

SURVEY OF INFLATION EXPECTATIONS

RESULTS REPORT: 3RD QUARTER 2014

Executive Summary

- The average inflation expectations of analysts, business people and trade union officials for the current and next two years remained unchanged compared to the previous survey.
- Household inflation expectations over the next 12 months also remained unchanged compared to the previous survey.
- Respondents expect economic growth to pick up from 1.8% in 2014 to 2.3% in 2015.
- On average, the survey respondents expect salaries and wages to increase by 7.9% during 2014 and by 8.0% during 2015.

	Headline CPI inflation		
	2014	2015	2016
Financial Analysts	6.2	5.7	5.4
Business	6.2	6.4	6.4
Trade Union Movement	6.2	6.2	6.2
Average above	6.2	6.1	6.0
Households	6.3		
Grand average	6.2		

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Survey results

Inflation expectations

The average inflation expectations of analysts, business people and trade union officials for the current and next two years remained unchanged compared to the previous survey.

This is the seventh consecutive quarter in which average inflation expectations remained largely unchanged.

Whereas analysts expect inflation to decelerate from 6.2% in 2014 to 5.4% in 2016, business people expect it to accelerate to 6.4%. In contrast, trade union officials foresee inflation to remain flat at 6.2% over the whole period.

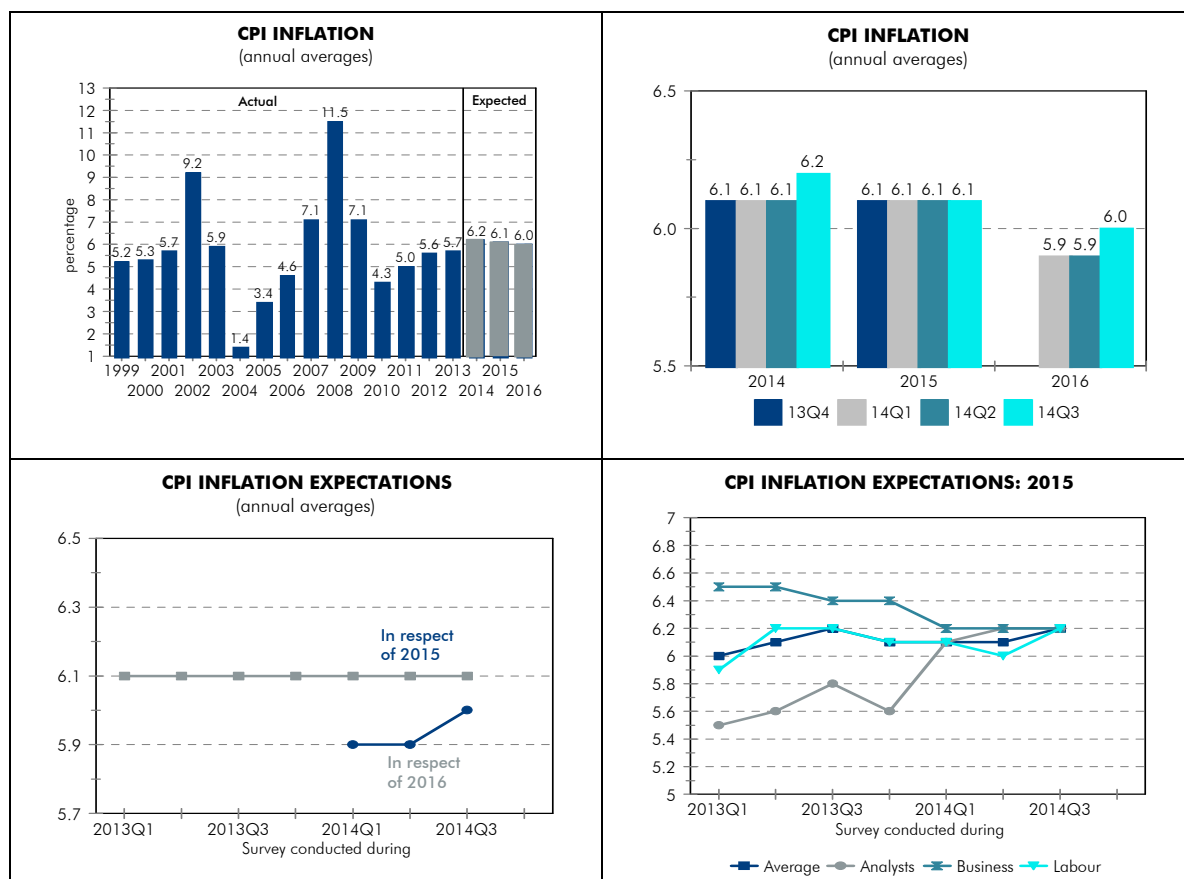
Average inflation expectations over the next five years declined from 6.1% to 5.9%, as trade union officials reversed their forecast to 5.9%. However, one should not attach too much weight to the results of the trade unions of a single quarter, as their expectations have fluctuated quite a bit between consecutive quarters over the three years that five year expectations have been surveyed.

