

LRS Labour Research Service

Knowledge is too important to leave in the hands of the bosses



LRS INFLATION MONITOR
AUGUST 2019

The Consumer Price Index (CPI) was 4.3% in August 2019.

The term inflation means a sustained increase in the general level of prices for goods and services. It is measured as an annual percentage increase (for example, August 2018 to August 2019). A falling rate of inflation means that prices are rising at a slower rate.

Headline inflation rate rose to 4.3% in August 2019 from 4% in July 2019. On average, prices increased by 0.3% month-on-month in August.

The food price increased to 3.8% in August 2019 from 3% in July 2019.

Transport inflation rose to 3.1% in August 2019 from 3% in July 2019.

Public transport inflation increased to 9% in August 2019 from 7.6% in July 2019 (buses, trains and other forms of transport that are available to the public charge set fares and run on fixed routes.)

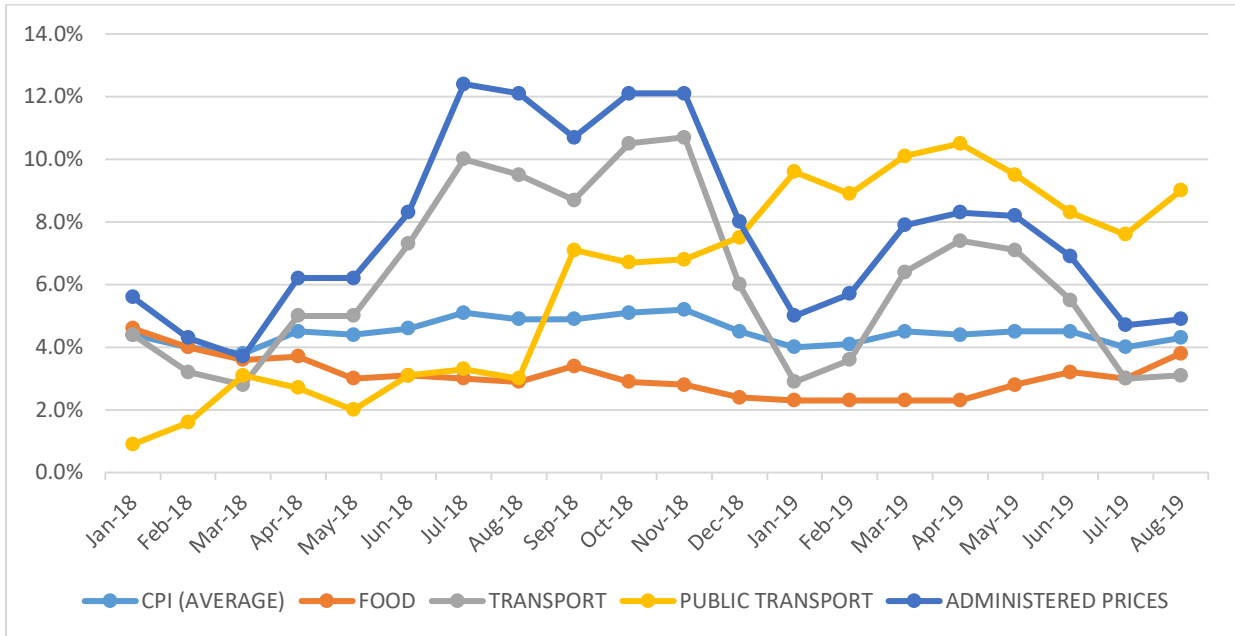
Administrator's price (school fees, telephone fees, electricity, trains, and petrol/paraffin) increased to 4.9% in August 2019 from 4.7% in July 2019.

Table 1: The Annual Inflation Rate (CPI) and Selected Price Categories

	Jul 18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19
CPI	5.1%	4.9%	4.9%	5.1%	5.2%	4.5%	4%	4.1%	4.5%	4.4%	4.5%	4.5%	4%	4.3%
Food	3%	2.9%	3.4%	2.9%	2.8%	2.4%	2.3%	2.3%	2.3%	2.3%	2.8%	3.2%	3%	3.8%
Transport	10%	9.5%	8.7%	10.5%	10.7%	6%	2.9%	3.6%	6.4%	7.4%	7.1%	5.5%	3%	3.1%
Public Transport	3.3%	3%	7.1%	6.7%	6.8%	7.5%	9.6%	8.9%	10.1%	10.5%	9.5%	8.3%	7.6%	9%
Administered Prices	12.4%	12.1%	10.7%	12.1%	12.1%	8%	5%	5.7%	7.9%	8.3%	8.2%	6.9%	4.7%	4.9%

