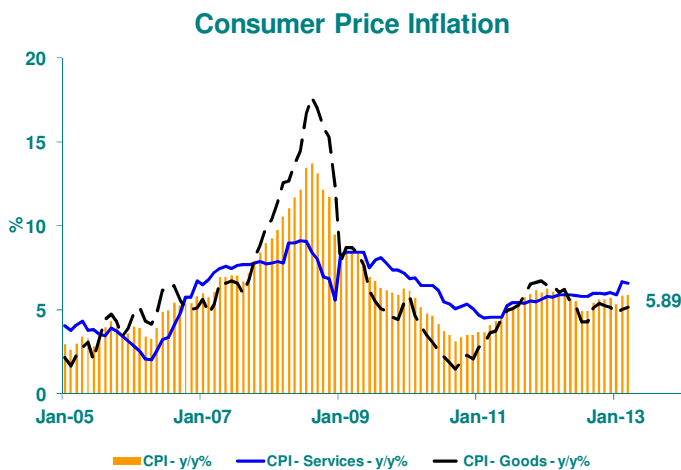


## HOUSEHOLD AND CONSUMER SECTOR – MARCH CONSUMER PRICE INFLATION

*While food and petrol prices have been a key inflation focus in recent times, they now appear to be subsiding risks, while the residential rental market surprises on the downside too.*

17 April 2013



*March Consumer Price (CPI) Inflation came virtually unchanged from the February rate at 5.9% year-on-year. This rate comes as a mild positive surprise, with the consensus expectation having been slightly higher at 6%.*

*A key source of upward pressure on the overall inflation rate was petrol price inflation, whose higher March rate drove the CPI sub-index for transport costs up from a 5.5% year-on-year inflation rate in February to 7.5%.*

*Against this, however, a subsiding in global food price inflation recently helped the Food and Non-Alcoholic Beverages CPI inflation rate lower from 6.1% previous to 5.7% in March.*

*A “downside surprise”, however, is the CPI for residential rentals. The StatsSA survey showed the CPI for Actual Rentals slowing from 4.8% previous to 4.7% year-on-year*

*in March, while the CPI for Owner Occupied Rentals slowed from 4.2% previous to 4% in March. This comes as a surprise at a time when our perception has been one of a mildly strengthening residential rental market. Certainly some key building blocks for the rental market’s strengthening have been gradually falling into place. Firstly, since 2008 we have witnessed very low estimates for buy-to-let property buying, implying a very slow growth rate in properties available for rental, and as at the 1<sup>st</sup> quarter of 2013 the FNB Estate Agent Survey showed an estimate of only 8% of home purchases being buy-to-let purchases, still a far cry from around 25% back in 2004. And indeed, TPN (Tenant Profile Network) has in recent times been reporting many letting agents citing rental “stock constraints”.*

*These low CPI rental inflation rates contain the inflation rate of the overall Housing and Utilities CPI, which has been a major problem for the overall CPI due to sharp electricity and municipal rates rises in recent years. As at March, the electricity component still showed high 10.2% inflation rate, while the water and other services CPI (including assessment rate) was also at a high 9.2%.*

### Outlook

*Our expectation for CPI inflation in 2013 is that the recent levels which have been near to the 6% SARB upper target limit will prove to be short-lived. Both dollar-denominated food price inflation as well as global oil price inflation has been slowing in recent months, while we have also seen oil price declines related to demand concerns in a mediocre global economy. The wildcard then becomes the Rand, but after a -23.9% depreciation in the nominal effective rand exchange rate since December 2010, we anticipate some relative stabilization this year.*

*Imported inflation is thus expected to slow in the near term, and already April’s year-on-year petrol price inflation rate (Gauteng pump price) has slowed from 16.5% year-on-year in March to 10.2%, so expect a lower petrol price inflation effect in the April CPI number.*

*In addition, recently slowing household consumption growth could be expected to curb certain retail price inflation pressures, while NERSA did not grant Eskom the requested price increases, suggesting slowing electricity inflation too.*

*So, our expectation is for CPI inflation to begin to slow in the not too distant future, and end the year on a mildly lower 5.5%. While this is expected to spare us from interest rate hikes in 2013, we believe that it would still be a level still too high to entice the SARB into any interest rate cutting. We thus expect unchanged interest rates for the entire year to be the most likely outcome.*

**JOHN LOOS:**  
**HOUSEHOLD AND CONSUMER SECTOR STRATEGIST**  
**011-649 0125**  
**John.loos@fnb.co.za**

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## Consumer Inflation - Key Components

	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13
<b>Key CPI Inflation Measures</b>						
<b>CPI - All Urban Areas</b>	<b>99.5</b>	<b>99.8</b>	<b>100.0</b>	<b>100.3</b>	<b>101.3</b>	<b>102.5</b>
<b>Y-o-Y % Change</b>	<b>5.6</b>	<b>5.6</b>	<b>5.7</b>	<b>5.4</b>	<b>5.9</b>	<b>5.9</b>
CPI - All Goods	99.8	100.1	100.0	100.3	100.7	101.8
Y-o-Y % Change	5.4	5.3	5.2	4.8	5.0	5.2
CPI - All Services	99.4	99.5	100.0	100.2	102.0	103.2
Y-o-Y % Change	6.0	6.0	6.0	5.9	6.7	6.6
CPI - Very low expenditure group	98.8	99.5	100.0	100.4	100.4	101.0
Y-o-Y % Change	6.7	7.1	7.2	6.9	6.9	6.5
CPI - Low expenditure group	98.9	99.5	100.0	100.4	100.4	101.1
Y-o-Y % Change	6.5	6.8	7.0	6.7	6.7	6.3
CPI - Middle expenditure group	99.2	99.6	100.0	100.4	100.5	101.4
Y-o-Y % Change	6.4	6.6	6.7	6.5	6.6	6.4
CPI - High expenditure group	99.3	99.6	100.0	100.3	100.9	102.1
Y-o-Y % Change	6.2	6.2	6.4	6.1	6.4	6.6
CPI - Very High expenditure group	99.7	99.8	100.0	100.3	101.6	102.9
Y-o-Y % Change	5.3	5.2	5.3	5.0	5.6	5.9