Expected CPI inflation over the next five years				
Survey conducted during	Financial Analysts	Business People	Trade Union Officials	Total
2013Q3	5.7	6.7	6.2	6.2
2013Q4	5.5	6.6	6.6	6.2
2014Q1	5.5	6.5	6.1	6.0
2014Q2	5.4	6.5	6.5	6.1
2014Q3	5.4	6.5	5.9	5.9

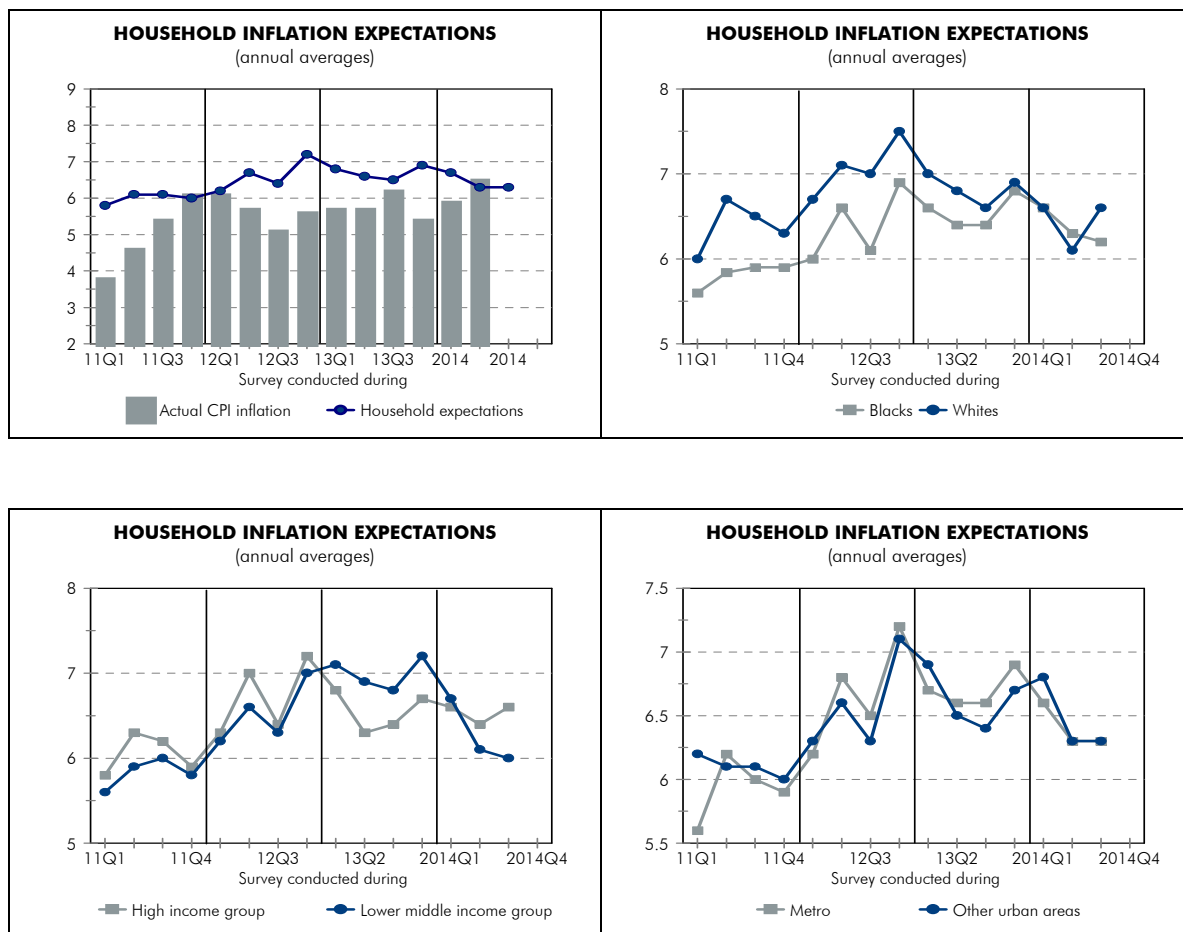
Household inflation expectations over the next 12 months remained unchanged at 6.3%.

