

INFLATION MONITOR

DECEMBER 2020

LRS
Labour Research Service

"Knowledge is too important to leave in the hands of the Bosses."

The Consumer Price Index (CPI) slowed down to 3.1% in December 2020

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, December 2019 to December 2020). Take note that a falling rate of inflation means that prices are rising at a slower rate.

The headline annual inflation rate declined to 3.1% in December 2020 from 3.2% in November 2020. The Consumer price index increased by 0.2% month-on-month in December 2020.

The food price increased to 6.2% in December 2020 from 5.9% in November 2020.

Transport inflation increased to -1.6% in December 2020 from -1.3% in November 2020.

Public transport inflation declined to 1.2% in December 2020 from 1.9% in November 2020 (Buses, trains and transport that are available to the public charge set fares and run on fixed routes.)

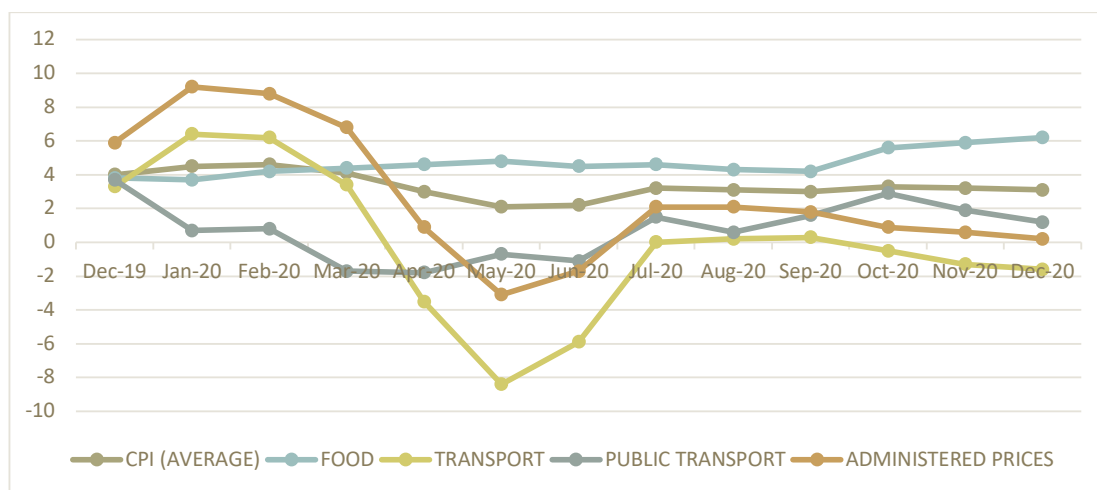
Administrator's price (school, telephone fees, electricity, trains, and petrol/paraffin) decreased to 0.2% in December 2020 from 0.6% in November 2020.

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

	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
CPI	4%	4.5%	4.6%	4.1%	3%	2.1%	2.2%	3.2%	3.1%	3%	3.3%	3.2%	3.1%
Food	3.8%	3.7%	4.2%	4.4%	4.6%	4.8%	4.5%	4.6%	4.3%	4.2%	5.6%	5.9%	6.2%
Transport	3.3%	6.4%	6.2%	3.4%	-3.5%	-8.4%	-5.9%	0.0%	0.2%	0.3%	-0.5%	-1.3%	-1.6%
Public Transport	3.7%	0.7%	0.8%	-1.7%	-1.8%	-0.7%	-1.1%	1.5%	0.6%	1.6%	2.9%	1.9%	1.2%
Administration Prices	5.9%	9.2%	8.8%	6.8%	0.9%	-3.1%	-1.7%	2.1%	2.1%	1.8%	0.9%	0.6%	0.2%

Source: Statistics South Africa

Figure 1: Consumer Price Index (CPI) and selected price categories | December 2019 to December 2020



Source: Statistics South Africa

Table 2: Contributions of the different groups to the annual percentage change in the CPI headline | December 2020

Group	Contributions
	Dec-20
Miscellaneous goods and services	1.1
Food and non-alcohol beverages	1.0
Housing and utilities	0.7
Alcoholic beverages and tobacco	0.2
Education	0.2
Household contents and services	0.1
Health	0.1
Recreation and culture	0.1
Transport	-0.2
Residual	-0.2
All Items	3.1

