

SURVEY OF INFLATION EXPECTATIONS

RESULTS REPORT: 1ST QUARTER 2012

Executive Summary

- Respondents expect inflation to remain at the upper end of the 3-6% target limit over the forecast period, with the target set to be breached in 2012 and 2013.
- Inflation is projected to average 6.1% in 2012 (households excluded).
- Headline CPI is then forecast to remain at 6.1% in 2013.
- Analysts expect inflation to exceed the target ceiling of 6% only in 2012, while business people anticipate the breach to remain until 2014.
- Households forecast inflation for 2012 to be 6.2%.
- Inflation is expected to stabilise in 2013, before moderating slightly during 2014.

	Headline CPI inflation		
	2012	2013	2014
Financial Analysts	6.2	5.6	5.5
Business	6.2	6.5	6.5
Trade Union Movement	6.0	6.2	6.0
Average above	6.1	6.1	6.0
Households	6.2		
Grand average	6.2		

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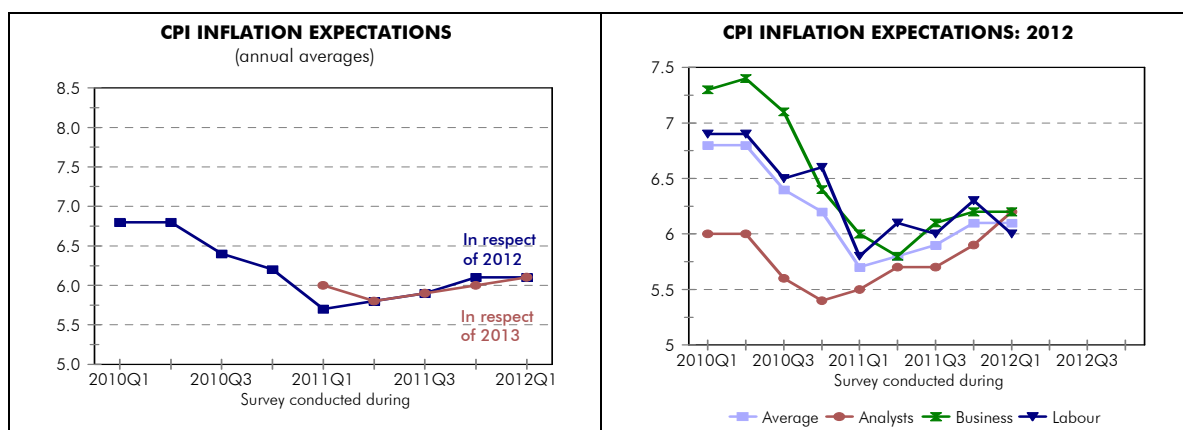
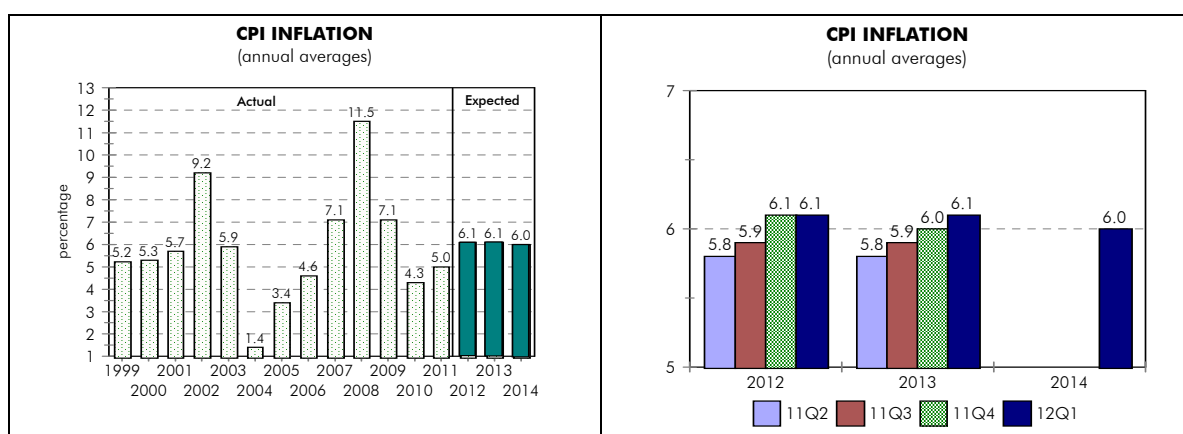
Survey results

