

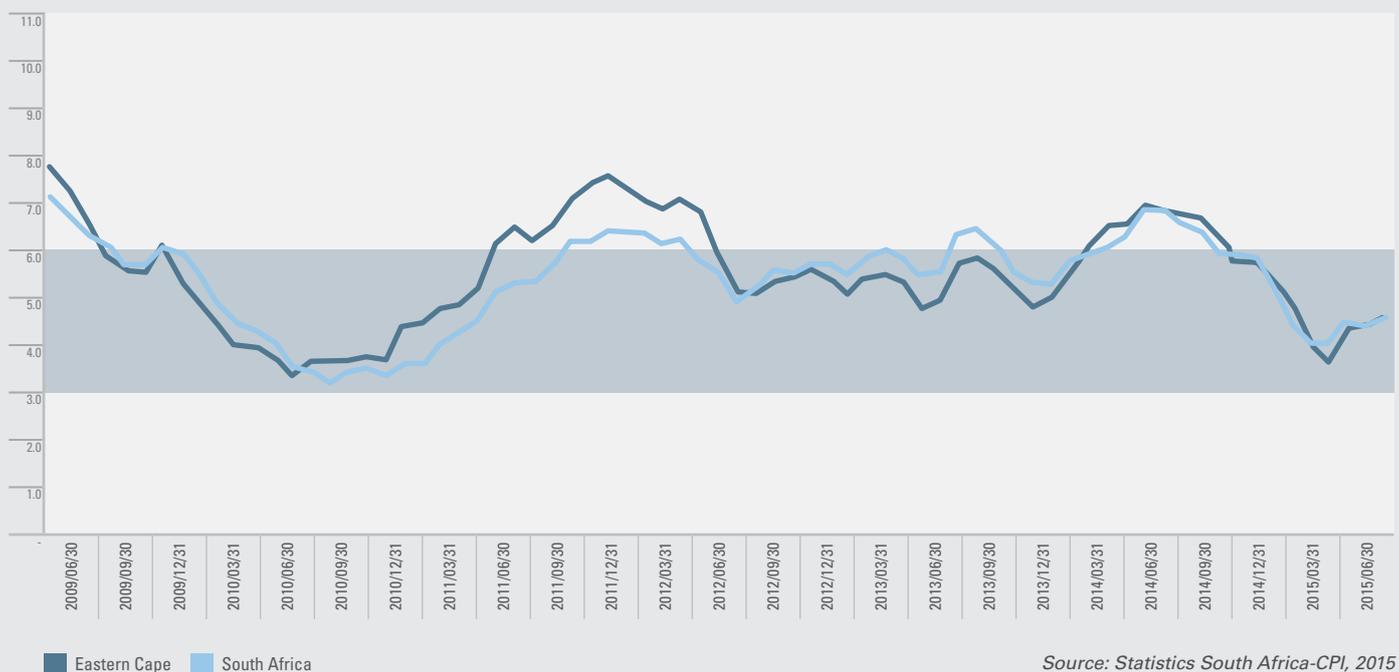
## INTRODUCTION

The Eastern Cape Inflation Analysis is a publication by the Eastern Cape Socio Economic Consultative Council (ECSECC). This provincial analysis is based on inflation data released by Statistics South Africa on a monthly basis. This publication is intended to inform policy makers about inflation trends and drivers in the Eastern Cape and which policies to pursue for the development of the province. Poor households' welfare levels are influenced by fluctuations in the real values of income and remain more vulnerable to inflation in their main expenditure categories. Hence a better understanding of inflation trends and drivers in the Eastern Cape could strengthen the interventions towards fighting the triple challenge of poverty, inequality and unemployment.



## INFLATION - APRIL 2015 SOUTH AFRICA & EASTERN CAPE

FIGURE 1: CPI for South Africa and the Eastern Cape, 30/06/2009-30/06/2015



Source: Statistics South Africa-CPI, 2015

# INFLATION - APRIL 2015 SOUTH AFRICA & EASTERN CAPE CONTD.

In June 2015 the Eastern Cape inflation rate (4.6% y/y) was equal to the South African inflation rate (4.6% y/y). Both the Eastern Cape and South Africa's inflation rate increased by 0.2 of a percentage point each in June 2015.

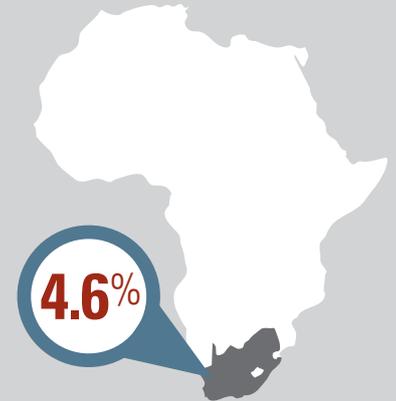
The national headline CPI (for all urban areas) for June 2015 was 4.7% y/y which was above the national average inflation rate and the Eastern Cape. The headline (for all urban areas) was up by 0.1 of a percentage point from 4.6% y/y in May 2015.