Source: Statistics South Africa

Figure 1: Consumer Price Index (CPI) and selected price categories January 2018 to August 2019

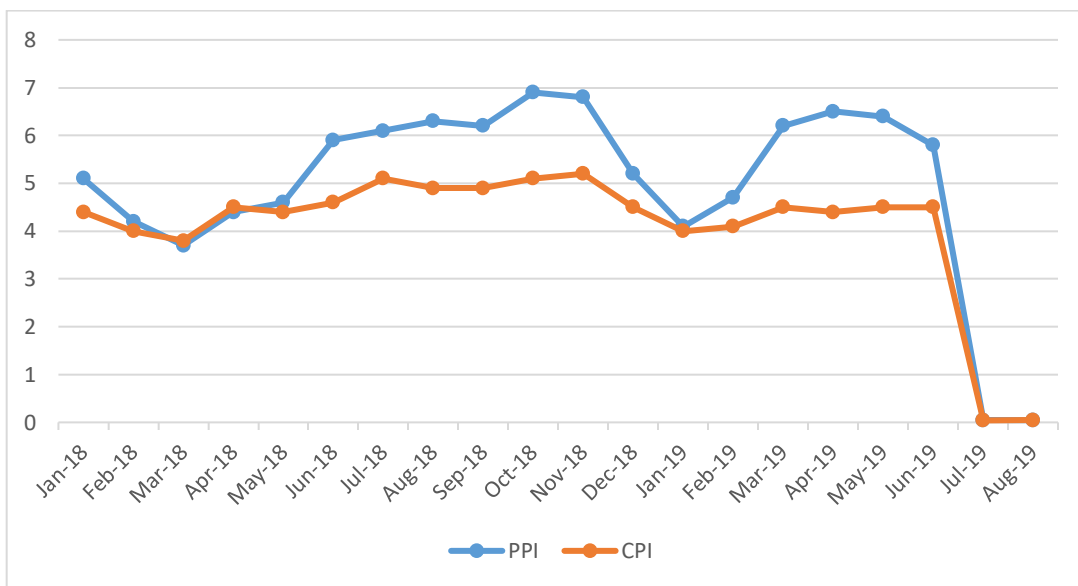


Source: Statistics South Africa

Producer Price Index

The chart below shows the annualized rate of increase of the Price Producer Index (PPI) by month. The fact that PPI is running (4.5%) ahead of CPI (4.3%) at the moment suggests that those prices will feed through to the consumer in time and that inflation is likely to increase in the months to come. The annual rate of producer price inflation for final manufactured goods declined to 4.5% in August 2019 from 4.9% in July 2019, according to Statistics South Africa.

Figure 2: Consumer Price Index (CPI) and selected price categories January 2018 to August 2019



Source: Statistics South Africa

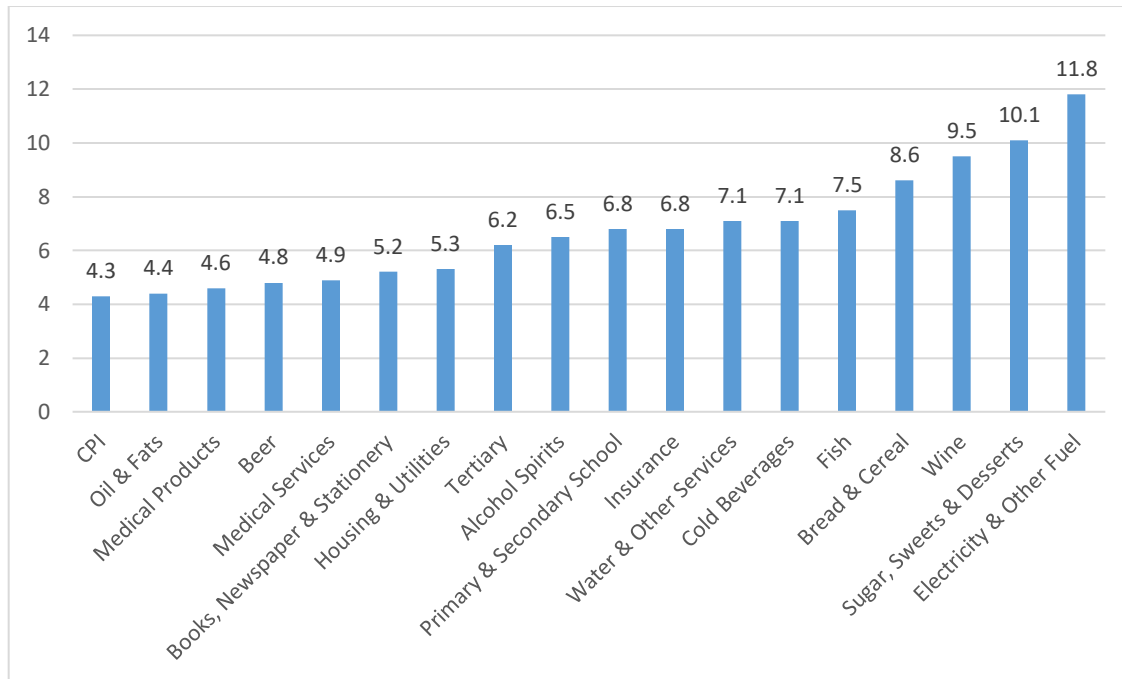
Table 2: Contributions of the different groups to the annual percentage change in the CPI headline