Inflation expectations

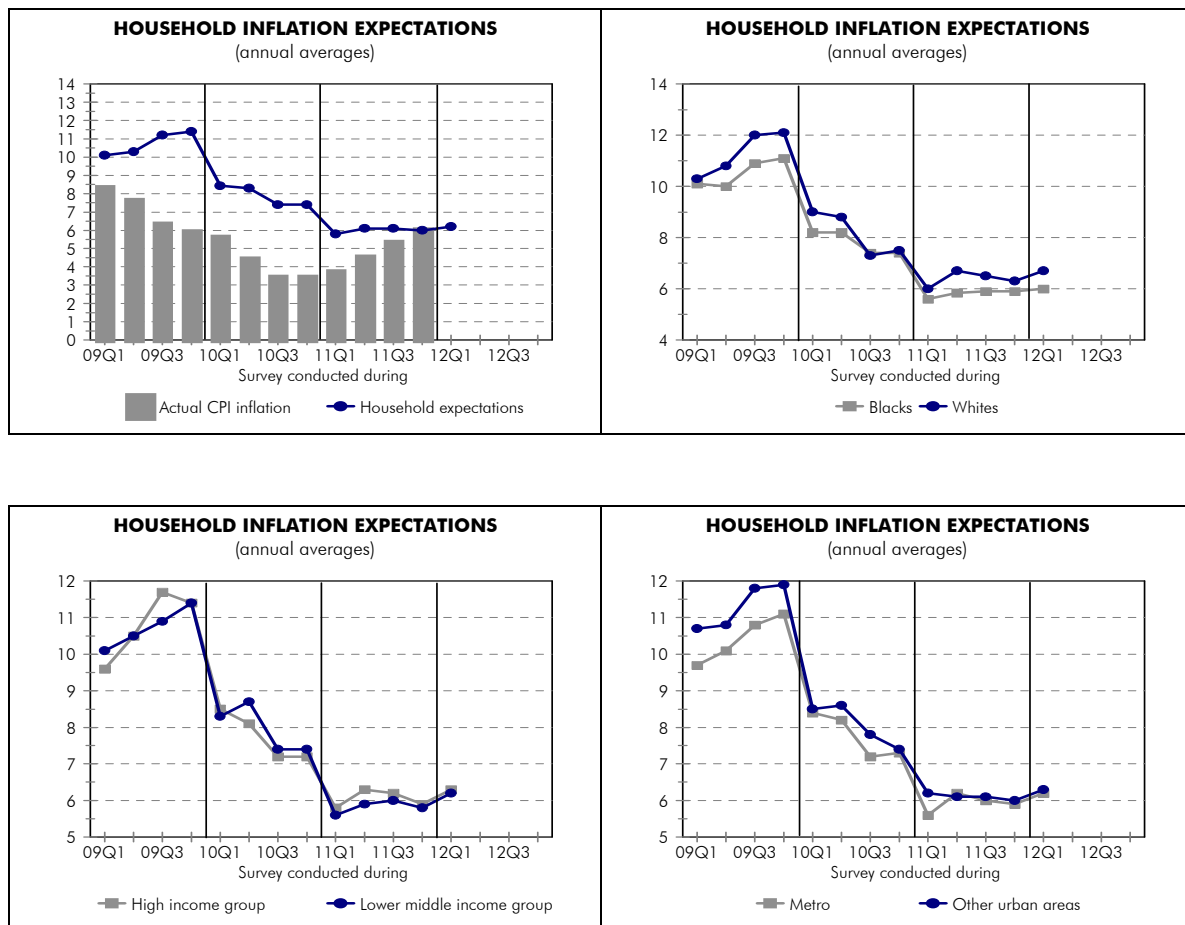
- The average inflation expectation for 2012 remained unchanged at 6.1% in 2012Q1 from 2011Q4.
- Respondents again raised their 2013 inflation estimate by 0.1 percentage point (%pt), to 6.1%.
- For 2014 they anticipate an inflation rate that is right on the target ceiling of 6.0%.
- On average, inflation is projected to move sideways from 6.1% (expected for 2012), to 6.1% in 2013, before easing marginally to 6.0% in 2014.
- The separate social groups diverged on their headline CPI forecast for 2012.
- Analysts expect inflation to average 6.2% in 2012 – up from 5.9% previously. They left their forecast for 2013 unchanged at 5.6%. In 2014 inflation is expected to marginally tick down to 5.5%.
- Business people project inflation to be 6.2% for 2012, no change from their view in 2011Q4. However, for 2013 they upped the forecast by 0.2%pts to 6.5%.
- Business respondents anticipate the headline CPI estimate for 2014 to be 6.5%, the same as for the previous year.
- Over the forecast period, business people expect inflation to accelerate from an unchanged 6.2% in 2012 to an average of 6.5% in 2014.
- Labour union officials, unlike the other groups, lowered their 2012 inflation forecast from 6.3% in 2011Q4 to 6.0% in 2012Q1, but they raised the 2013 headline CPI estimate by 0.1%pt to 6.2%.
- They also reported the lowest inflation expectations for 2012.
- Furthermore, the unions' inflation forecast for 2014 is 6.0%, down 0.2%pts from their 2013 forecast.
- Households expect inflation to be 6.2% during 2012, in line with the average of the other groups.
- Overall, respondents project inflation to remain above the upper end of the 3-6% target limit during the next two years, only returning in the third.
- Respondents expect headline CPI to average 6.2% over the next five years. This is virtually unchanged from the 6.3% recorded in 2011Q4.