## Consumer Inflation - Key Product and Service Categories

	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13
<b>Key CPI Product and Service Categories</b>						
CPI - Housing and Utilities	99.5	99.5	100.0	100.1	100.1	100.9
<i>Y-o-Y % Change</i>	6.0	6.0	6.0	6.0	5.9	5.9
CPI - Food and Non-Alcoholic Beverages	98.6	99.8	100.0	100.9	100.3	100.2
<i>Y-o-Y % Change</i>	6.3	7.1	7.0	6.2	6.1	5.7
CPI - Alcoholic Beverages and Tobacco	100.1	100.2	100.0	100.5	101.3	104.1
<i>Y-o-Y % Change</i>	7.2	7.1	6.8	7.1	7.9	5.8
CPI - Clothing and Footwear	99.7	99.8	100.0	100.2	100.4	100.5
<i>Y-o-Y % Change</i>	3.5	3.2	3.2	3.2	3.2	2.9
CPI - Household Contents and Equipment	99.6	99.6	100.0	100.3	100.1	100.7
<i>Y-o-Y % Change</i>	2.7	3.1	3.3	3.2	3.2	3.2
CPI - Health	99.8	99.9	100.0	100.1	103.1	103.0
<i>Y-o-Y % Change</i>	5.4	5.4	5.5	5.5	4.4	4.0
CPI - Transport	99.9	99.7	100.0	99.8	101.1	103.8
<i>Y-o-Y % Change</i>	6.2	5.4	5.6	5.1	5.5	7.5
CPI - Communication	100.0	100.1	100.0	100.0	99.9	100.8
<i>Y-o-Y % Change</i>	-0.2	0.0	0.0	0.0	0.1	1.0
CPI - Recreation and Culture	100.4	100.3	100.0	100.3	101.3	101.8
<i>Y-o-Y % Change</i>	3.7	2.7	2.7	3.0	3.6	4.5
CPI - Education	100.0	100.0	100.0	100.0	100.0	109.0
<i>Y-o-Y % Change</i>	8.9	8.9	8.9	8.9	8.9	9.0
CPI - Restaurants and Hotels	98.5	99.4	100.0	101.0	101.3	101.9
<i>Y-o-Y % Change</i>	5.7	6.4	6.7	7.3	7.2	6.0
CPI - Miscellaneous	99.8	99.8	100.0	100.5	105.9	106.2
<i>Y-o-Y % Change</i>	5.3	5.3	5.6	4.9	7.5	7.4

## Consumer Inflation - Housing - Related Components

	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13
<b>Key CPI Housing and Related Measures</b>						
CPI - Housing and Utilities	99.5	99.5	100.0	100.1	100.1	100.9
<i>Y-o-Y % Change</i>	6.0	6.0	6.0	6.0	5.9	5.9
CPI - Actual housing rentals	99.2	99.2	100.0	100.0	100.0	101.2
<i>Y-o-Y % Change</i>	4.8	4.8	4.8	4.8	4.8	4.7
- Houses	99.3	99.3	100.0	100.0	100.0	101.1
<i>Y-o-Y % Change</i>	4.3	4.3	4.3	4.3	4.3	3.9
- Townhouses	98.8	98.8	100.0	100.0	100.0	101.5
<i>Y-o-Y % Change</i>	4.4	4.4	4.7	4.7	4.7	5.1
- Flats	98.9	98.9	100.0	100.0	100.0	101.2
<i>Y-o-Y % Change</i>	5.2	5.2	5.7	5.7	5.7	5.3
CPI - Owner occupied housing rentals	99.3	99.3	100.0	100.0	100.0	101.1
<i>Y-o-Y % Change</i>	4.2	4.2	4.2	4.2	4.2	4.0
- Houses	99.3	99.3	100.0	100.0	100.0	101.1
<i>Y-o-Y % Change</i>	4.1	4.1	4.1	4.1	4.1	3.9
- Townhouses	98.9	98.9	100.0	100.0	100.0	101.5
<i>Y-o-Y % Change</i>	4.7	4.7	4.6	4.6	4.6	5.0
- Flats	99.0	99.0	100.0	100.0	100.0	101.4
<i>Y-o-Y % Change</i>	5.2	5.2	5.7	5.7	5.7	5.6
CPI - Home Maintenance and Repairs	98.9	99.2	100.0	101.0	101.0	102.0
<i>Y-o-Y % Change</i>	6.0	6.0	7.1	7.8	6.3	6.4
CPI - Housing - Water and other services	100.0	100.0	100.0	100.0	100.0	100.0
<i>Y-o-Y % Change</i>	9.2	9.2	9.2	9.2	9.2	9.2
CPI - Housing - Electricity and other fuels	99.7	99.8	100.0	100.0	100.0	100.1
<i>Y-o-Y % Change</i>	10.0	10.2	10.3	10.3	10.1	10.2