

Inflation Monitor

JANUARY 2020

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

The Consumer Price Index (CPI) rose to 4.5% in January 2020

Inflation is a sustained increase in the general level of prices of goods and services. It's measured as an annual percentage increase, for example, January 2019 to January 2020. A falling rate of inflation means that prices are rising at a slower rate.

The **headline inflation** rate increased to 4.5% in January 2020 from 4% in December 2019. On average, prices increased by 0.3% month-on-month in January 2020.

The **food price** in January 2020 was 3.7%, compared to 3.8% in December 2019.

Transport inflation increased to 6.4% in January 2020 from 3.3% in December 2019.

Public transport inflation declined to 0.7% in January 2020 from 3.7% in December 2019. Take note that the forms of transport that are available to the public such as buses and trains charge set fares and run on fixed routes.

Administrator's price, which includes things like school and telephone fees, and electricity and petrol/paraffin, increased to 9.2% in January 2020 from 5.9% in December 2019.

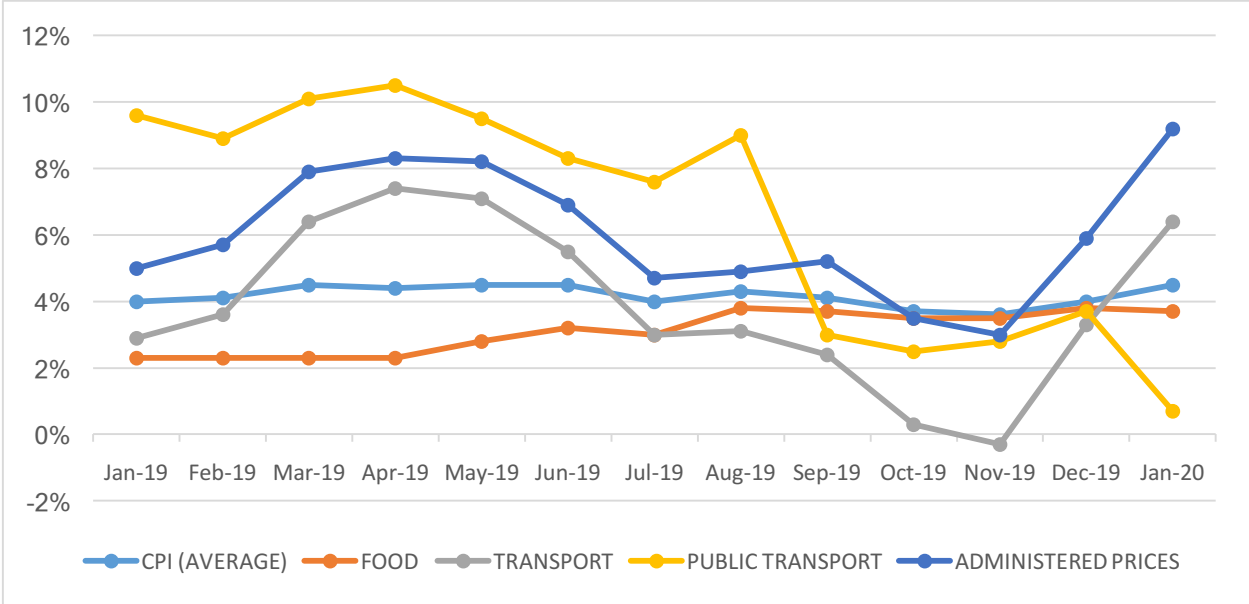
Table 1: The Annual Inflation Rate (CPI) and Selected Price Categories

	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20
CPI	4%	4.1%	4.5%	4.4%	4.5%	4.5%	4%	4.3%	4.1%	3.7%	3.6%	4%	4.5%
Food	2.3%	2.3%	2.3%	2.3%	2.8%	3.2%	3%	3.8%	3.7%	3.5%	3.5%	3.8%	3.7%
Transport	2.9%	3.6%	6.4%	7.4%	7.1%	5.5%	3%	3.1%	2.4%	0.3%	-0.3%	3.3%	6.4%
Public Transport	9.6%	8.9%	10.1%	10.5%	9.5%	8.3%	7.6%	9%	3%	2.5%	2.8%	3.7%	0.7%
Administered Prices	5%	5.7%	7.9%	8.3%	8.2%	6.9%	4.7%	4.9%	5.2%	3.5%	3%	5.9%	9.2%