Headline CPI inflation expectations

Survey conducted during	2011Q4				2012Q1			
	Analysts	Business people	Trade union officials	Average	Analysts	Business people	Trade union officials	Average
CPI inflation during the year								
2012	5.9	6.2	6.3	6.1	6.2	6.2	6.0	6.1
2013	5.6	6.3	6.1	6.0	5.6	6.5	6.2	6.1
2014					5.5	6.5	6.0	6.0

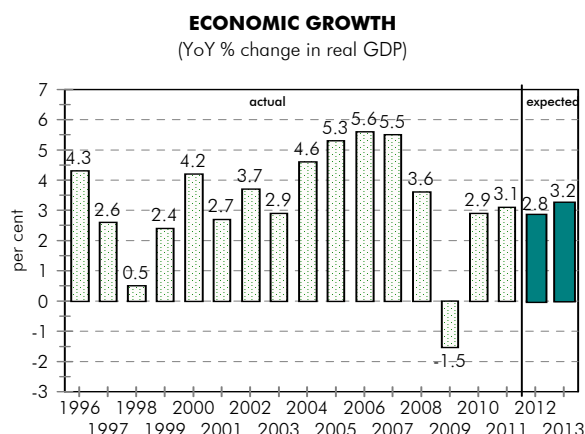


Household inflation expectations



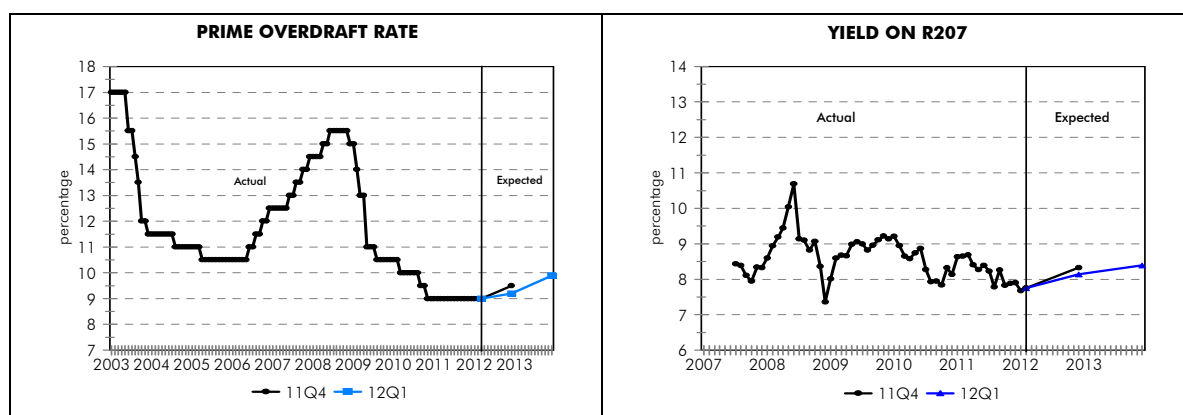
Forecasts of the other variables

- On average, respondents reduced their economic growth estimates for 2012.
- Real GDP is expected to slow from the 3.1% in 2011 to 2.8% during 2012 (previously expected at 3.0%).
- The rate of economic growth is projected to accelerate to 3.2% in 2013.

