CPI unchanged at 5.6%

The Consumer Price Index (CPI) remained unchanged at 5.6% in November, Statistics South Africa (Stats SA) said on Wednesday, 12 Decemeber 2012.

"Headline CPI (for all urban areas) annual inflation rate in November 2012 was 5.6%. This rate was unchanged from the corresponding annual rate of 5.6% in October 2012," said Stats SA.

Market expectation was that it would remain unchanged at 5.6%.

According to Stats SA, CPI increased by 0.2% month-on-month in November from 0.6% in October.

The food and non-alcoholic beverages index continued to increase in November, rising to 7% from 6.3% in October. The increase was driven by higher prices of fruit, vegetables, meat, bread and cereals as well as other food among others.

Standard Bank said it expected a further acceleration in food inflation.

Nedbank economists agreed with this, saying the increase in food prices were a result of the dry US summer.

"This, together with the usual seasonal increase in the price of foodstuff such as meat, will ensure that food remains a risk in the December CPI number. Despite this, we still expect inflation to remain within the target range in the short term," said Nedbank.

The transport index decreased to 5.5% year-on-year from 6.1% in October. Petrol prices in November declined by 10 cents a litre.

The bank said it expected CPI inflation to overshoot the Reserve Bank's upper target band of 6% by mid-2013.

"We expect that the annual average will be between 5.5% and 6 % over 2013. This is before taking into account the impact of the new inflation basket on the number for January 2013 onwards, which could push CPI up by a few percentage points," said Standard Bank.

Most of 2013, said Nedbank, would depend on developments in Europe and on whether the US "fiscal cliff" could be averted.

"Clearly a renewed slump globally would increase the possibility of further interest rate cuts domestically. However, with rising inflationary pressures and a vulnerable balance of payments, the MPC [Monetary Policy Committee] will probably keep rates on hold provided there is no threat of recession," said Nedbank.