Headline CPI inflation expectations

Survey conducted during	2014Q2				2014Q3			
	Analysts	Business people	Trade union officials	Average	Analysts	Business people	Trade union officials	Average
CPI inflation during the year								
2014	6.2	6.2	6.0	6.1	6.2	6.2	6.2	6.2
2015	5.7	6.3	6.1	6.1	5.7	6.4	6.2	6.1
2016	5.4	6.4	6.1	5.9	5.4	6.4	6.2	6.0

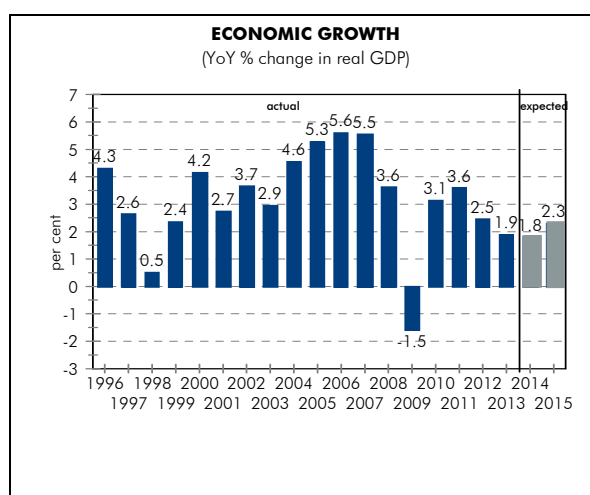


Household inflation expectations



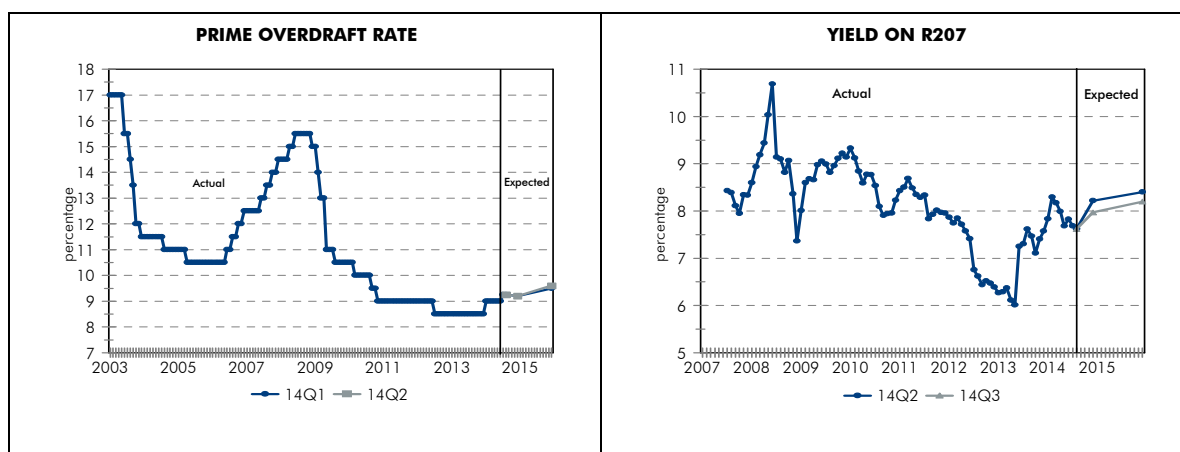
Forecasts of the other variables

During the third quarter there was a divergence among the sub-groups regarding their view on economic growth in 2014. Analysts revised their forecast down by a significant margin. They now expect 2014 economic growth to be only 1.6%, compared to 1.9% during the second quarter. As a result, the average forecast of all three respondent groups was pulled down from 1.9% to 1.8%, even though trade union



officials were slightly more optimistic. They anticipate growth of 2.0% this year. In contrast to the other two groups, business people did not change their view; they still expect economic growth to be 1.7% in 2014.

