

# LRS Labour Research Service

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



**LRS INFLATION MONITOR**  
**MAY 2019**

## The Consumer Price Index (CPI) increased to 4.5% in May 2019

The term inflation means a sustained increase in the general level of prices of goods and services. It is measured as an annual percentage increase, for example, (May 2018 to May 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 May 2019, compared to 4.4% in April 2019. On average, prices increased by 0.3% month-on-month May 2019.

**The food price** increased to 2.8% in May 2019, from 2.3% in April 2019.

**Transport inflation** declined to 7.1% in May 2019, from 7.4% in April 2019.

**Public transport inflation** declined to 9.5% in May 2019, from 10.5% in April 2019 (buses, trains, and other forms of transport that are available to the public charge set fares and run on fixed routes.)

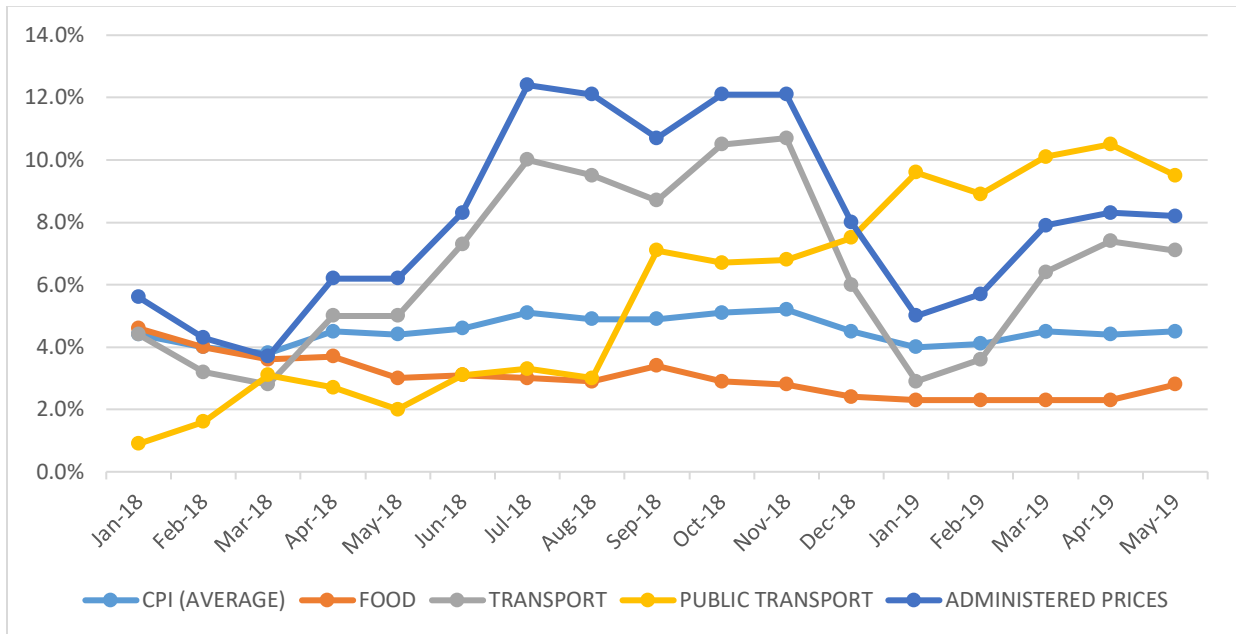
**Administrator's price** (school fees, telephone fees, electricity, trains, and petrol/paraffin) was 8.2% in May 2019, down from 8.3% in April 2019.

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

	Apr 18	May 18	Jun 18	Jul 18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19
<b>CPI</b>	4.5%	4.4%	4.6%	5.1%	4.9%	4.9%	5.1%	5.2%	4.5%	4%	4.1%	4.5%	4.4%	4.5%
<b>Food</b>	3.7%	3.0%	3.1%	3%	2.9%	3.4%	2.9%	2.8%	2.4%	2.3%	2.3%	2.3%	2.3%	2.8%
<b>Transport</b>	5%	5.0%	7.3%	10%	9.5%	8.7%	10.5%	10.7%	6%	2.9%	3.6%	6.4%	7.4%	7.1%
<b>Public Transport</b>	2.7%	2.0%	3.1%	3.3%	3%	7.1%	6.7%	6.8%	7.5%	9.6%	8.9%	10.1%	10.5%	9.5%
<b>Administered Prices</b>	6.2%	6.2%	8.3%	12.4%	12.1%	10.7%	12.1%	12.1%	8%	5%	5.7%	7.9%	8.3%	8.2%