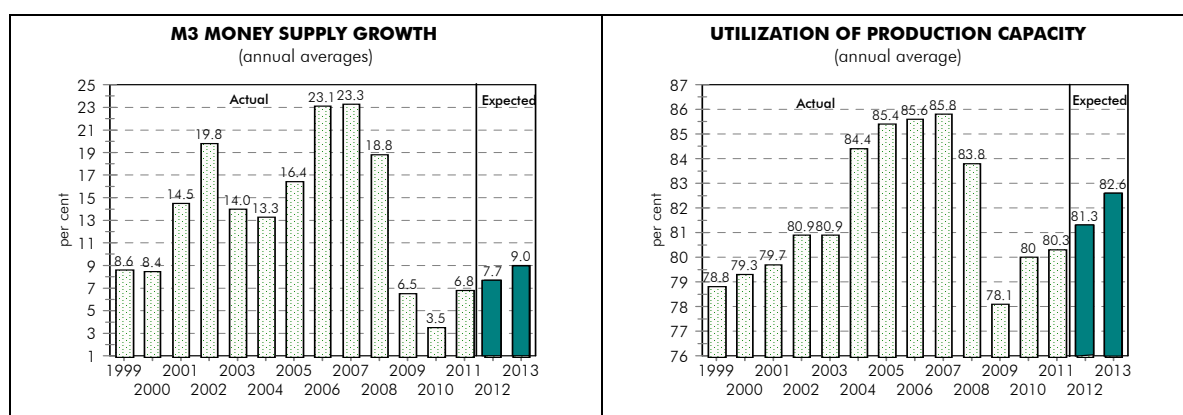


- Of the social groups, analysts made the biggest downward revision in their outlook, lowering their forecast for 2012 economic growth by 0.4%pts from 3.2% in 2011Q4 to 2.8% in 2012Q1. Labour respondents also expect real GDP growth of 2.8% during 2012, but it is compared to a 3% forecast in 2011Q4.
- Furthermore, analysts expect real GDP growth to recover to 3.4% in 2013.
- Compared to the other groups, analysts are the most optimistic for 2013.
- Unlike the other two groups, business people upwardly revised (albeit from a lower level) their economic growth forecast for 2012 by 0.1%pt. They expect real GDP growth to average 2.9% during 2012, rising to 3.1% in 2013.
- Trade union officials reduced their economic growth forecast for 2012. They anticipate real GDP growth to average 2.8% during 2012 (previously 3.0%).
- Labour union representatives expect economic growth to accelerate to 3.2% during 2013 – up by 0.4%pts compared to 2012.
- On average, all social groups lowered their prime overdraft rate expectations for 2012 in comparison with 2011Q4.
- Their average expectation is that the prime overdraft rate will be at 9.2% by the end of 2012, lower than the 9.5% anticipated during the previous quarter.
- On average, respondents forecast a 70 basis points increase in the prime overdraft rate between the end of 2012 and 2013.
- Analysts lowered their forecast by 20 basis points to a level of 9.3% for the end of 2012. The prime rate is projected to end 2013 at 10.2%.
- However, business people and trade union officials reduced their 2012 forecast by a bigger margin, from 9.5% previously to 9.2% during 2012Q1.

- Business people anticipate the smallest increase in 2013, only 40 basis points.

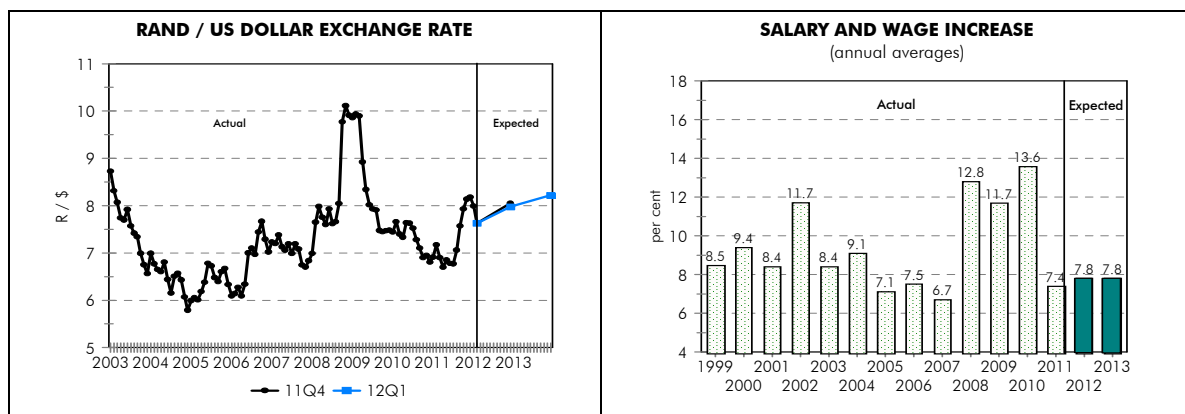


- Analysts expect the yield on the R207 bond to be 8.14% at the end of 2012 (previously 8.33%). They expect the yield to rise to 8.39% by the end of 2013.
- Forecasts for money supply growth were downwardly revised for 2012.
- Analysts notably reduced their projection for the rate of increase in money supply from 8.4% to 7.7% during 2012. They expect the growth in money supply to accelerate to 9.0% in 2013.