Source: Statistics South Africa

Several annualized items recorded increases above the CPI of 4.5%, for example, bread and cereal (6%), fish (6.7%), fruits (8.7%), sugar, sweets and desserts (6%), private transport operation (11.4%), fuel (13.7%), books, newspapers and stationery (5.2%), education (6.7%), insurance (7.1%), financial service (6.2%), health (5%), water and other services (7.1%), electricity and other fuels (11.9%), housing and utilities (4.7%) and alcoholic beverages (4.7%)

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



Source: Statistics South Africa

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

Group	Contributions	
	December 2019	January 2020
Food and non-alcoholic beverages	0.7	0.6
Alcoholic beverages and tobacco	0.3	0.3
Clothing and footwear	0.1	0.1
Housing and utilities	1.1	1.2
Household contents and services	0.1	0.1
Health	0.1	0.1
Transport	0.5	0.9
Recreation and culture	0.1	0.0
Education	0.2	0.2
Restaurants and hotels	0.1	0.1
Miscellaneous goods and services	0.8	0.9
Residual	-0.1	0.0
All Items	4	4.5

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, January 2020

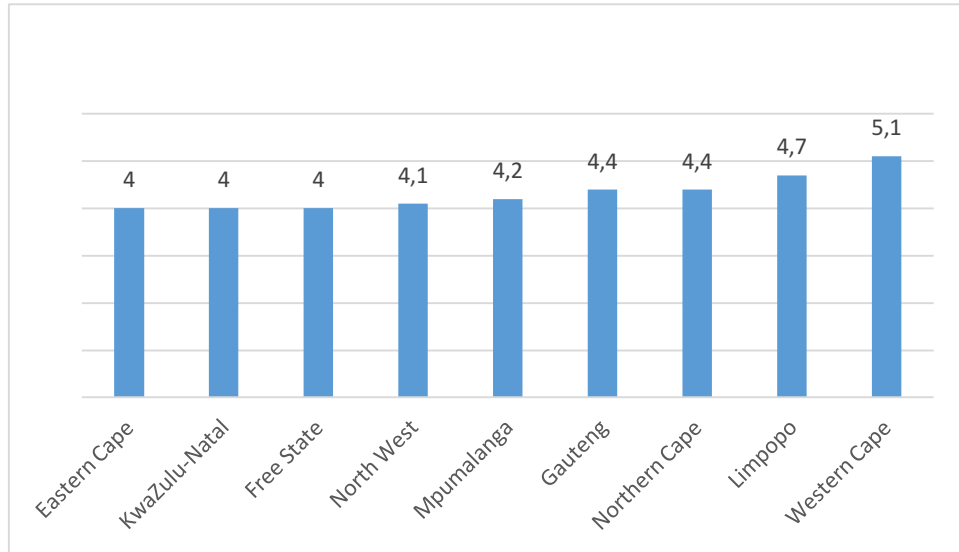
	Monthly expenditure	Inflation Rate Jan-20
Average annual CPI		4.5%
Decile 1	Up to R1477 per month	5%
Decile 2	R1477 up to R2456 per month	4.6%
Decile 3	R2456 up to R3549 per month	4.2%
Decile 4	R3549 up to R4742 per month	4.2%
Decile 5	R4742 up to R6151 per month	4%
Decile 6	R6151 up to R7907 per month	3.7%
Decile 7	R7907 up to R10352 per month	3.9%
Decile 8	R10352 up to R14419 per month	4.2%
Decile 9	R14419 up to R22492 per month	4.6%
Decile 10	R22492 and more...	4.7%

Source: Statistics South Africa

There is more than one inflation number. The inflation rate that's 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 expenditure group (Decile 1) experienced an inflation rate of 5%, which is higher than the headline inflation rate of 4.5%. Decile 10 (the very high expenditure group) had an inflation rate of 4.7%.

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



Source: Statistics South Africa

The following provinces had an annual inflation rate **lower than or equal to headline inflation**: Eastern Cape (4%), KwaZulu-Natal (4%), Free State (4%), North West (4.1%), Mpumalanga (4.2%), Gauteng (4.4%) and Northern Cape (4.4%). Limpopo and Western Cape provinces had an annual inflation rate **higher than headline inflation**, at 4.7% and 5.1% respectively.

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%												

Source: Statistics South Africa

CPI is also known as the headline inflation rate and is 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.
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%												

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.

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%												

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.
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%												

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 CPI figures for February 2020 are expected on 18th March 2020.*

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