

LRS Labour Research Service

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LRS INFLATION MONITOR
MARCH 2019

The Consumer Price Index (CPI) increased to 4.5% in March 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, March 2018 to March 2019). Take note that a falling rate of inflation means that prices are rising at a slower rate.

The headline Inflation rate increased to 4.5% in March 2019 compared to 4.1% in February 2019. On average, prices increased by 0.8% month-on-month March 2019.

The inflation rate is at the midpoint of the South African Reserve Bank's targeted range of between 3% - 6% in March 2019.

The food price remained unchanged at 2.3% in March 2019.

Transport inflation rose to 6.4% in March 2019, compared to 3.6% in February 2019.

Public transport inflation increased to 10.1% in March 2019, compared to 8.9% in February 2019. (Buses, trains, and other forms of transport that are available to the public charge set fares and run on fixed routes.)

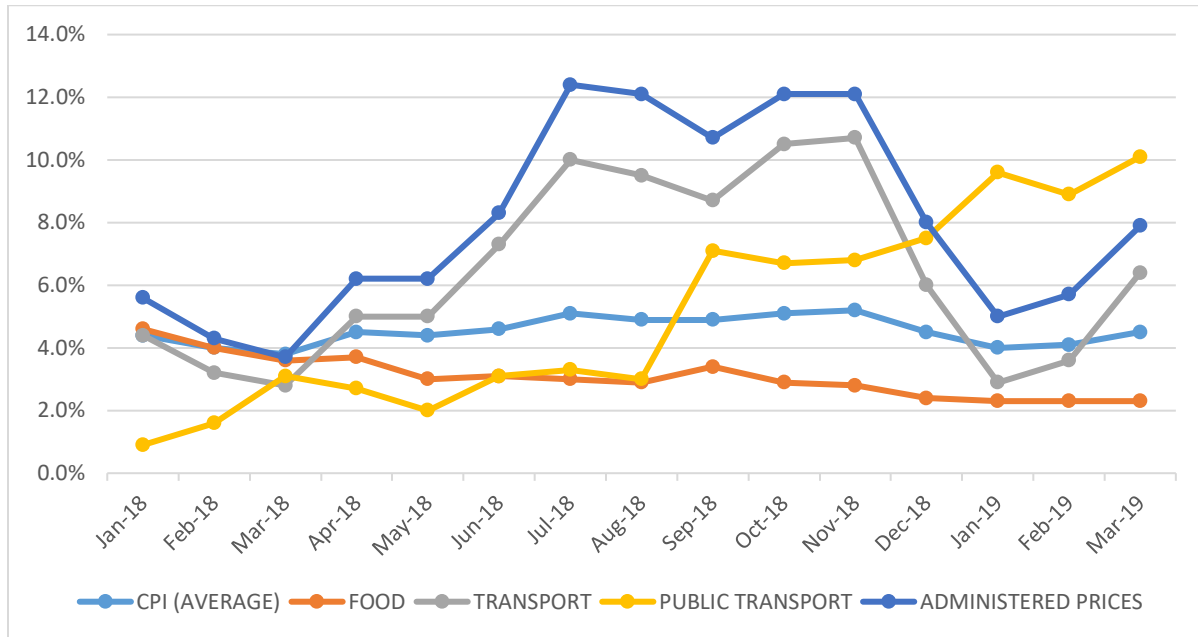
Administrator's price (school fees, telephone fees, electricity, trains, and petrol/paraffin) rose to 7.9% in March 2019, compared to 5.7% in February 2019.

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

	Feb 18	Mar 18	Apr 18	May 18	Jun 18	Jul 18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19
CPI	4%	3.8%	4.5%	4.4%	4.6%	5.1%	4.9%	4.9%	5.1%	5.2%	4.5%	4%	4.1%	4.5%
Food	4%	3.6%	3.7%	3.0%	3.1%	3%	2.9%	3.4%	2.9%	2.8%	2.4%	2.3%	2.3%	2.3%
Transport	3.2%	2.8%	5%	5.0%	7.3%	10%	9.5%	8.7%	10.5%	10.7%	6%	2.9%	3.6%	6.4%
Public Transport	1.6%	3.1%	2.7%	2.0%	3.1%	3.3%	3%	7.1%	6.7%	6.8%	7.5%	9.6%	8.9%	10.1%
Administered Prices	4.3%	3.7%	6.2%	6.2%	8.3%	12.4%	12.1%	10.7%	12.1%	12.1%	8%	5%	5.7%	7.9%