- The percentage utilization of production capacity in manufacturing is expected to rise on average from 81.3% during 2012 to 82.6% in 2013. The 2012 forecast is lower than the 81.8% projected in the previous quarter.
- Respondents expect the rand exchange rate to be slightly stronger by the end of 2012 than they expected in 2011Q4. The local currency is forecast to end 2012 at R7.98/\$, largely unchanged from the previous expectation of R8.05/\$.
- The rand is expected to depreciate to R8.22/\$ at the end of 2013. This is a 24 cent depreciation from the 2012 forecast.

- Analysts expect the rand to end 2012 at R7.92/\$ (previously R7.98/\$). They forecast the rand to depreciate somewhat during 2013 – ending at R8.14/\$.
- Business people project the rand to end the current year at R8.07/\$. This is marginally stronger than their previous forecast of R8.16/\$. They expect the local currency to end 2013 trading at R8.32/\$.
- Trade unions anticipate the rand exchange rate to be at R7.95/\$ at the end of 2012, before ending 2013 at R8.21/\$.



- All social groups reduced their expectations for salary and wage increases for 2012.
- The average forecast for salary and wage increases during 2012 declined from 8.6% to 7.8%. Respondents expect salary and wage increases to also average 7.8% in 2013.
- Analysts lowered their expectations for salary and wage increases during 2012 from 8.4% previously to 7.9%. They forecast the rate to remain at 7.9% in 2013.
- Business people forecast salaries and wages to rise by 7.5% during 2012 – notably down from their previous forecast of 9.3%. They expect the rate of increase to tick up to 7.7% in 2013.
- Trade unions reduced their 2012 estimates for salary and wage increases from 8.1% in the previous quarter to 8.0% during 2012Q1. They expect salary increases during 2013 to remain at 8.0%.

Background

The 2012 first quarter survey of financial analysts, business executives and representatives of the trade union movement was conducted between 14 February and 13 March 2012 and the results computed on 14 March 2012.

The survey of household inflation expectations was conducted amongst 2 389 households by way of personal interviews. The fieldwork for the household survey was conducted between 8 and 21 February and the results processed on 16 March 2012.

Respondents to 1st quarter survey	Number
Financial analysts	17
Business executives	388
Representatives of the trade union movement	15
	420
Households ¹	2066

¹ Survey amongst households conducted by AC Nielsen, responses above 25% as well as "don't knows" were discarded.

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20 March 2012

A. SUMMARY OF SURVEY RESULTS

Financial analysts, business people and representatives of the trade union movement:

Survey conducted during	2011Q4				2012Q1			
	Analysts	Business people	Trade union officials	Average	Analysts	Business people	Trade union officials	Average
Headline CPI inflation during the year								
2012	5.9	6.2	6.3	6.1	6.2	6.2	6.0	6.1
2013	5.6	6.3	6.1	6.0	5.6	6.5	6.2	6.1
2014					5.5	6.5	6.0	6.0
Economic growth (% change in real GDP) during the year								
2012	3.2	2.8	3.0	3.0	2.8	2.9	2.8	2.8
2013					3.4	3.1	3.2	3.2
Prime overdraft rate at the end of								
2012	9.5	9.5	9.5	9.5	9.3	9.2	9.2	9.2
2013					10.2	9.6	9.9	9.9
Yield on R207 at the end of								
2012	8.33			8.33	8.14			8.14
2013					8.39			8.39
Rand/US dollar at the end of								
2012	7.98	8.16	8.01	8.05	7.92	8.07	7.95	7.98
2013					8.14	8.32	8.21	8.22
M3 money supply growth during the year								
2012	8.4			8.4	7.7			7.7
2013					9.0			9.0
Salary and wage increase during the year								
2012	8.4	9.3	8.1	8.6	7.9	7.5	8.0	7.8
2013					7.9	7.7	8.0	7.8
Percentage utilisation of production capacity in manufacturing during the year								
2012	81.8			81.8	81.3			81.3
2013					82.6			82.6

Households:

Avg price increase during the year			
2011	6.0		
2012			6.2

B. DETAILS OF SURVEY RESULTS- 2012Q1: Analysts, business executives and trade union officials

	CPI 2012	CPI 2013	CPI 2014	GDP 2012	GDP 2013	PRIME 2012	PRIME 2013
Financial Analysts							
Count	17	17	16	17	17	17	17
Average	6.2	5.6	5.5	2.8	3.4	9.3	10.2
Standard deviation	0.4	0.6	0.5	0.2	0.3	0.3	0.6
Maximum	7.0	6.5	6.3	3.1	3.8	10.0	11.5
Minimum	5.0	4.5	4.5	2.5	2.8	9.0	9.5
Median	6.2	5.7	5.7	2.8	3.5	9.0	10.0
Mode	6.5	6.1	5.8	2.8	3.5	9.0	10.0
Business People							
Count	387	362	352	387	362	385	358
Average	6.2	6.5	6.5	2.9	3.1	9.2	9.6
Standard deviation	0.9	1.0	1.2	0.7	0.8	0.5	1.0
Maximum	12.3	13.0	15.0	5.3	5.7	14.0	16.5
Minimum	3.5	3.0	3.0	-5.0	-5.0	7.0	6.0
Median	6.0	6.5	6.3	3.0	3.0	9.0	9.5
Mode	6.0	6.0	6.0	3.0	3.0	9.0	10.0
Trade Union Officials							
Count	15	14	14	14	14	15	14
Average	6.0	6.2	6.0	2.8	3.2	9.2	9.9
Standard deviation	0.9	1.0	1.0	0.7	0.7	0.4	1.1
Maximum	7.0	7.0	7.0	3.6	4.1	10.0	12.0
Minimum	4.0	4.1	4.2	1.5	1.7	8.5	8.0
Median	6.2	6.5	6.0	3.0	3.5	9.0	10.0
Mode	6.2	7.0	6.0	3.5	3.5	9.0	10.0

	R207 2012	R207 2013	RAND 2012	RAND 2013	M3 2012	M3 2013	WAGES 2012	WAGES 2013	CAPACITY 2012	CAPACITY 2013
Financial Analysts										
Count	15	15	16	16	17	17	16	16	13	13
Average	8.14	8.39	7.92	8.14	7.7	9.0	7.9	7.9	81.3	82.6
Standard deviation	0.5	0.4	0.4	0.6	1.0	1.9	0.6	0.8	0.7	1.1
Maximum	9.0	9.1	8.5	9.0	10.0	14.0	9.5	9.5	82.0	84.5
Minimum	7.5	7.5	7.2	7.0	5.7	4.8	6.7	6.5	80.0	81.0
Median	8.0	8.4	8.0	8.4	7.3	9.3	8.0	7.9	81.3	82.0
Mode	8.0	8.5	8.5	#N/A	7.0	10.0	8.0	7.5	82.0	82.0
Business People										
Count			386	360			388	362		
Average			8.07	8.32			7.5	7.7		
Standard deviation			0.4	0.7			1.5	1.5		
Maximum			10.0	12.4			15.0	15.0		
Minimum			6.7	6.5			3.3	2.0		
Median			8.0	8.2			7.2	7.5		
Mode			8.0	8.0			7.0	8.0		
Trade Union Officials										
Count			15	14			15	14		
Average			7.95	8.21			8.0	8.0		
Standard deviation			0.5	1.0			2.0	1.4		
Maximum			9.0	10.0			12.0	10.0		
Minimum			7.0	6.5			6.0	6.0		
Median			8.1	8.4			7.0	7.7		
Mode			7.0	6.5			7.0	7.0		

C. HISTORICAL DATA: Analysts, business executives and trade union officials

CPI	Survey quarter															
	08Q3	08Q4	09Q1	09Q2	09Q3	09Q4	10Q1	10Q2	10Q3	10Q4	11Q1	11Q2	11Q3	11Q4	12Q1	12Q2
Total																
2009	8.7	8.6	8.3	8.7	8.2	8.1										
2010	7.7	7.5	8.0	8.1	7.5	7.5	6.5	6.3	5.7	5.4						
2011			7.8	7.9	7.5	7.7	6.7	6.5	6.1	5.5	5.3	5.3	5.5	5.5		
2012							6.8	6.8	6.4	6.2	5.7	5.8	5.9	6.1	6.1	
2013											6.0	5.8	5.9	6.0		
2014															6.0	
Analysts																
2009	7.6	7.0	6.1	6.9	7.2	7.2										
2010	5.7	5.8	5.4	5.7	5.6	5.7	5.5	5.0	4.5	4.3						
2011			5.5	5.6	5.5	5.9	5.9	5.7	5.2	4.5	4.7	5.0	5.1	5.1		
2012							6.0	6.0	5.6	5.4	5.5	5.7	5.7	5.9	6.2	
2013											5.6	5.5	5.5	5.6	5.6	
2014															5.5	
Business																
2009	9.4	9.4	9.2	9.4	9.1	8.9										
2010	8.4	8.4	8.6	8.6	8.7	8.6	7.1	6.9	6.5	5.7						
2011			8.3	8.3	8.5	8.7	7.2	7.2	6.8	6.0	5.4	5.4	5.6	5.7		
2012							7.3	7.4	7.1	6.4	6.0	5.8	6.1	6.2	6.2	
2013											6.2	6.0	6.3	6.3	6.5	
2014															6.5	
Trade Unions																
2009	9.2	9.4	9.7	9.7	8.3	8.3										
2010	9.0	8.4	10.1	10.1	8.2	8.2	7.0	7.0	6.2	6.1						
2011			9.6	9.9	8.3	8.5	6.9	6.7	6.4	6.0	5.6	5.5	5.7	5.7	6.0	
2012							6.9	6.9	6.5	6.6	5.8	6.1	6.0	6.3	6.2	
2013											6.2	5.9	5.9	6.1	6.2	
2014															6.0	

