

Inflation Monitor

A resource for trade union negotiators in
South Africa

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LRS

Labour Research Service

The Consumer Price Index accelerated to 3.2% in January 2021

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, January 2020 to January 2021). Take note that a falling rate of inflation means that prices are rising at a slower rate.

The headline annual Inflation rate increased to 3.2% in January 2021 from 3.1% in December 2020. The Consumer Price Index (CPI) increased by 0.3% month-on-month in January 2021.

The food price slowed down to 5.6% in January 2021 from 6.2% in December 2020.

Transport inflation slowed down to -0.4% in January 2021 from -1.6% in December 2020.

Public transport inflation increased to 1.5% in January 2021 from 1.2% in December 2020. (Buses, trains and other forms of transport that are available to the public charge set fares and run on fixed routes.)

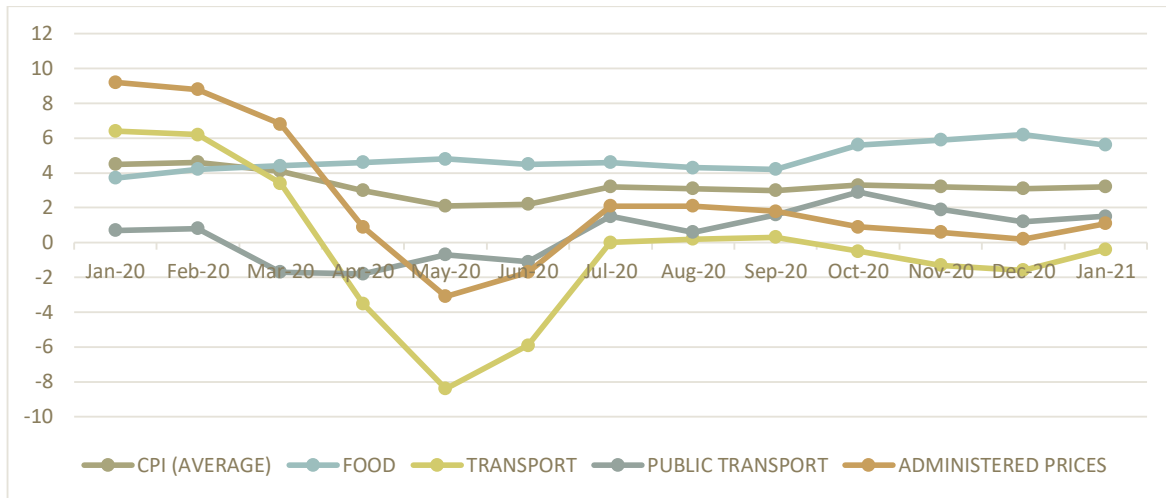
The administrator's price (school, telephone fees, electricity, trains, and petrol/paraffin) increased to 1.1% in January 2021 from 0.2% in December 2020.

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

	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21
CPI	4.5%	4.6%	4.1%	3%	2.1%	2.2%	3.2%	3.1%	3%	3.3%	3.2%	3.1%	3.2%
Food	3.7%	4.2%	4.4%	4.6%	4.8%	4.5%	4.6%	4.3%	4.2%	5.6%	5.9%	6.2%	5.6%
Transport	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%
Public Transport	0.7%	0.8%	-1.7%	-1.8%	-0.7%	-1.1%	1.5%	0.6%	1.6%	2.9%	1.9%	1.2%	1.5%
Administration Prices	9.2%	8.8%	6.8%	0.9%	-3.1%	-1.7%	2.1%	2.1%	1.8%	0.9%	0.6%	0.2%	1.1%

Source: Statistics South Africa

Figure 1: Consumer Price Index (CPI) and selected price categories | January 2020 to January 2021



Source: Statistics South Africa

Table 2: Contributions of the different groups to the annual percentage change in the CPI headline in January 2021

Group	Contributions	
	Jan-20	
Miscellaneous goods and services	1.0	
Food and non-alcohol beverages	0.9	
Housing and utilities	0.6	
Alcoholic beverages and tobacco	0.2	
Education	0.2	
Household contents and services	0.1	
Health	0.1	
Recreation and culture	0.1	
Residual	0.1	
Transport	-0.1	
All Items	3.2	

Source: Statistics South Africa

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

Table 3: Annualised inflation by expenditure group | January 2021

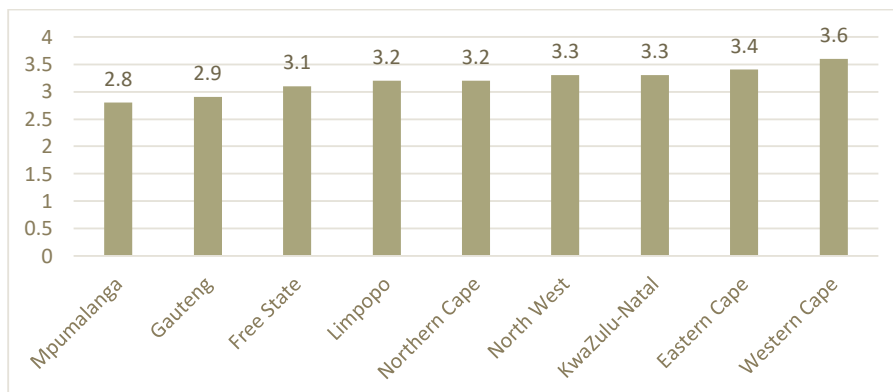
	Monthly expenditure	Inflation Rate Jan-21
Average annual CPI		3.2%
Decile 1	Up to R1477 per month	3.3%
Decile 2	R1477 up to R2456 per month	3.5%
Decile 3	R2456 up to R3549 per month	3.1%
Decile 4	R3549 up to R4742 per month	2.8%
Decile 5	R4742 up to R6151 per month	2.7%
Decile 6	R6151 up to R7907 per month	2.7%
Decile 7	R7907 up to R10352 per month	2.7%
Decile 8	R10352 up to R14419 per month	2.6%
Decile 9	R14419 up to R22492 per month	3%
Decile 10	R22492 and more...	3.4%

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 (Decile 1) experienced an inflation rate of 3.3%, which was higher than the headline annualised inflation rate of 3.2%, while the very high expenditure group (Decile 10) had an inflation rate of 3.4%, which was higher when compared to the 3.2% in January 2021.

Figure 2: Annualised inflation rate (%) by province, January 2021



Source: Statistics South Africa

The provinces with an annual inflation rate **lower than or equal to headline inflation** were Mpumalanga (2.8%), Gauteng (2.9%), Free State (3.1%), Limpopo (3.2%) and Northern Cape (3.2%). The provinces with an annual inflation rate **higher than headline inflation** were North West (3.3%), KwaZulu-Natal (3.3%), Eastern Cape (3.4%) and Western Cape (3.6%).

Table 4: The Consumer Price Index

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ave.
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
2021	3.2												

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.

Table 5: The Food Price Index

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ave.
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
2021	5.6												

Source: Statistics South Africa

The food price index shows the increase in the price level of food products only, every month. 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.
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
2021	-0.4												

Source: Statistics South Africa

The transport price index indicates 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.
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
2021	1.5												

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.
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
2021	1.1												

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 February 2021 CPI figures are expected on 24th March 2021

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