

LRS Labour Research Service

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



**INFLATION MONITOR
DECEMBER 2018**

The Consumer Price Index (CPI) slowed to 4.5% in December 2018

Inflation is the increase in prices of goods and services over a certain time period. Inflation is measured as an annual percentage increase, for example, December 2017 to December 2018.

To understand inflation well, think of buying power. If a worker receives a 10% increase but the price of the goods that the worker buys also increase by 10%, then that worker won't be able to buy anything beyond what they bought previously, even though they appear to have more money. The wage earner, therefore, has exactly the same buying power they had before, despite the 10% increase.

The Consumer Price Index (CPI) represents the overall increase in prices of all goods. The headline inflation rate as measured by the CPI declined to 4.5% in December 2018 compared to 5.2% in November 2018. On average, prices increased by 0.5% between September 2018 and October 2018.

The inflation rate is at the midpoint of the South African Reserve Bank's targeted range between 3% - 6% in December 2018.

The food price was 2.4% in December 2018 compared to 2.8% in November 2018.

Transport inflation was 6% in December 2018 compared to 10.7% in November 2018.

Public transport inflation was 7.5% in December 2018, lower than 6.8% in November 2018. (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) came in at 8% in December 2018 compared to 12.1% in November 2018.

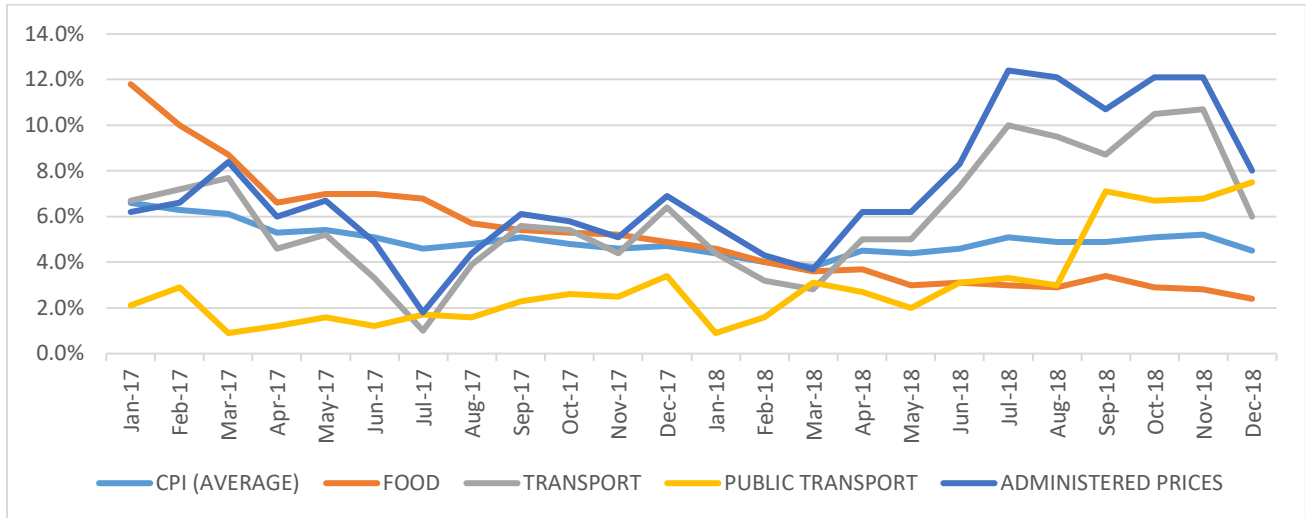
The average annual consumer price inflation for the whole of 2018 was 4.7%, compared to the corresponding 5.3% recorded in 2017.

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

	Nov 17	Dec 17	Jan 18	Feb 18	Mar 18	Apr 18	May 18	Jun 18	Jul 18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
CPI	4.6%	4.7%	4.4%	4%	3.8%	4.5%	4.4%	4.6%	5.1%	4.9%	4.9%	5.1%	5.2%	4.5%
Food	5.2%	4.9%	4.6%	4%	3.6%	3.7%	3.0%	3.1%	3%	2.9%	3.4%	2.9%	2.8%	2.4%
Transport	4.4%	6.4%	4.4%	3.2%	2.8%	5%	5.0%	7.3%	10%	9.5%	8.7%	10.5%	10.7%	6%
Public Transport	2.5%	3.4%	0.9%	1.6%	3.1%	2.7%	2.0%	3.1%	3.3%	3%	7.1%	6.7%	6.8%	7.5%
Administered Prices	5.1%	6.9%	5.6%	4.3%	3.7%	6.2%	6.2%	8.3%	12.4%	12.1%	10.7%	12.1%	12.1%	8%