DETAILS OF SURVEY RESULTS: Households

Survey quarter Expectations in respect of	2011Q3	2011Q4	2012Q1				
	2011	2011	2012				
	Average	Average	Average ¹	Std Dev ¹	Median ¹	Minimum	Maximum
Total	6.1	6.0	6.2	3.1	6	1	100
Per population group							
Blacks	5.9	5.9	6.0	3.0	5	1	100
Coloureds	5.9	5.6	6.3	2.7	6	1	50
Indians	6.6	6.1	7.1	3.2	6	1	100
Whites	6.5	6.3	6.7	3.3	6	1	60
Per monthly household income							
R8000+	6.2	5.9	6.3	3.2	6	1	60
R4000-R7999	6.1	6.2	6.1	3.1	5	1	100
R800-R3999	6.0	5.8	6.2	3.0	6	1	80
R1-R799	5.9	5.8	6.1	2.9	6	1	80
Per age group							
16-24	6.1	5.7	6.0	3.1	5	1	60
25-34	6.1	6.0	6.0	3.0	5	1	100
35-49	6.0	6.0	6.1	3.1	6	1	89
50+	6.2	6.2	6.7	3.1	6	1	80
Per gender							
Male	6.1	6.0	6.1	3.1	5	1	100
Female	6.1	5.9	6.3	3.1	6	1	100
Per community size							
Metro	6.0	5.9	6.2	3.3	6	1	100
Other urban	6.1	6.0	6.3	2.7	6	1	80

¹ Excluding don't know and responses exceeding 25%; ² Percentage of responses exceeding 25% and don't know (D/K) respectively.

D. HISTORICAL DATA: Households

	Survey quarter															
	08Q3	08Q4	09Q1	09Q2	09Q3	09Q4	10Q1	10Q2	10Q3	10Q4	11Q1	11Q2	11Q3	11Q4	12Q1	12Q2
Total	9.0	9.1	10.1	10.3	11.2	11.4	8.4	8.3	7.4	7.4	5.8	6.1	6.1	6.0	6.2	
Per population																
Blacks	8.7	8.8	10.1	10.0	10.9	11.1	8.2	8.2	7.4	7.4	5.6	5.8	5.9	5.9	6.0	
Coloureds	9.0	8.9	10.4	11.6	11.4	11.9	8.2	7.8	8.0	7.2	6.0	6.7	5.9	5.6	6.3	
Indians	8.9	9.4	9.3	10.5	10.2	11.1	8.5	9.3	7.6	7.4	6.6	6.6	6.6	6.1	7.1	
Whites	9.8	9.8	10.3	10.8	12.0	12.1	9.0	8.8	7.3	7.5	6.0	6.7	6.5	6.3	6.7	
Per income group																
R8000+	9.2	9.2	9.6	10.5	11.7	11.4	8.5	8.1	7.2	7.2	5.8	6.3	6.2	5.9	6.3	
R4000-R7999	9.4	8.9	10.3	10.1	11.0	11.3	8.3	8.1	7.4	7.6	5.7	6.3	6.1	6.2	6.1	
R800-R3999	9.0	9.0	10.1	10.5	10.9	11.4	8.3	8.7	7.4	7.4	5.6	5.9	6.0	5.8	6.2	
R1-R799	8.4	9.0	10.5	10.3	11.0	11.5	8.7	8.4	7.8	7.4	6.2	6.0	5.9	5.8	6.1	
Per age group																
16-24	9.1	9.1	9.9	10.7	11.4	11.8	8.6	8.1	7.1	7.3	5.5	5.9	6.1	5.7	6.0	
25-34	8.9	8.7	10.2	10.3	10.8	11.1	8.3	8.0	7.4	7.0	5.7	6.0	6.1	6.0	6.0	
35-49	8.8	9.1	9.8	10.5	10.9	11.3	8.1	8.3	7.6	7.5	6.1	6.3	6.0	6.0	6.1	
50+	9.3	9.4	10.7	9.9	11.8	11.6	8.9	9.0	7.5	7.7	5.7	6.5	6.2	6.2	6.7	
Per gender																
Male	8.9	8.9	9.9	10.1	11.0	11.2	8.4	8.2	7.3	7.4	5.8	6.1	6.1	6.0	6.1	
Female	9.1	9.2	10.3	10.6	11.4	11.6	8.4	8.4	7.5	7.4	5.7	6.2	6.1	5.9	6.3	
Per community																
Metro	8.9	8.9	9.7	10.1	10.8	11.1	8.4	8.2	7.2	7.3	5.6	6.2	6.0	5.9	6.2	
Other urban	9.3	9.4	10.7	10.8	11.8	11.9	8.5	8.6	7.8	7.4	6.2	6.1	6.1	6.0	6.3	