Source: Statistics South Africa

Statistic 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 | December 2020

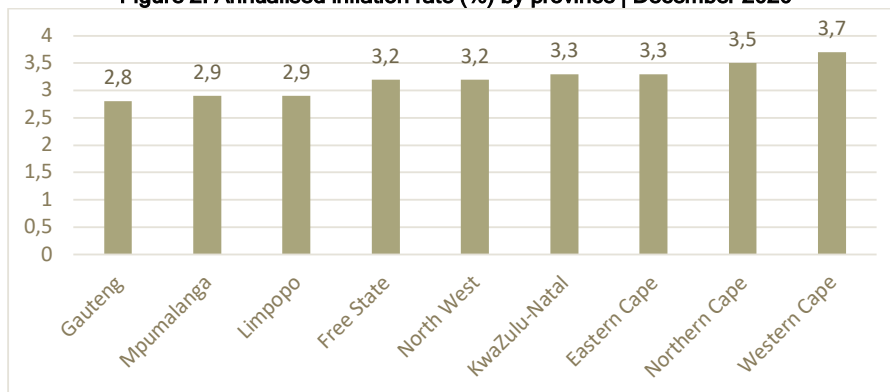
	Monthly expenditure	Inflation Rate Dece-20
Average annual CPI		3.1%
Decile 1	Up to R1477 per month	3.6%
Decile 2	R1477 up to R2456 per month	3.7%
Decile 3	R2456 up to R3549 per month	3.3%
Decile 4	R3549 up to R4742 per month	3.4%
Decile 5	R4742 up to R6151 per month	2.9%
Decile 6	R6151 up to R7907 per month	2.8%
Decile 7	R7907 up to R10352 per month	2.8%
Decile 8	R10352 up to R14419 per month	2.7%
Decile 9	R14419 up to R22492 per month	3%
Decile 10	R22492 and more...	3.3%

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 (Decile 1) experienced an inflation rate of 3.6%, higher than headline annualised inflation rate of 3.1%, while the very high expenditure group (Decile 10) had an inflation rate of 3.3%, which was higher when compared to the 3.1%. In December 2020.

Figure 2: Annualised inflation rate (%) by province | December 2020



Source: Statistics South Africa

The provinces with annual inflation rate **lower than or equal to headline inflation** were Gauteng (2.8%), Mpumalanga (2.9%), and Limpopo (2.9%). Free State (3.2%), North

West (3.2%), KwaZulu Natal (3.3%), Eastern Cape (3.3%), Northern Cape (3.5%) and Western Cape (3.7%) had an annual inflation rate **higher than headline inflation**.

Table 4: The Consumer Price Index (CPI)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ave.
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	4.1	3.7	3.6	4	4.1
2020	4.5	4.6	4.1	3	2.1	2.2	3.2	3.1	3	3.3	3.2	3.1	3.3

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.

Table 5: The Food Price Index

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ave.
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	3.7	3.5	3.5	3.8	3
2020	3.7	4.2	4.4	4.6	4.8	4.5	4.6	4.3	4.2	5.6	5.9	6.2	4.8

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.

Table 6: The Transport Price Index

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ave.
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	2.4	0.3	-0.3	3.3	3.7
2020	6.4	6.2	3.4	-3.5	-8.4	-5.9	0.0	0.2	0.3	-0.5	-1.3	-1.6	-0.4

Source: Statistics South Africa

The transport price index shows 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.

Table 7: The Public Transport Price Index

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ave.
2018	0.9	1.6	3.1	2.7	2	3.1	3.3	3	7.1	6.7	6.8	7.5	3.9
2019	9.6	8.9	10.1	10.5	9.5	8.3	7.6	9	3	2.5	2.8	3.7	7.1
2020	0.7	0.8	-1.7	-1.8	-0.7	-1.1	1.5	0.6	1.6	2.9	1.9	1.2	0.5

Source: Statistics South Africa

The public transport price index shows price increases in taxis, trains, buses or other public transport that ferry passengers or goods. This rate is incorporated into the overall CPI inflation rate.

Table 8: The Administered Price Index

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ave.
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	5.2	3.5	3	5.9	5.8
2020	9.2	8.8	6.8	0.9	-3.1	-1.7	2.1	2.1	1.8	0.9	0.6	0.2	2.4

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 January 2021 CPI figures are expected on 17th February 2021.