

# Inflation Monitor

## (CPI) INFLATION RATE ON THE RISE

The Consumer Price Index (CPI) annual inflation rate for all urban areas increased to 5.8% in January 2014. This rate was 0.4% of a percentage point lower than the corresponding annual rate of 5.4% in December 2013. On average, prices increased by 0.7% between December 2013 and January 2014. The (CPI) inflation rate was expected to come in at 5.7% year-on-year. **Nedbank** stated that inflation would likely continue to rise, breaching the Reserve Bank's 6% upper target range in the second quarter of the year, remaining above 6% for a few months after that. **Investec** said that the rise in inflation rate is being driven by the high administration price of 9,3% year-on-year. Without the high administration price, inflation rate would be 5% year-on year.

### Food

The food inflation annual rate increased to 4.3% in January 2014 from 3.5% in December 2013. The continuation of food price increase will put lower paid workers and unemployed consumers under enormous pressure.

### Price of Petrol

The transport index increased by 1, 2% between December 2013 and January 2014, mainly due to a 38c/litre increase in the price of petrol. The annual rate increased to 7, 8% in January 2014 from 6,3% in December 2013. The petrol price increase has forced some taxi operators to increase fares. The fares will be increased in March 2014 and this will have an impact on workers who rely on this mode of transport to commute from home to work. The most affected will be the unemployed who don't have a regular income and pensioners who get grants from government.

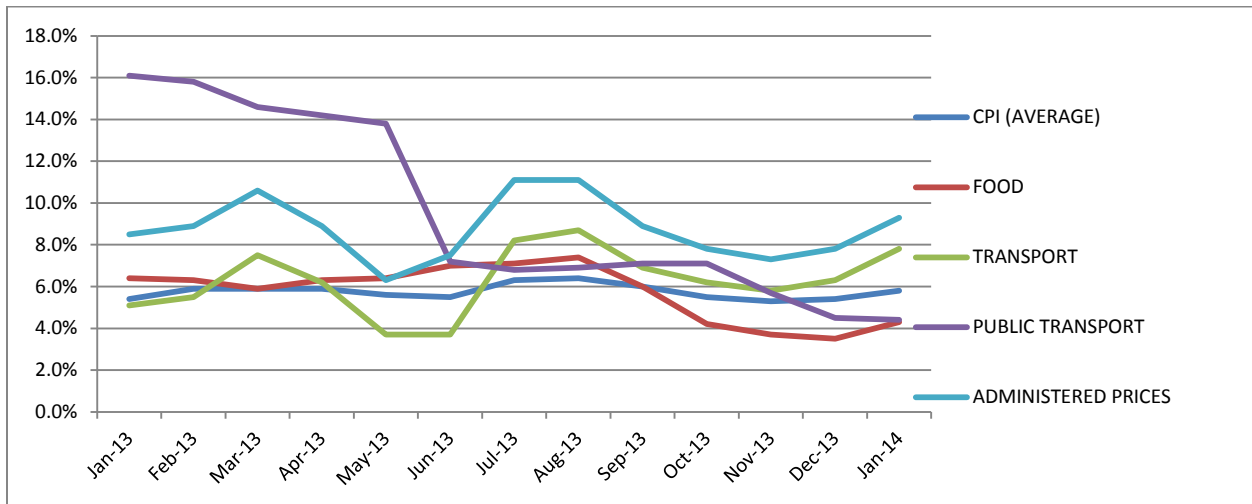
## The Annual Inflation Rate (CPI) and selected price categories

	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14
CPI	5.4%	5.9%	5.9%	5.9%	5.6%	5.5%	6.3%	6.4%	6.0%	5.5%	5.3%	5.4%	5.8%
Food	6.4%	6.3%	5.9%	6.3%	6.4%	7.0%	7.1%	7.4%	6.0%	4.2%	3.7%	3.5%	4.3%
Transport	5.1%	5.5%	7.5%	6.2%	3.7%	3.7%	8.2%	8.7%	6.9%	6.2%	5.8%	6.3%	7.8%
Public Transport	16.1%	15.8%	14.6%	14.2%	13.8%	7.2%	6.8%	6.9%	7.1%	7.1%	5.7%	4.5%	4.4%
Administered Prices	8.5%	8.9%	10.6%	8.9%	6.3%	7.5%	11.1%	11.1%	8.9%	7.8%	7.3%	7.8%	9.3%

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## INSIDE INFLATION

Let us look inside inflation into price movements within average CPI. We see that transport and administered prices have been increasing at a faster rate than average inflation.