E. DATES WHEN SURVEYS WERE CONDUCTED

Business sector, financial analysts and the trade union movement

Survey quarter	Mail questionnaires	Date of return	Process results
07Q2	18/04	16/05	17/05
07Q3	20/08	10/09	11/09
07Q4	15/10	13/11	14/11
08Q1	21/02	25/03	25/03
08Q2	25/04	26/05	27/05
08Q3	22/08	19/09	22/09
08Q4	24/10	24/11	25/11
09Q1	23/02	25/03	26/03
09Q2	08/05	04/06	05/06
09Q3	30/07	27/08	28/08
09Q4	29/10	27/11	30/11
10Q1	09/02	09/03	10/03
10Q2	11/05	08/06	09/06
10Q3	10/08	07/09	08/09
10Q4	27/10	29/11	29/11
11Q1	08/02	08/03	09/03
11Q2	10/05	08/06	09/06
11Q3	09/08	06/09	07/09
11Q4	28/10	25/11	29/11
12Q1	14/02	13/03	14/03

Households

Survey quarter	Fieldwork (Done by AC Nielsen)	Process results
07Q2	10 – 24 Apr	17 May
07Q3	14 – 29 Aug	11 Sep
07Q4	8 – 22 Oct	14 Nov
08Q1	13 – 29 Feb	25 Mar
08Q2	5 – 18 Apr	27 May
08Q3	20 Aug – 4 Sep	23 Sep
08Q4	13 – 30 Oct	24 Nov
09Q1	11 – 25 Feb	24 Mar
09Q2	4 – 20 Apr	6 Jun
09Q3	13 – 27 Jul	28 Aug
09Q4	12 – 22 Oct	30 Nov
10Q1	5 – 19 Feb	10 Mar
10Q2	7 – 26 May	9 Jun
10Q3	6 – 18 Aug	9 Sep
10Q4	7 – 25 Oct	23 Nov
11Q1	11-23 Feb	9 Mar
11Q2	18 May – 6 Jun	13 Jun
11Q3	15 - 23 Aug	7 Sep
11Q4	6 – 24 Oct	28 Nov
12Q1	8 – 21 Feb	16 Mar

F. HISTORICAL INFORMATION PROVIDED TO RESPONDENTS

1. Business sector, financial analysts and trade union movement

2009

What do you expect the ...	Average				
	2004-08	2008	2009	2010	2011
average overall inflation rate (as measured by the percentage change in the CPI) to be during the year:	5.6	11.5			

2010

What do you expect the ...	Average				
	2005-09	2009	2010	2011	2012
average overall inflation rate (as measured by the percentage change in the CPI) to be during the year:	5.7	7.1			

2011

What do you expect the ...	Average				
	2006-10	2010	2011	2012	2013
average overall inflation rate (as measured by the percentage change in the CPI) to be during the year:	6.9	4.3			

2012

What do you expect the ...	Average				
	2007-11	2011	2012	2013	2014
average overall inflation rate (as measured by the percentage change in the CPI) to be during the year:	7.0	5.0			

2. Households

2008

Over the past five years prices increased by on average 4.5 percent per year. During 2007 prices increased by 7.1%. By about how much do you expect prices in general to increase in 2008?

2009

Over the past five years prices increased by on average 5.6 percent per year. During 2008 prices increased by 11.5%. By about how much do you expect prices in general to increase in 2009?

2010

Over the past five years prices increased by on average 5.7 percent per year. During 2009 prices increased by 7.1%. By about how much do you expect prices in general to increase during 2010?

2011

Over the past five years prices increased by on average 6.9 percent per year. During 2010 prices increased by 4.3%. By about how much do you expect prices in general to increase over the next 12 months?

2012

Over the past five years prices increased by on average 7.0 percent per year. During 2011 prices increased by 5.0%. By about how much do you expect prices in general to increase over the next 12 months?