Inflation rates of thirteen towns in the country were compared for June 2015. The monthly inflation rate for East London increased to 4.9% y/y in June 2015 from 4.7% y/y in May 2015, whereas the Port Elizabeth monthly inflation rate decreased to 4.5% y/y in June 2015 from 4.6% y/y in May 2015. The inflation rate for East London was higher than both the Eastern Cape and national inflation rate in June 2015, whereas Port Elizabeth experienced lower inflation rate than both the province and the country.

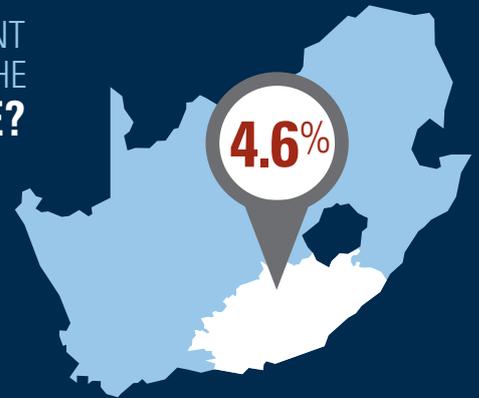
Looking at the items contained in the basket of goods for both East London and Port Elizabeth for June 2015. The consumer price index excluding food and non-alcoholic beverages for East London was 4.9% while Port Elizabeth's consumer price index excluding food and non-alcoholic was 4.5% in the same period. The food and non-alcoholic beverages and consumer price index excluding housing for Port Elizabeth and East London differs by 0.1 of a percentage point.

In June 2015 East London recorded the fourth highest inflation rate when compared with other towns, whereas Port Elizabeth recorded the fifth lowest inflation rate. The East London inflation rate increased by 0.2 of a percentage point, while Port Elizabeth experienced a decreased of 0.1 of a percentage point.

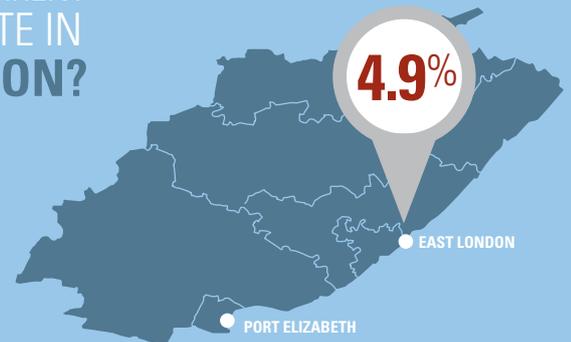
## WHAT IS THE CURRENT INFLATION RATE IN SOUTH AFRICA?



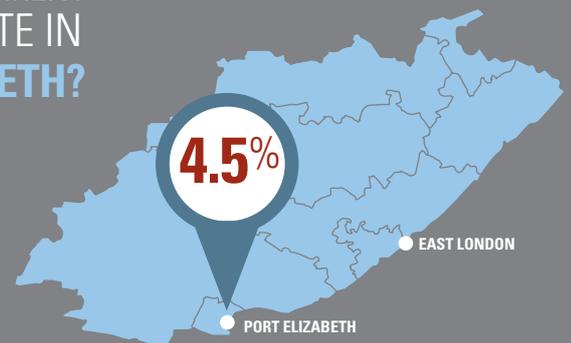
## WHAT IS THE CURRENT INFLATION RATE IN THE EASTERN CAPE?



