

LRS Labour Research Service

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



INFLATION MONITOR
JULY 2018

The Consumer Price Index (CPI) increased to 5.1% in July 2018

The term inflation means a sustained increase in the general level of prices for goods and services. It's measured as an annual percentage increase (for example, July 2017 to July 2018). Take note that a falling rate of inflation means that prices are rising at a slower rate.

The headline Inflation rate at July 2018 was 5.1% year on year. On average, prices increased by 0.8% between July and June 2018. The inflation rate of 5.1% is within the 3%-6% target range of the reserve bank.

The food price decreased to 3% in July 2018 from 3.1% in June 2018.

Transport inflation increased to 10% in July 2018 from 7.3% in June 2018.

Public transport inflation increased to 3.3% in July 2018 from 3.1% in June 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) increased to 12.4% in July 2018 from 8.3% in June 2018.

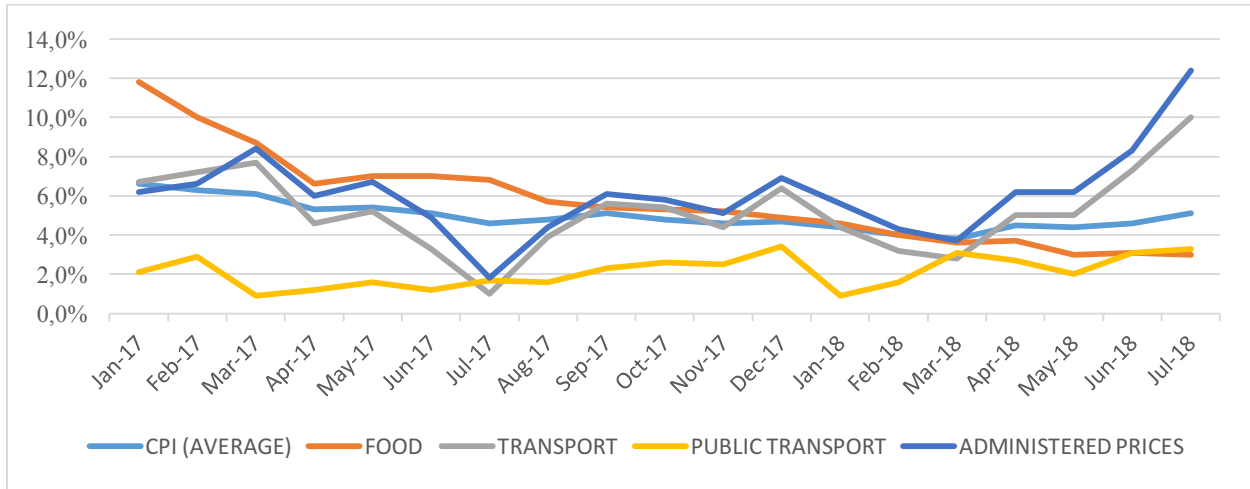
The Annual Inflation Rate (CPI) and Selected Price Categories

	Jun 17	Jul 17	Aug 17	Sep 17	Oct 17	Nov 17	Dec 17	Jan 18	Feb 18	Mar 18	Apr 18	May 18	Jun 18	Jul 18
CPI	5.1%	4.6%	4.8%	5.1%	4.8%	4.6%	4.7%	4.4%	4%	3.8%	4.5%	4.4%	4.6%	5.1%
Food	7%	6.8%	5.7%	5.4%	5.3%	5.2%	4.9%	4.6%	4%	3.6%	3.7%	3.0%	3.1%	3%
Transport	3.3%	1.0%	3.9%	5.6%	5.4%	4.4%	6.4%	4.4%	3.2%	2.8%	5%	5.0%	7.3%	10%
Public Transport	1.2%	1.7%	1.6%	2.3%	2.6%	2.5%	3.4%	0.9%	1.6%	3.1%	2.7%	2.0%	3.1%	3.3%
Administered Prices	4.9%	1.8%	4.4%	6.1%	5.8%	5.1%	6.9%	5.6%	4.3%	3.7%	6.2%	6.2%	8.3%	12.4%

Source: Statistics South Africa

The prices of transport, public transport and administered prices continue to drive inflation in July 2018. Steep increases in these commodities will therefore have a greater impact on poor households. The increase in inflation will also prompt the Reserve Bank to increase its repo rate, which might have a negative effect on consumers and people who are servicing debt.