For 2015, the average forecast of economic growth was unchanged at 2.3%, as a downward revision by analysts was neutralised by an upward revision by trade union officials. Business people retained their view from the second quarter to the third.

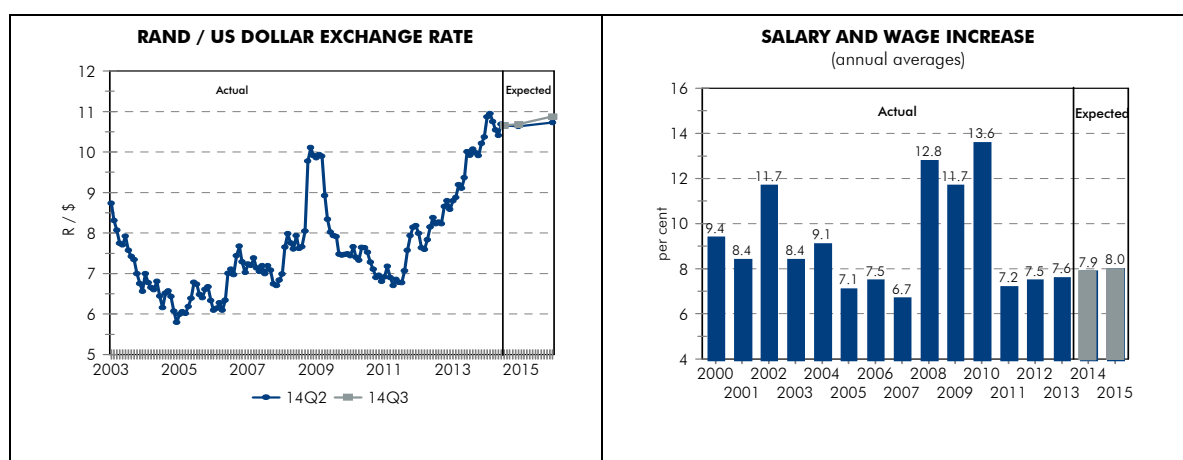


During the third quarter the survey respondents, on average, did not change their forecast of the prime overdraft rate at the end of 2014. By implication, they believe the rate hike during July was the last one for this year, as they foresee the rate will remain unchanged at 9.25% until December. The views of two sub-groups converged during the third quarter. Analysts lowered their forecast from an effective 9.5% to 9.25%, while business people increased theirs by

25 basis points (bps) to 9.25%. In contrast, trade union officials anticipate a cut in the current prime overdraft rate of 25 bps to 9.0%.

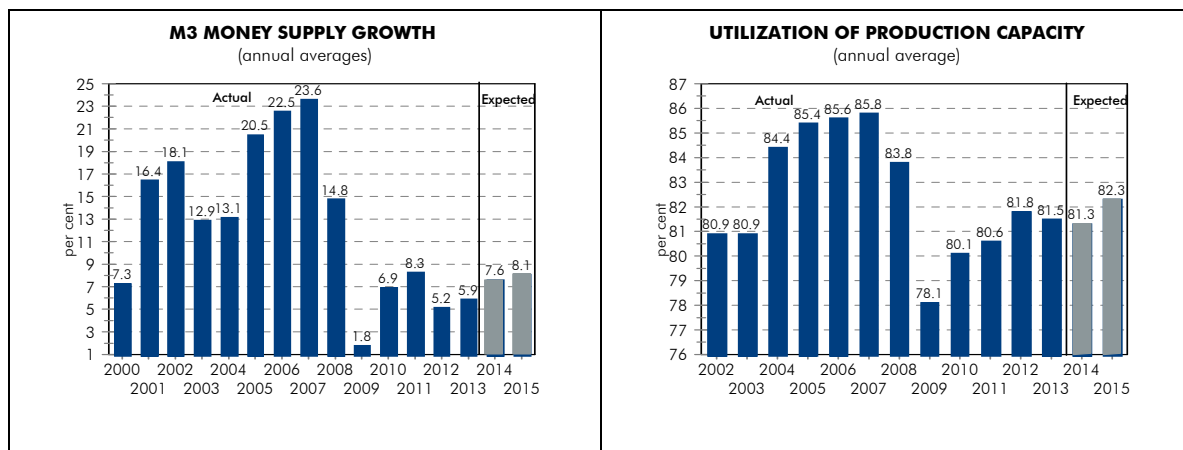
Regarding 2015, the respondents expect another hike of 25 bps, to bring the prime rate to 9.5%. Among the sub-groups, analysts expect the highest increase, at 75 bps, whereas trade union officials anticipate only 25 bps.