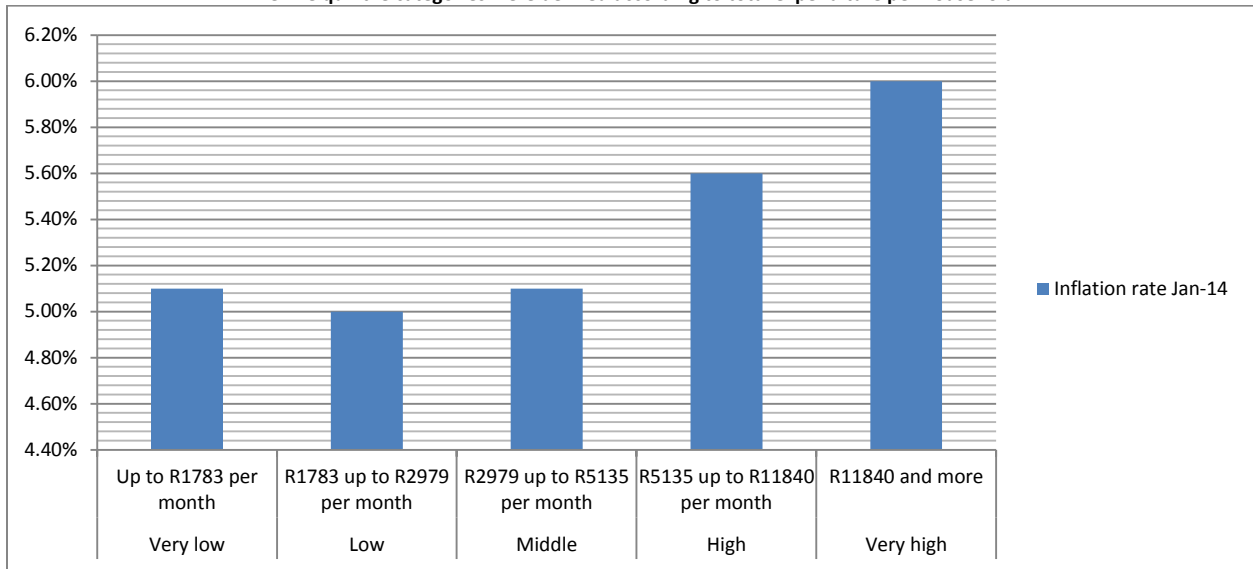


We see that the rise in the cost of housing and utilities is clearly being driven by rising water and electricity prices. The rise in transport costs is being driven by rising petrol and public transport prices.

Product Groups	Weighting in CPI (%)	Increase	Sub-group (weighting), increase
<b>Food</b>	14.20	+4.3%	Price increases are generalised in the food group, although the price of meat and oils & fats increased at the fastest rate.
<b>Housing &amp; Utilities</b>	24.52	+5.4%	Water (2.85) +8.0%, Electricity (4.18) +7.3%
<b>Transport</b>	16.43	+7.8%	Petrol (5.68) +14.7% Public Transport (3.20) +4.4%
<b>Education</b>	2.95	+9.0%	Primary, secondary and tertiary education
<b>Restaurants &amp; Hotels</b>	3.50	+7.4%	Restaurants (2.54) +6.6% Hotels (0.96) +9.4%
<b>Miscellaneous</b>	14.72	+7.0%	Insurance (9.92) +8.1%