Group	Contributions	
	July 2019	August 2019
Food and non-alcoholic beverages	0.6	0.7
Alcoholic beverages and tobacco	0.4	0.4
Clothing and footwear	0.1	0.1
Housing and utilities	1.2	1.3
Household contents and services	0.1	0.1
Health	0.1	0.1
Transport	0.4	0.5
Recreation and culture	0.0	0.1
Education	0.2	0.2
Restaurants and hotels	0.1	0.1
Miscellaneous goods and services	0.9	0.9
Residual	-0.1	-0.2
All Items	4.0	4.3

Source: Statistics South Africa

Although the CPI was 4.3% in August 2019, other annualized items recorded increases above the CPI.

Figure 3: Annualized increase in prices August 2019 by expenditure category



Source: Statistics South Africa

Statistics South Africa divides household monthly expenditure into 10 decile. The table shows that decile 10 expenditure was higher than decile 1 expenditure, indicating a high level of inequality.

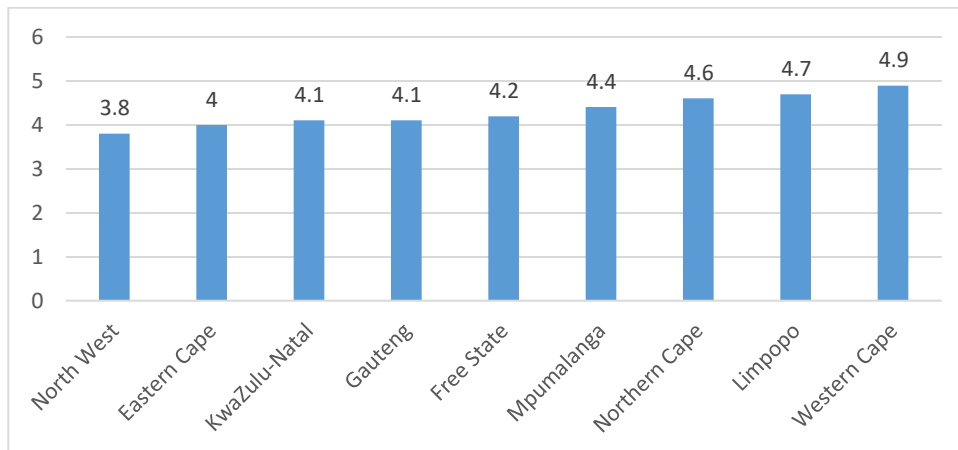
Table 3: Annualised inflation by expenditure group, August 2019

	Monthly expenditure	Inflation Rate Aug-19
Average annual CPI		4.3%
Decile 1	Up to R1477 per month	5.6%
Decile 2	R1477 up to R2456 per month	5.1%
Decile 3	R2456 up to R3549 per month	4.5%
Decile 4	R3549 up to R4742 per month	4.4%
Decile 5	R4742 up to R6151 per month	4.2%
Decile 6	R6151 up to R7907 per month	4.1%
Decile 7	R7907 up to R10352 per month	4.2%
Decile 8	R10352 up to R14419 per month	4.2%
Decile 9	R14419 up to R22492 per month	4.3%
Decile 10	R22492 and more...	4.4%

Source: Statistics South Africa

There is more than one inflation number. The inflation rate that is reported in mainstream media is the average inflation rate. Different groups, from the very poor to the wealthy, can experience different rates of inflation because they buy different things. The very low group experienced an inflation rate of 5.6%, higher than headline inflation rate of 4.3%, while the very high expenditure group had an inflation rate of 4.4%.