Analyst did not change their forecast of the yield on the R207 at the end of 2014 and 2015. During the third quarter, they still expected the yield to be 7.97% at the end of this year, then rising by 23 bps to 8.20% at the end of next year.



On average, the survey respondents are currently more pessimistic regarding the Rand/US dollar exchange rate. They now foresee the Rand to trade at R10.69 per dollar at the end of 2014, 6c weaker than their forecast in the second quarter. They expect the Rand to depreciate by 19c during 2015, compared to their forecast of only 10c previously. Among the sub-groups, trade union officials were the most optimistic in the third quarter. Currently they anticipate the Rand to be 19c stronger at the end of 2015, compared to their previous forecast of R10.95. Business people remain the most pessimistic, though they changed their view by the smallest amount.

On average, the survey respondents expect salaries and wages to increase by 7.9% during 2014 and by 8.0% during 2015. This forecast is 0.3 percentage points (% pts) higher for both 2014 and 2015, compared to their second quarter forecast. All three sub-groups raised their expectation of wage increases, with trade union officials by the largest amount, followed closely by business people. Analysts are the only group who expect wage increases to remain below 8.0% in both years.



From the second quarter to the third, analysts raised their outlook of the growth in the M3 money supply by 0.4% pts during both 2014 and 2015. They expect it to grow by 7.6% this year and to then accelerate to 8.1% next year.

Analysts retained their forecast of the utilisation of production capacity in manufacturing during 2014. They currently expect it to be 81.3%, the same percentage they anticipated during the second quarter. However, they still see an improvement during 2015 to 82.3%, even though it is 0.1% pts lower than their previous forecast.

Background

The 2014 third quarter survey of financial analysts, business executives and representatives of the trade union movement was conducted between 6 August and 5 September 2014 and the results were computed on 8 September 2014.

The survey of household inflation expectations was conducted amongst 1 979 households by way of personal interviews. The fieldwork for the household survey was conducted between 6 to 25 August and the results processed on 8 September 2014.

Respondents to the 3rd quarter survey	Number
Financial analysts	13
Business executives	232
Representatives of the trade union movement	10
	255
Households ¹	2207

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

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10 September 2014

SUMMARY OF SURVEY RESULTS

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

Survey conducted during	2014Q2				2014Q3			
	Analysts	Business people	Trade union officials	Average	Analysts	Business people	Trade union officials	Average
Headline CPI inflation during the year								
2014	6.2	6.2	6.0	6.1	6.2	6.2	6.2	6.2
2015	5.7	6.3	6.1	6.1	5.7	6.4	6.2	6.1
2016	5.4	6.4	6.1	5.9	5.4	6.4	6.2	6.0
Economic growth (% change in real GDP) during the year								
2014	1.9	1.7	1.9	1.9	1.6	1.7	2.0	1.8
2015	2.7	2.0	2.3	2.3	2.6	2.0	2.4	2.3
Prime overdraft rate at the end of								
2014	9.4	9.1	9.1	9.2	9.3	9.3	8.9	9.2
2015	9.8	9.5	9.1	9.5	10.0	9.7	9.2	9.6
Yield on R207 at the end of								
2014	8.22			8.22	7.97			7.97
2015	8.40			8.40	8.20			8.20
Rand/US dollar at the end of								
2014	10.47	10.67	10.73	10.63	10.70	10.73	10.66	10.69
2015	10.34	10.91	10.95	10.73	10.90	10.98	10.76	10.88
M3 money supply growth during the year								
2014	7.2			7.2	7.6			7.6
2015	7.7			7.7	8.1			8.1
Salary and wage increase during the year								
2014	7.5	7.8	7.6	7.6	7.6	8.0	8.1	7.9
2015	7.4	8.0	7.6	7.7	7.6	8.1	8.2	8.0
Percentage utilisation of production capacity in manufacturing during the year								
2014	81.3			81.3	81.3			81.3
2015	82.4			82.4	82.3			82.3

Households:

Avg price increase over the next 12 months	6.3		6.3
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A. DETAILS OF SURVEY RESULTS- 2014Q3: Analysts, business executives and trade union officials

	CPI 2014	CPI 2015	CPI 2016	GDP 2014	GDP 2015	PRIME 2014	PRIME 2015
Financial Analysts							
Count	13	13	13	13	13	13	13
Average	6.2	5.7	5.4	1.6	2.6	9.3	10.0
Standard deviation	0.1	0.2	0.4	0.2	0.3	0.4	0.7
Maximum	6.4	6.1	6.0	1.8	3.0	9.5	10.5
Minimum	6.0	5.2	4.5	1.3	2.2	8.0	8.0
Median	6.2	5.6	5.5	1.6	2.5	9.5	10.0
Mode	6.2	5.5	5.5	1.6	2.5	9.5	10.0
Business People							
Count	232	221	218	226	214	231	218
Average	6.2	6.4	6.4	1.7	2.0	9.3	9.7
Standard deviation	0.5	0.7	0.8	0.7	0.7	0.5	0.7
Maximum	9.0	9.0	10.0	7.8	7.9	11.5	12.5
Minimum	3.5	4.5	4.9	0.0	0.3	8.5	8.0
Median	6.1	6.3	6.1	1.7	2.0	9.3	9.5
Mode	6.0	6.5	6.0	1.5	2.0	9.0	9.5
Trade Union Officials							
Count	10	10	10	9	9	9	9
Average	6.2	6.2	6.2	2.0	2.4	8.9	9.2
Standard deviation	0.1	0.4	0.7	0.4	0.7	0.5	0.5
Maximum	6.3	6.9	7.1	2.6	3.6	9.5	10.0
Minimum	6.0	5.6	5.5	1.5	1.5	8.0	8.5
Median	6.2	6.3	6.2	2.0	2.3	9.0	9.1
Mode	6.2	6.3	7.1	2.0	1.5	9.5	8.5

	R207 2014	R207 2015	RAND 2014	RAND 2015	M3 2014	M3 2015	WAGES 2014	WAGES 2015	CAPACITY 2014	CAPACITY 2015
Financial Analysts										
Count	11	11	13	13	10	10	11	11	10	10
Average	7.97	8.20	10.70	10.90	7.6	8.1	7.6	7.6	81.3	82.3
Standard deviation	0.4	0.7	0.4	0.8	0.6	1.5	0.7	0.9	1.0	1.3
Maximum	8.6	9.5	11.2	12.0	8.2	10.3	8.5	8.5	83.0	84.5
Minimum	7.5	7.0	9.8	9.4	7.0	5.8	6.3	6.0	80.0	80.0
Median	7.8	8.2	10.8	11.0	7.8	8.1	8.0	8.0	81.0	82.0
Mode	7.5	8.0	11.0	12.0	7.0	7.0	8.0	8.0	81.0	82.0
Business People										
Count			228	218			231	220		
Average			10.73	10.98			8.0	8.1		
Standard deviation			0.5	0.7			1.1	1.1		
Maximum			17.0	14.0			12.0	12.0		
Minimum			9.5	9.0			5.5	5.0		
Median			10.7	11.0			8.0	8.0		
Mode			10.6	11.0			8.0	8.0		
Trade Union Officials										
Count			9	9			9	9		
Average			10.66	10.76			8.1	8.2		
Standard deviation			0.3	0.4			0.9	1.0		
Maximum			10.9	11.2			10.0	9.5		
Minimum			10.0	10.0			7.2	6.8		
Median			10.7	10.9			7.8	8.0		
Mode			10.7	11.0			7.5	9.5		