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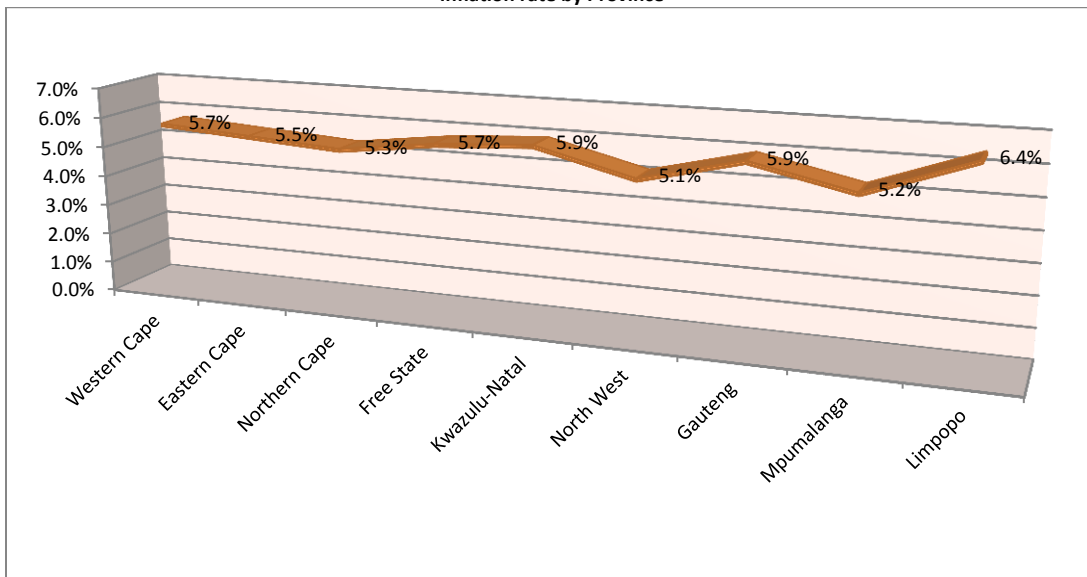
The five quintile categories were defined according to total expenditure per household



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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.

Inflation rate by Province



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The provinces with an annual inflation rate lower than or equal to headline inflation were Western Cape (5,7%), Free State (5,7%), Eastern Cape (5,5%), Northern Cape (5,3%), Mpumalanga (5,2%) and North West (5,1%).

The provinces with an annual inflation rate higher than headline inflation were Limpopo (6,4%), KwaZulu-Natal (5,9%) and Gauteng (5,9%).

## 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%												

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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%												

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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.
<b>2009</b>	0.1%	1.5%	0.9%	0.9%	0.5%	2.1%	3.4%	2.7%	-1.3%	-1.8%	0.6%	3.4%	<b>1.6%</b>
<b>2010</b>	6.2%	5.1%	4.2%	4.0%	3.5%	2.2%	1.1%	1.1%	0.0%	1.8%	2.1%	1.6%	<b>2.7%</b>
<b>2011</b>	2.5%	2.6%	3.3%	3.4%	3.8%	5.2%	5.3%	8.5%	9.6%	6.7%	6.9%	7.0%	<b>5.4%</b>
<b>2012</b>	6.8%	6.8%	6.6%	6.9%	6.7%	6.2%	4.6%	4.9%	6.6%	6.1%	5.5%	5.5%	<b>6.1%</b>
<b>2013</b>	5.1%	5.5%	7.5%	6.2%	3.7%	3.7%	8.2%	8.7%	6.9%	6.2%	5.8%	6.3%	<b>6.1%</b>
<b>2014</b>	7.8%												

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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.
<b>2009</b>	1.4%	2.8%	2.8%	1.7%	0.0%	1.2%	0.4%	0.2%	3.2%	2.7%	4.0%	9.9%	<b>2.5%</b>
<b>2010</b>	14.5%	12.9%	11.2%	11.6%	12.1%	10.8%	8.6%	8.3%	7.1%	8.4%	8.9%	8.5%	<b>10.2</b>
<b>2011</b>	9.6%	9.9%	10.9%	10.7%	11.3%	12.0%	11.7%	11.9%	12.5%	13.3%	13.4%	12.7%	<b>11.6%</b>
<b>2012</b>	11.6%	11.7%	11.2%	11.6%	11.4%	10.1%	7.5%	8.0%	9.8%	9.5%	8.7%	8.8%	<b>10.0%</b>
<b>2013</b>	8.5%	8.9%	10.6%	8.9%	6.3%	7.5%	11.1%	11.1%	8.9%	7.8%	7.3%	7.8%	<b>8.7%</b>
<b>2014</b>	9.3%												

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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.

***The February 2014 CPI document will be released on the 19<sup>th</sup> March 2014.***

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

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