## WHAT IS THE CURRENT INFLATION RATE IN EAST LONDON?

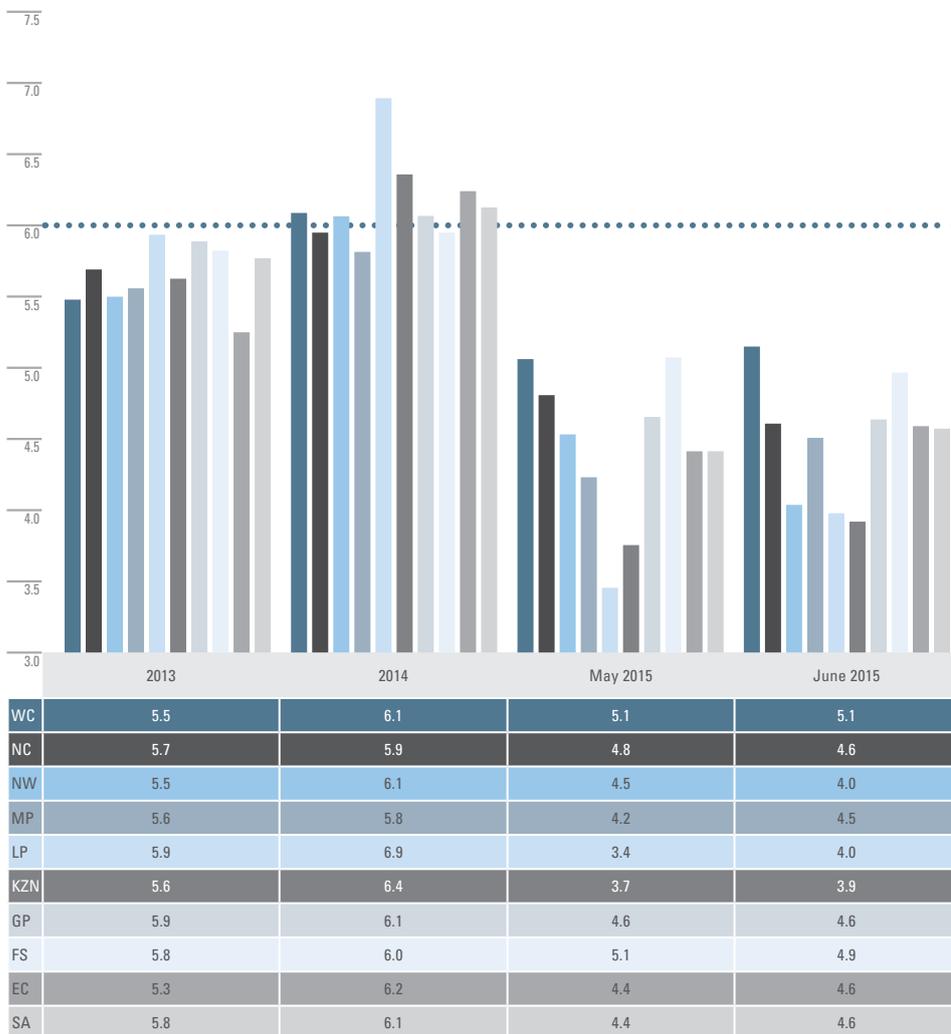


## WHAT IS THE CURRENT INFLATION RATE IN PORT ELIZABETH?



# COMPARING INFLATION IN SOUTH AFRICA'S PROVINCES

**FIGURE 2:** Inflation levels for South Africa and the nine provinces, 2013-2015



Source: Statistics South Africa-CPI, 2015

Year-on-year percentage change in the CPI for South Africa and the nine provinces for 2013, 2014 and May and June 2015 are displayed in Figure 2.

Between May 2015 and June 2015, the inflation rate of some provinces increased while other provinces decreased. The largest increase was experienced by Limpopo (0.53 of a percentage point), followed by the Mpumalanga (0.27 of a percentage point) and the Eastern Cape (0.17 of a percentage point). The largest decline in inflation rate was the North West (-0.50 of a percentage point).

In June 2015, Western Cape recorded the highest inflation rate of 5.1% y/y and KwaZulu-Natal recording the lowest inflation rate of 3.9% y/y. The Eastern Cape (4.6%) recorded the fifth largest inflation rate.

The province with an annual inflation rate lower or equal to headline (4.7%) were Gauteng, Northern Cape, Eastern Cape at 4.6% each, Mpumalanga (4.5%), North West and Limpopo at 4.0% each and KwaZulu-Natal (3.9%). The provinces with an annual inflation rate higher than the headline were Western Cape (5.1%) and Free State (4.9%).

## DETERMINANTS OF INFLATION

**TABLE 1:** Eastern Cape's CPI group indices, weights, percentage change & contribution to inflation, June 2015

Index description	Weight	Percentage change		Estimated contribution to inflation (%)
		Month-on-month	Year-on-year	
Food & non-alcoholic beverages	25.3	-0.1	5.5	30.2
Alcoholic beverages and tobacco	4.9	0.1	6.5	6.9
Clothing and footwear	5.1	0.1	5.9	6.5
Housing and utilities	21.8	0.7	4.9	23.2
Household contents and services	5.7	0.9	0.9	1.1
Health	0.9	0.3	6.1	1.2
Transport	11.9	1.4	-0.2	-0.5
Communication	2.5	-	-1.2	-0.6
Recreation and culture	4.0	-	1.8	1.6
Education	2.0	-	9.1	4.0
Restaurants and hotels	2.1	-0.1	6.6	3.0
Miscellaneous goods and services	14.1	-0.1	7.0	21.4
All items	100.0	0.4	4.6	100.0

Source: Statistics South Africa-CPI, 2015

Table 1 shows that the main determinants of inflation in the Eastern Cape based on their respective weightings are price changes in food and non-alcoholic beverages (FNAB), housing and utilities, transport and miscellaneous goods and services (MGS). These four broad determinants, in terms of the weighting, contribute more than 70.0% to the level of inflation and inflation movements in the province.