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

CPI	Survey quarter															
	11Q1	11Q2	11Q3	11Q4	12Q1	12Q2	12Q3	12Q4	13Q1	13Q2	13Q3	13Q4	14Q1	14Q2	14Q3	14Q4
Total																
2011	5.3	5.3	5.5	5.5												
2012	5.7	5.8	5.9	6.1	6.1	6.1	5.8	5.9								
2013	6.0	5.8	5.9	6.0	6.1	6.0	6.0	6.1	6.0	6.0	6.0	6.0				
2014					6.0	6.1	6.2	6.2	6.0	6.1	6.2	6.1	6.1	6.1	6.2	
2015									6.1	6.1	6.1	6.1	6.1	6.1	6.1	
2016													5.9	5.9	6.0	
Analysts																
2011	4.7	5.0	5.1	5.1												
2012	5.5	5.7	5.7	5.9	6.2	5.9	5.5	5.6								
2013	5.6	5.5	5.5	5.6	5.6	5.3	5.2	5.6	5.8	5.9	5.9	5.9				
2014					5.5	5.3	5.3	5.5	5.5	5.6	5.8	5.6	6.1	6.2	6.2	
2015									5.6	5.4	5.5	5.5	5.8	5.7	5.7	
2016													5.4	5.4	5.4	
Business																
2011	5.4	5.4	5.6	5.7												
2012	6.0	5.8	6.1	6.2	6.2	6.2	5.9	6.1								
2013	6.2	6.0	6.3	6.3	6.5	6.3	6.3	6.6	6.3	6.2	6.2	6.2				
2014					6.5	6.4	6.4	6.7	6.5	6.5	6.4	6.4	6.2	6.2	6.2	
2015									6.6	6.5	6.4	6.5	6.4	6.3	6.4	
2016													6.2	6.4	6.4	
Trade Unions																
2011	5.6	5.5	5.7	5.7												
2012	5.8	6.1	6.0	6.3	6.0	6.2	5.8	6.0								
2013	6.2	5.9	5.9	6.1	6.2	6.5	6.4	6.1	5.9	6.0	6.0	6.0				
2014					6.0	6.6	6.9	6.6	5.9	6.2	6.2	6.1	6.1	6.0	6.2	
2015									6.2	6.3	6.3	6.4	6.1	6.1	6.2	
2016													6.1	6.1	6.2	

C. DETAILS OF SURVEY RESULTS: Households

Survey quarter Expectations in respect of	2014Q1	2014Q2	2014Q3						
	2013	2014	2014						
	Average	Average	Average ¹	Std Dev ¹	Median ¹	Minimum	Maximum	% >25% ²	% D/K ²
Total	6.7	6.3	6.3	2.7	6	1	100	4.0	12.5
Per population group									
Blacks	6.6	6.3	6.2	2.7	6	1	100	3.4	11.9
Coloureds	6.8	6.1	6.3	2.4	6	1	99	8.3	14.1
Indians	7.2	7.0	6.9	2.7	6	2	100	6.0	6.9
Whites	6.6	6.1	6.6	2.9	6	1	100	2.6	15.4
Per monthly household income									
R14 000+	6.6	6.4	6.6	2.9	6	1	100	2.8	9.1
R7 000-R13 999	6.5	6.2	6.1	2.8	6	1	100	2.2	12.3
R3 000-R6 999	6.7	6.1	6.0	2.3	6	1	100	3.9	13.7
R1-R2 999	7.0	6.6	6.6	2.8	6	1	100	7.4	14.5
Per age group									
16-24	6.2	6.3	6.2	2.5	6	1	100	4.8	13.1
25-34	6.7	6.2	6.2	2.7	6	1	100	5.9	9.7
35-49	6.7	6.3	6.2	2.7	6	1	100	2.6	11.1
50+	7.1	6.4	6.7	2.9	6	1	100	2.6	16.4
Per gender									
Male	6.7	6.3	6.3	2.6	6	1	100	3.6	12.0
Female	6.7	6.3	6.4	2.8	6	1	100	4.3	12.9
Per community size									
Metro	6.6	6.3	6.3	2.8	6	1	100	4.7	11.0
Other urban	6.8	6.3	6.3	2.5	6	1	100	2.8	15.0