Consumer Price Index (CPI) and selected price categories April 2016 to July 2018



Source: Statistics South Africa

The table below shows items that cost more in July 2018

	July 2018
Meat	5.6%
Fish	6.6%
Vegetables	8.8%
Water and Other Services	11%
Non-Alcoholic Beverages	6.5%
Alcoholic Beverages	7.9%
Private Transport Operation	20.3%
Electricity and Other Fuels	7.7%
Fuel	25.3%
Primary and Secondary Education	7.7%
Tertiary Education	5.3%
Books, Newspapers & Stationery	5.6%
Restaurants	6.5%
Non-Alcoholic Beverages	6.2%
Medical Services	5.8%
Insurance	7.2%
Financial Services	6.6%

Consumer Price Index (CPI) Per Expenditure Decile

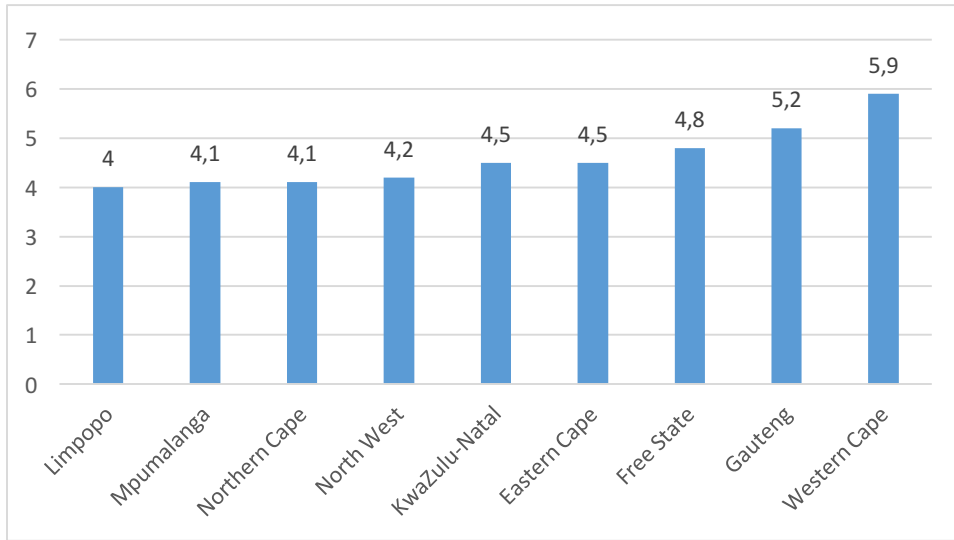
Statistics South Africa divides household monthly expenditure into 10 decile. The table shows that decile 10 expenditure was higher than decile 1 expenditure, indicating a high level of inequality.

	Monthly expenditure	Inflation Rate Jul-18
Average annual CPI		5.1%
Decile 1	Up to R1477 per month	3.5%
Decile 2	R1477 up to R2456 per month	3.4%
Decile 3	R2456 up to R3549 per month	3.9%
Decile 4	R3549 up to R4742 per month	3.9%
Decile 5	R4742 up to R6151 per month	4%
Decile 6	R6151 up to R7907 per month	4%
Decile 7	R7907 up to R10352 per month	4.6%
Decile 8	R10352 up to R14419 per month	5.1%
Decile 9	R14419 up to R22492 per month	5.6%
Decile 10	R22492 and more...	5.5%

Source: Statistics South Africa

The table above shows that there's a different inflation rate for different groups of quintiles. Inflation is lower in the 'very low' decile (1) at 3.5% followed by the 'low' decile (2) at 3.4%. Decile 9 and 10 had the highest inflation rate of 5.6% and 5.5%. This is higher when compared to the annualise inflation of 5.1%.

Provincial Inflation Rate July 2018



Source: Statistics South Africa

The provinces with annual inflation rate **lower than or equal to headline inflation** were Limpopo (4%), Mpumalanga (4.1%), Northern Cape (4.1%), North West (4.2%), KwaZulu -Natal (4.5%), Eastern Cape (4.5%) and Free State (4.8%).

Gauteng and Western Cape provinces had an annual inflation rate **higher than headline inflation** at 5.2% and 5.9% 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%						

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.
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%						

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.
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%						

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%						

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.

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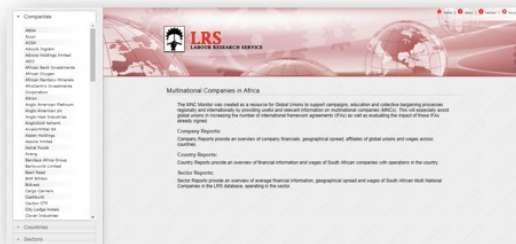
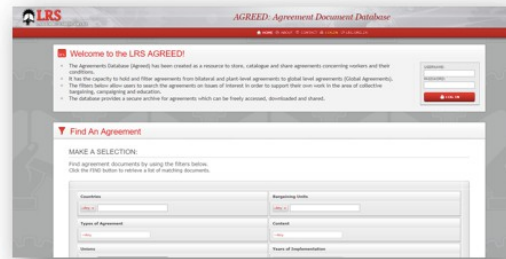
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