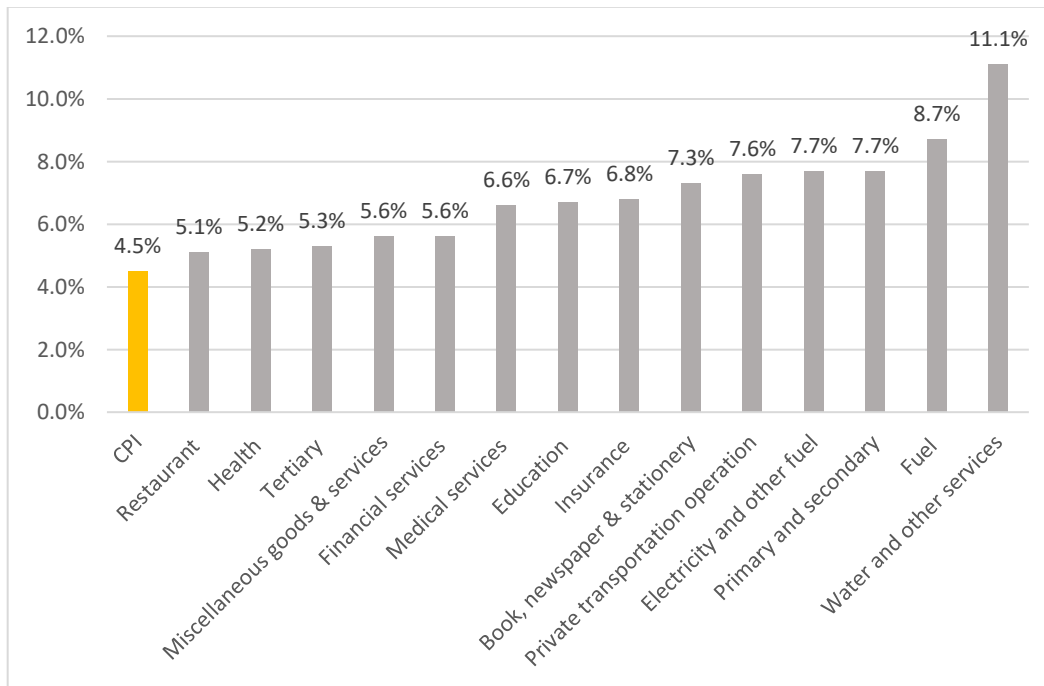
Source: Statistics South Africa

Figure 1: CPI and selected price categories January 2017 to December 2018



Source: Statistics South Africa

Table 2: Annualized increase in prices December 2018 by expenditure category



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.

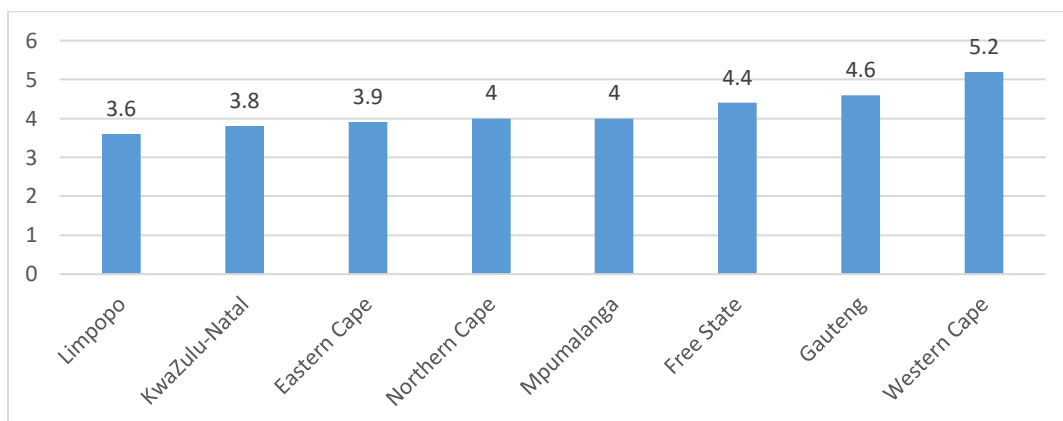
Table 3: Annualised inflation by expenditure group, December 2018

	Monthly expenditure	Inflation Rate Dec-18
Average annual CPI		4.5%
Decile 1	Up to R1477 per month	3.7%
Decile 2	R1477 up to R2456 per month	3.7%
Decile 3	R2456 up to R3549 per month	3.7%
Decile 4	R3549 up to R4742 per month	3.7%
Decile 5	R4742 up to R6151 per month	3.8%
Decile 6	R6151 up to R7907 per month	3.9%
Decile 7	R7907 up to R10352 per month	4%
Decile 8	R10352 up to R14419 per month	4.3%
Decile 9	R14419 up to R22492 per month	4.8%
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 4% higher than inflation for the wealthiest households.

Figure: Annualised inflation rate (%) by province, December 2018



Source: Statistics South Africa

The provinces with annual inflation rate **lower than or equal to headline inflation** were Limpopo (3.6%), KwaZulu-Natal (3.8%), Eastern Cape (3.9%), Northern Cape (4%), Mpumalanga (4%) and Free State (4.4%). Gauteng and Western Cape Provinces had an annual inflation rate **higher than headline inflation**, at 4.6% and 5.2% respectively.

The Consumer Price Index (CPI)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ave.
2016	6.2%	7%	6.3%	6.2%	6.1%	6.3%	6%	5.9%	6.1%	6.4%	6.6%	6.8%	6.4%
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%

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.
2016	7%	8.8%	9.8%	11.3%	10.8%	11%	11.5%	11.6%	11.6%	12%	11.8%	12%	11%
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%

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.
2016	5.5%	8.7%	4.5%	2.7%	3.1%	3.3%	3.1%	2%	3.5%	4.3%	6.4%	5.7%	4%
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%

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.
2016	8.8%	11.5%	6.4%	4.5%	4.7%	4.9%	3.1%	2%	3.2%	4.2%	5.6%	5.1%	5%
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%

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 phone calls and public transport. This rate is incorporated into the overall CPI inflation rate.

The January 2019 CPI document will be released on the 20th February 2019

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