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															
	11Q1	11Q2	11Q3	11Q4	12Q1	12Q2	12Q3	12Q4	13Q1	13Q2	13Q3	13Q4	14Q1	14Q2	14Q3	14Q4
Total	5.8	6.1	6.1	6.0	6.2	6.7	6.4	7.2	6.8	6.6	6.5	6.9	6.7	6.3	6.3	
Per population																
Blacks	5.6	5.8	5.9	5.9	6.0	6.6	6.1	6.9	6.6	6.4	6.4	6.8	6.6	6.3	6.2	
Coloureds	6.0	6.7	5.9	5.6	6.3	6.3	6.9	7.7	7.3	7.3	6.7	7.1	6.8	6.1	6.3	
Indians	6.6	6.6	6.6	6.1	7.1	7.6	7.3	8.2	7.3	6.8	8.1	7.4	7.2	7.0	6.9	
Whites	6.0	6.7	6.5	6.3	6.7	7.1	7.0	7.5	7.0	6.8	6.6	6.9	6.6	6.1	6.6	
Per income group																
R14 000+	5.8	6.3	6.2	5.9	6.3	7.0	6.4	7.2	6.8	6.3	6.4	6.7	6.6	6.4	6.6	
R7 000-R13 999	5.7	6.3	6.1	6.2	6.1	6.6	6.5	7.2	6.5	6.3	6.3	6.6	6.5	6.2	6.1	
R3 000-R6 999	5.6	5.9	6.0	5.8	6.2	6.6	6.3	7.0	7.1	6.9	6.8	7.2	6.7	6.1	6.0	
R1-R2 999	6.2	6.0	5.9	5.8	6.1	6.5	6.5	7.5	6.9	6.9	6.6	7.0	7.0	6.6	6.6	
Per age group																
16-24	5.5	5.9	6.1	5.7	6.0	6.7	6.1	6.9	6.6	6.3	6.6	6.5	6.2	6.3	6.2	
25-34	5.7	6.0	6.1	6.0	6.0	6.6	6.5	7.0	6.8	6.4	6.4	6.7	6.7	6.2	6.2	
35-49	6.1	6.3	6.0	6.0	6.1	6.9	6.3	7.4	6.8	6.5	6.5	6.9	6.7	6.3	6.2	
50+	5.7	6.5	6.2	6.2	6.7	6.7	6.9	7.4	7.0	7.0	6.7	7.4	7.1	6.4	6.7	
Per gender																
Male	5.8	6.1	6.1	6.0	6.1	6.6	6.4	7.1	6.9	6.6	6.5	6.8	6.7	6.3	6.3	
Female	5.7	6.2	6.1	5.9	6.3	6.8	6.5	7.3	6.7	6.5	6.5	6.9	6.7	6.3	6.4	
Per community																
Metro	5.6	6.2	6.0	5.9	6.2	6.8	6.5	7.2	6.7	6.6	6.6	6.9	6.6	6.3	6.3	
Other urban	6.2	6.1	6.1	6.0	6.3	6.6	6.3	7.1	6.9	6.5	6.4	6.7	6.8	6.3	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
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
12Q2	17/05	15/06	18/06
12Q3	08/08	05/09	06/09
12Q4	31/10	30/11	03/12
13Q1	04/02	13/03	09/04
13Q2	15/05	18/06	19/06
13Q3	08/08	05/09	09/09
13Q4	01/11	29/11	02/12
14Q1	12/02	12/03	13/03
14Q2	14/05	12/06	13/06
14Q3	06/08	05/09	08/09

Households

Survey quarter	Fieldwork (Done by AC Nielsen)	Process results
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
12Q2	15 – 28 May	15 Jun
12Q3	8 – 21 Aug	10 Sep
12Q4	24 Oct – 9 Nov	3 Dec
13Q1	13 – 27 Mar	9 Apr
13Q2	7 Jun – 8 Jul	16 Jul
13Q3	26 Aug – 9 Sep	12 Sep
13Q4	9 – 28 Oct	2 Dec
14Q1	11 – 24 Mar	27 Mar
14Q2	16 May – 2 Jun	18 Jun
14Q3	6 – 25 Aug	8 Sep

F. HISTORICAL INFORMATION PROVIDED TO RESPONDENTS

1. Business sector, financial analysts and trade union movement

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			

2013

What do you expect the ...	Average 2008-12	2012	2013	2014	2015
average headline inflation rate (as measured by the percentage change in the CPI) to be during the year:	6.4	5.6			

2014

What do you expect the ...	Average 2009-13	2013	2014	2015	2016
average headline inflation rate (as measured by the percentage change in the CPI) to be during the year:	5.5	5.7			

2. Households

2011

Over the past five years prices increased by on average 6.9 per cent 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 per cent 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?

2013

Over the past five years prices increased by on average 6.4 per cent per year. During 2012 prices increased by 5.6%. By about how much do you expect prices in general to increase during the next 12 months?

2014

Over the past five years prices increased by on average 5.5 per cent per year. During 2013 prices increased by 5.7 per cent. By about how much do you expect prices in general to increase during the next 12 months?