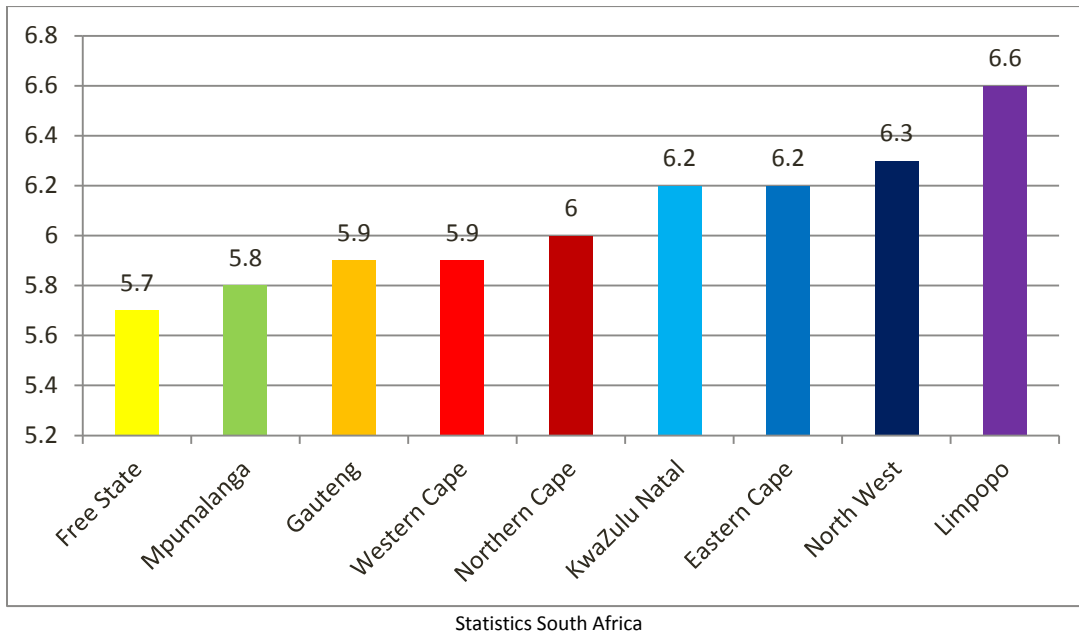
CONSUMER PRICE INDEX (CPI) PER EXPENDITURE QUANTILE (SEPTEMBER 2014)



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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 (6.4%), higher than the average annual inflation rate (5.9%). The very high expenditure group had a lower annual inflation rate (5.7%) than the average annual inflation rate (5.9%).

PROVINCIAL INFLATION RATE SEPTEMBER 2014



The province with annual inflation rate lower than or equal to headline inflation were Western Cape (5.9%), Gauteng (5.9%), Mpumalanga (5.8%) and Free State (5.7%).

The province with an annual inflation rate higher than headline inflation were North West (6.3%), Limpopo (6.6%), Eastern Cape (6.2%), KwaZulu-Natal (6.2%) and Northern 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%				

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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.
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%				

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%				

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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.
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%				

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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.

THE OCTOBER 2014 CPI DOCUMENT WILL BE RELEASED ON THE 19 NOVEMBER 2014.

All information available at www.statssa.gov.za

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