Source: Statistics South Africa

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

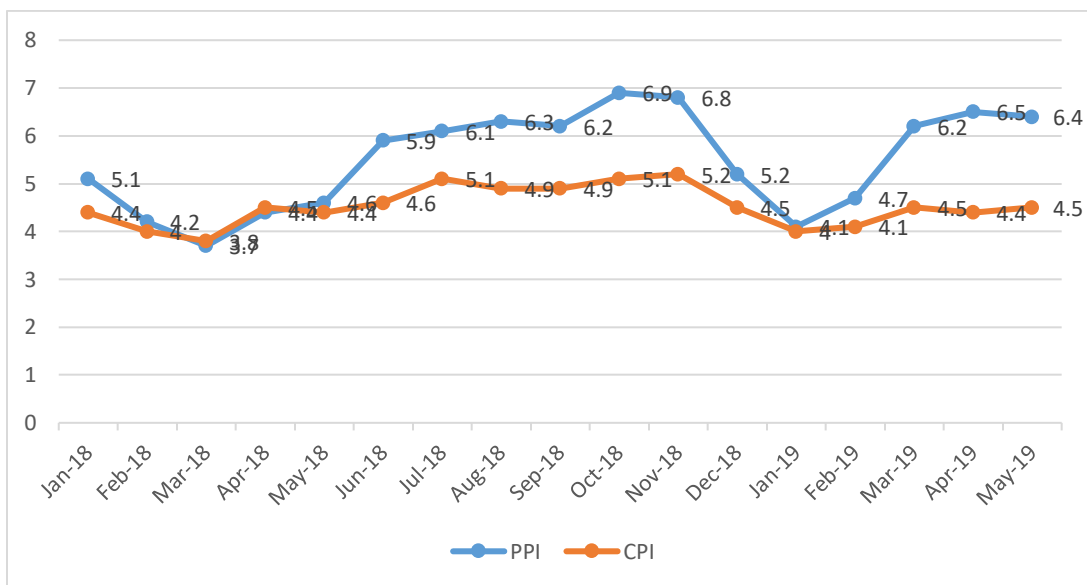


Source: Statistics South Africa

**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 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. The annual rate of PPI for final manufactured goods declined to 6.4% in May 2019 from 6.5% in April 2019, according to Stats SA.

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



Source: Statistics South Africa

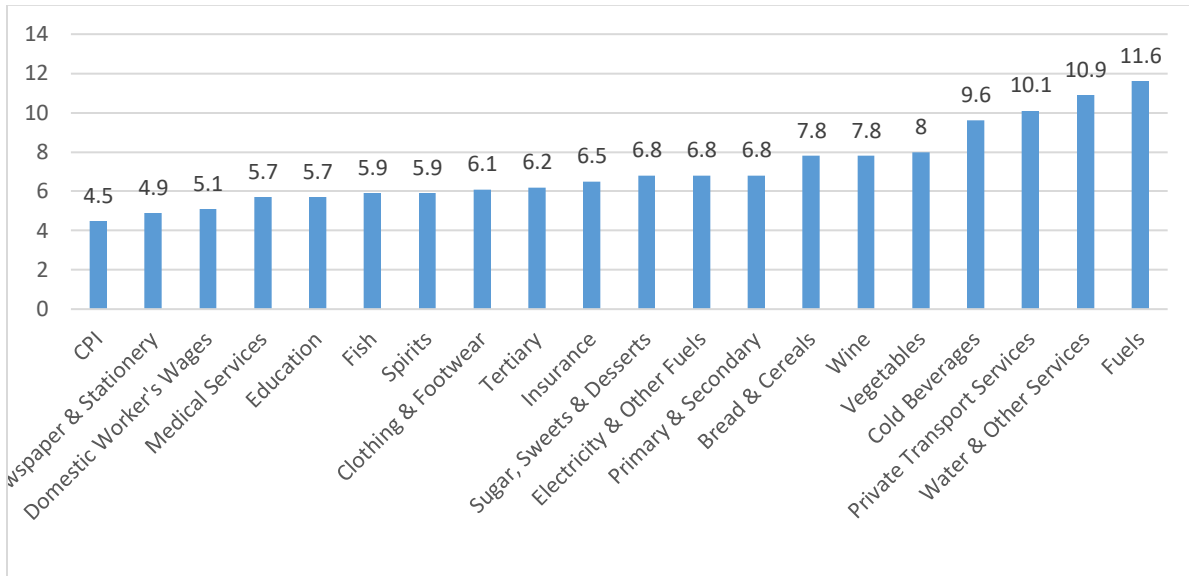
**Table 2: Contributions of the different groups to the annual percentage change in the CPI headline**