# DETERMINANTS OF INFLATION *CONTD.*

The FNAB index accounted for 30.2% of the average price increase in the Eastern Cape during June 2015 compared to 30.5% in May 2015. The MGS accounted for 21.4% in June 2015 compared to 19.3% in May 2015 and the housing and utilities index accounted for 23.2% of average price increases in June 2015.

Among the 12 group indices, the annual inflation rate of education (9.1%), miscellaneous goods and services (7.0%), restaurants and hotels (6.6%), alcoholic beverages and tobacco (6.5%), health (6.1%), clothing and footwear (5.9%), food and non-alcoholic beverages (5.5%) as well as housing and utilities (4.9%) were higher than the national rate of 4.6%.

Transport and communication accounted for negative contribution of 0.5% and 0.6% respectively.

The FNAB index for the Eastern Cape decreased to 0.1% in June 2015 from an up of 0.2% in May 2015. The annual rate increased to 5.5% in June 2015 from 5.3% in May 2015. Within the FNAB index, price decreases in the following components provided the downward momentum: other food (-2.0%), cold beverages (-1.7%), vegetables (-1.5%), sugar, sweets and desserts (-0.4%) and hot beverages (-0.1%). The following components increased: oils and fats (1.6%), fruit (1.3%), fish (0.8%), meat (0.5%), bread and cereals (0.3%), and milk, eggs and cheese (0.2%). Whereas, bread and cereals (0.0%) was unchanged.

The annual increases of the five indices out of twelve indices were above the upper limit of the inflation target zone of 6%.

The housing and utilities index increased to 0.7% in June 2015 on a month on month (MoM) basis. The growth experienced in the housing and utilities index was due to increases experienced in actual rentals for housing (1.0%), owners' equivalent rent (1.0%) and electricity and other fuels (0.5%).

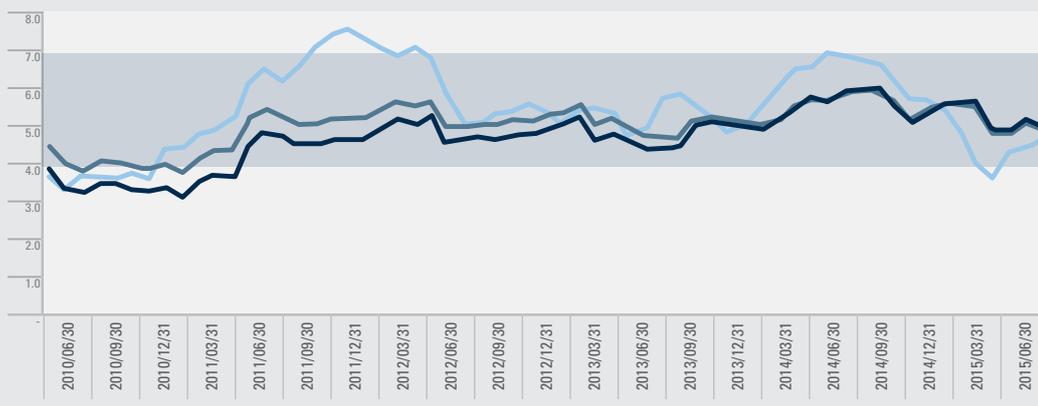
**2015 JUNE**  
**WHICH WERE THE MAIN CONTRIBUTORS TO INFLATION IN THE EASTERN CAPE?**

- 30.2%** FNAB
- 21.4%** MGS
- 19.3%** HOUSING & UTILITIES

The MGS index decreased to -0.1% in June 2015 from 0.3% in May 2015. The negative growth experienced in the MGS index was due to a decrease in both personal care (-0.4%) and financial services (-0.3%).

The annual inflation rates of recreation and culture (1.8%), household contents and services (0.9%), transport (-0.2%) as well as communication (-1.2%) were lower than the national rate.

**FIGURE 3: Measures of underlying inflation in the Eastern Cape, Jun 2010-Jun 2015**



■ CPI ■ CPI ex FNAB & petrol (underlying inflation) ■ CPI ex FNAB, petrol & electricity

Source: Statistics South Africa-CPI, 2015

When the impact of more volatile FNAB and petrol prices are excluded from the consumer price index (4.6% y/y) the underlying annual inflation rate amounted to 4.9% y/y in June 2015.

When electricity was excluded from the calculation the underlying inflation rate was 4.9% y/y in the same month.