Figure: Annualised inflation rate (%) by province, August 2019



Source: Statistics South Africa

The provinces with annual inflation rate **lower than or equal to headline inflation** were North West (3.8%), Eastern Cape (4%), KwaZulu-Natal (4.1%), Gauteng (4.1%) and Free State (4.2%). Mpumalanga (4.4%), Northern Cape (4.6%), Limpopo (4.7%) and Western Cape (4.9%) had annual inflation rate **higher than headline inflation**.

The Consumer Price Index (CPI)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ave.
2017	6.6%	6.3%	6.1%	5.3%	5.4%	5.1%	4.6%	4.8%	5.1%	4.8%	4.6%	4.7%	5.3%
2018	4.4%	4%	3.8%	4.5%	4.4%	4.6%	5.1%	4.9%	4.9%	5.1%	5.2%	4.5%	4.7%
2019	4%	4.1%	4.5%	4.4%	4.5%	4.5%	4%	4.3%					

Source: Statistics South Africa

The CPI is known as the headline inflation rate and is also referred to as the official inflation rate. The month to month prices of over a thousand goods and services go into the calculation of CPI.

The Food Price Index

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ave.
2017	11.8%	10%	8.7%	6.6%	7%	7%	6.8%	5.7%	5.4%	5.3%	5.2%	4.9%	7%
2018	4.6%	4%	3.6%	3.7%	3%	3.1%	3%	2.9%	3.4%	2.9%	2.8%	2.4%	3.3%
2019	2.3%	2.3%	2.3%	2.3%	2.8%	3.2%	3%	3.8%					

Source: Statistics South Africa

The food price index shows the increase in the price level of food products only, on a monthly basis. This rate is incorporated in the overall CPI inflation rate (CPI).

Transport Price Index

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ave.
2017	6.7%	7.2%	7.7%	4.6%	5.2%	3.3%	6.8%	3.9%	5.6%	5.4%	4.4%	6.4%	5.6%
2018	4.4%	3.2%	2.8%	5%	5%	7.3%	10%	9.5%	8.7%	10.5%	10.7%	6%	6.5%
2019	2.9%	3.6%	6.4%	7.4%	7.1%	5.5%	3%	3.1%					

Source: Statistics South Africa

The transport price index provides an indication of the increase in the price level of transport items in the basket of goods and services that make up the inflation index. This rate is incorporated in the overall CPI inflation rate.

The Administered Price Index

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ave.
2017	6.2%	6.6%	8.4%	6%	6.7%	4.9%	1.8%	4.4%	6.1%	5.8%	5.1%	6.9%	5.7%
2018	5.6%	4.3%	3.7%	6.2%	6.2%	8.3%	12.4%	12.1%	10.7%	12.1%	12.1%	8%	8.5%
2019	5%	5.7%	7.9%	8.3%	8.2%	6.9%	4.7%	4.9%					

Source: Statistics South Africa

An administered price is defined as the price of a product, which is set consciously by an individual producer or group of producers and/or any price, which can be determined or influenced by government, either directly or through one or other government agencies/institution without reference to market forces. For example, school fees, telephone fees, electricity, trains, petrol/paraffin, cell calls and public transport. This rate is incorporated into the overall CPI inflation rate.

The Producer Price Index

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ave.
2017	5.9%	5.6%	5.2%	4.6%	4.8%	4%	3.6%	4.2%	5.2%	5%	5.1%	5.2%	4.8%
2018	5.1%	4.2%	3.7%	4.4%	4.6%	5.9%	6.1%	6.3%	6.2%	6.9%	6.8%	5.2%	5.5%
2019	4.1%	4.7%	6.2%	6.5%	6.4%	5.8%	4.9%	4.5%					

Source: Statistics South Africa

The Producer Price Index (PPI) measures an average change in price of a basket of representative goods and services sold by manufactures and producers in the wholesale market, while CPI measure price changes in a basket of goods and services bought by the average household. The line chart below shows monthly movement of the Price Producer Index (PPI).

The PPI can assist us in understanding what inflation might do in future. There are many factors that can influence the inflation rate, but the trend in PPI is one way of predicting what prices will do in the short term.

The September 2019 CPI figures are expected on 23rd October 2019.

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