Group	Contributions	
	April 2019	May 2019
Food and non-alcoholic beverages	0,5	0,5
Alcoholic beverages and tobacco	0,3	0,3
Clothing and footwear	0,1	0,1
Housing and utilities	1,1	1,1
Household contents and services	0,1	0,1
Health	0,1	0,1
Transport	1,1	1,0
Education	0,2	0,2
Restaurants and hotels	0,1	0,1
Miscellaneous goods and services	0,9	0,9
Residual	-0,1	0,1
<b>All Items</b>	<b>4,4</b>	<b>4,5</b>

Source: Statistics South Africa

Although the CPI came at 4.5% in May 2019, other annualized items recorded increases above the consumer price index.

**Figure 3: Annualized increase in prices April 2019 by expenditure category**



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, May 2019**

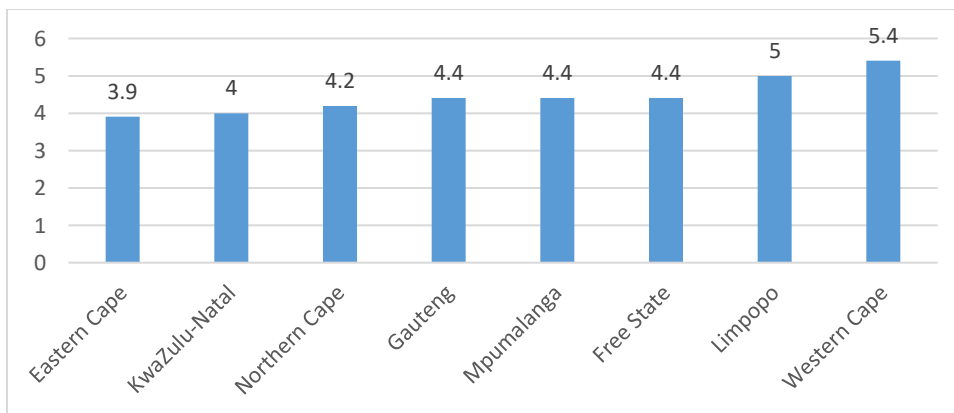
	Monthly expenditure	Inflation Rate May-19
<b>Average annual CPI</b>		<b>4.5%</b>
Decile 1	Up to R1477 per month	4.5%
Decile 2	R1477 up to R2456 per month	4.1%
Decile 3	R2456 up to R3549 per month	3.8%
Decile 4	R3549 up to R4742 per month	3.9%
Decile 5	R4742 up to R6151 per month	3.9%
Decile 6	R6151 up to R7907 per month	3.7%
Decile 7	R7907 up to R10352 per month	3.9%
Decile 8	R10352 up to R14419 per month	4.1%
Decile 9	R14419 up to R22492 per month	4.7%
Decile 10	R22492 and more...	4.8%

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. For example, back in 2009, the inflation rate for the poorest households was higher than inflation for the wealthiest households.

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



Source: Statistics South Africa

The provinces with annual inflation rate **lower than or equal to headline inflation** were Eastern Cape (3.9%), KwaZulu-Natal (4%), Northern Cape (4.2%), Gauteng (4.4%), Mpumalanga (4.4%) and Free State (4.4%). Limpopo and Western Cape had an annual inflation rate **higher than headline inflation**, at 5% and 5.4%.

#### 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%								

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%								

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.
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%								

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%	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%								

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%								

Source: Statistics South Africa

The Producer Price Index (PPI) measures the 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 above shows monthly movement of the 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 June 2019 CPI figures are expected on 24<sup>th</sup> July 2019**

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