Source: Statistics South Africa

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



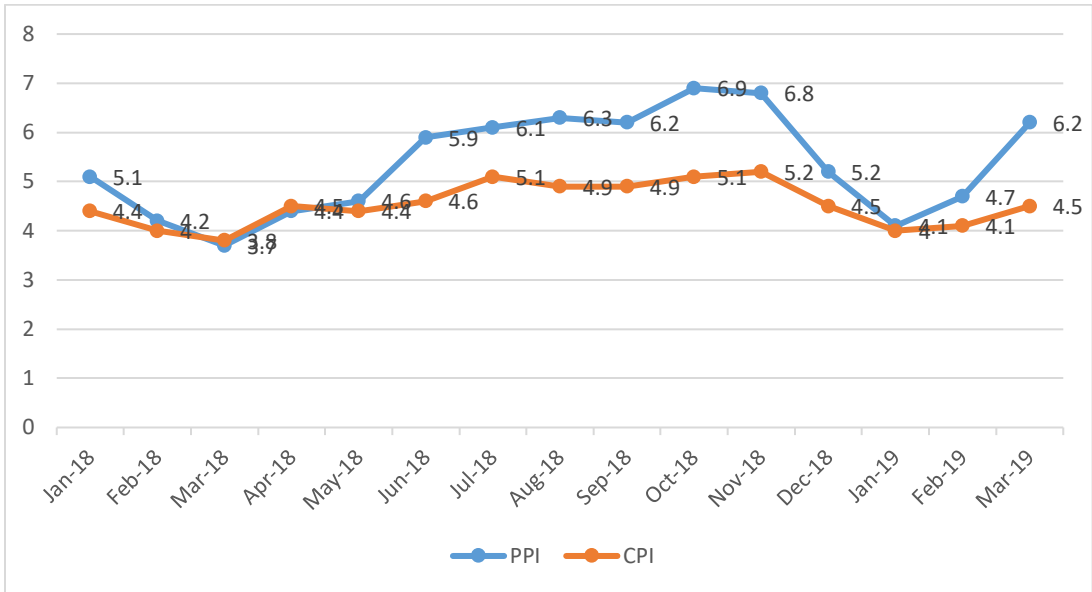
Source: Statistics South Africa

Producer Price Index

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 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 chart below shows the annualized rate of increase of the PPI by month. The fact that PPI is running ahead of CPI 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, off the current base of 5%.



The table below shows that although the CPI came at 4.5% in March 2019, other annualised items recorded increases above the CPI.

Table 2: Annualized increase in prices March 2019 by expenditure category

CPI	4.5
Cold Beverages	13
Water & Other Services	11
Vegetables	9.4
Fuel	8.8
Private Transport Operation	8
Wine	7.8
Electricity & Other Fuels	7.6
Fruits	7.6
Spirits	7.4
Primary and Secondary School	6.8
Books, Stationery & Newspaper	6.7
Insurance	6.6
Tertiary	6.2
Bread & Cereal	6.1
Medical Services	5.7
Restaurant	5.4
Beer	5.4
Hot Beverages	5
Supplies & Services	5

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, March 2019

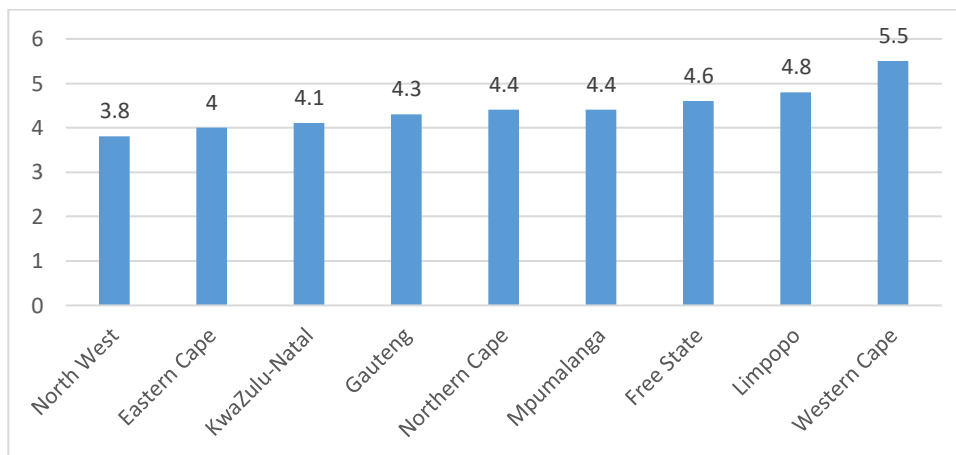
	Monthly expenditure	Inflation Rate Mar-19
Average annual CPI		4.5%
Decile 1	Up to R1477 per month	4.8%
Decile 2	R1477 up to R2456 per month	4.3%
Decile 3	R2456 up to R3549 per month	4%
Decile 4	R3549 up to R4742 per month	4.1%
Decile 5	R4742 up to R6151 per month	4%
Decile 6	R6151 up to R7907 per month	3.8%
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	4.7%
Decile 10	R22492 and more...	4.9%

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.

At the moment, inflation appears to be higher for wealthier households. This is not always the case - in 2009, the inflation rate for the poorest households was 4% higher than inflation for the wealthiest households.

Figure 2: Annualised inflation rate (%) by province, March 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 (4.3%), Northern Cape (4.4%) and Mpumalanga (4.4%).

Free State, Limpopo and Western Cape Provinces had annual inflation rate **higher than headline inflation**, at 4.6%, 4.8% and 5.5%, respectively.

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%										

Source: Statistics South Africa

The consumer Price Index 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%	0.5%
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%										

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).

The 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%	1.0%	3.9%	5.6%	5.4%	4.4%	6.4%	1%
2018	4.4%	3.2%	2.8%	5%	5%	7.3%	10%	9.5%	8.7%	10.5%	10.7%	6%	6.9%
2019	2.9%	3.6%	6.4%										

Source: Statistics South Africa

The transport price index provides an indication of the increase in then 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%	6%
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%										

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 April 2019 CPI figures are due on 22nd May 2019

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