

# LRS Labour Research Service

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



## LRS INFLATION MONITOR

JUNE 2018

## The Consumer Price Index (CPI) declined to 4.6% in June 2018

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

The headline inflation rate at June 2018 was 4.6% year on year. On average, prices increased by 0.2% between June and May 2018. The inflation rate of 4.6% is within the 3%-6% target range of the reserve bank.

The **food price** increased to 3.1% in June 2018 from 3% in May 2018.

**Transport inflation** increased to 7.3% in June 2018 from 5% in May 2018.

**Public transport inflation** increased to 3.1% in June 2018 from 2% in May 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 8.3% in June 2018 from 6.2% in May 2018.)

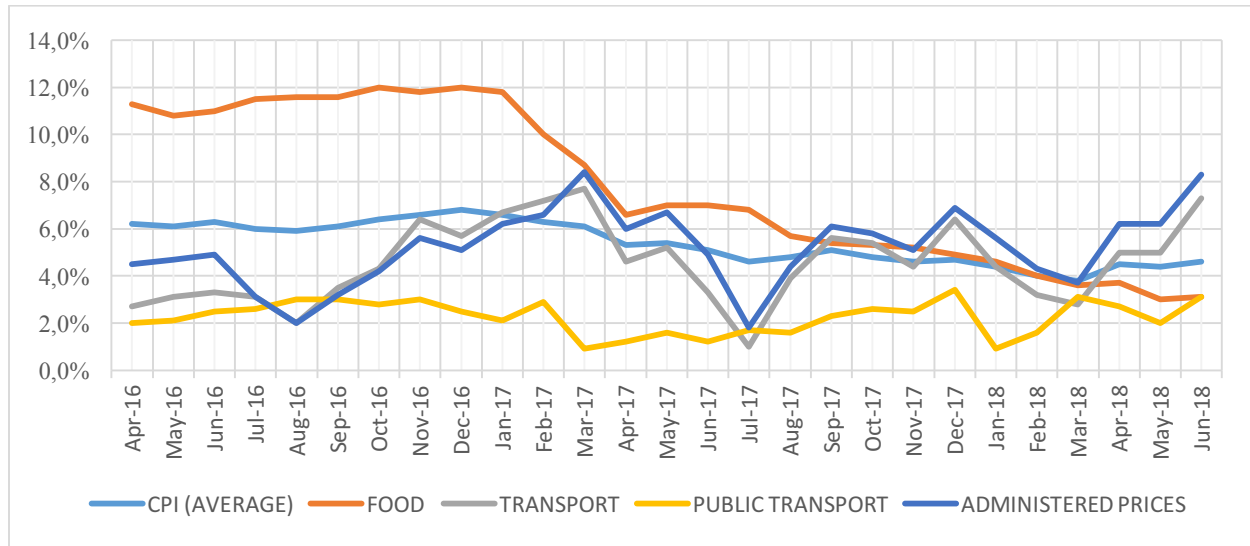
The Annual Inflation Rate (CPI) and Selected Price Categories

	Apr-17	May-17	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
<b>CPI</b>	5.3%	5.4%	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%
<b>Food</b>	6.6%	7%	7%	6.8%	5.7%	5.4%	5.3%	5.2%	4.9%	4.6%	4%	3.6%	3.7%	3.0%	3.1%
<b>Transport</b>	4.6%	5.2%	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%
<b>Public Transport</b>	1.2%	1.6%	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%
<b>Administered Prices</b>	6.0%	6.7%	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%

Source: Statistics South Africa

At 4.6%, the inflation rate is still between the 3%-6% target of the South Africa Reserve Bank. But, the increase in fuel price is worrying. Workers are bearing the brunt of increased cost of goods and services (eg. transportation) as businesses move to mitigate the hike in petrol.

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



Source: Statistics South Africa

The table below shows 17 things that cost more in June 2018.

		June 2018
1	Meat	6.8%
2	Fish	7.5%
3	Vegetables	5.7%
4	Water and Other Services	7.1%
5	Private Transport Operation	13.5%
6	Fuel	16.3%
7	Primary and Secondary Education	7.7%
8	Tertiary Education	5.3%
9	Books, Newspapers & Stationery	7.2%
10	Restaurants	7.2%
11	Non-Alcoholic Beverages	6.2%
12	Alcoholic Beverages	8.3%
13	Health	4.7%
14	Medical Services	5.8%
15	Insurance	7.1%
16	Financial Services	6.4%
17	Other Goods and Services	5.2%

## Consumer Price Index (CPI) Per Expenditure Decile

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.

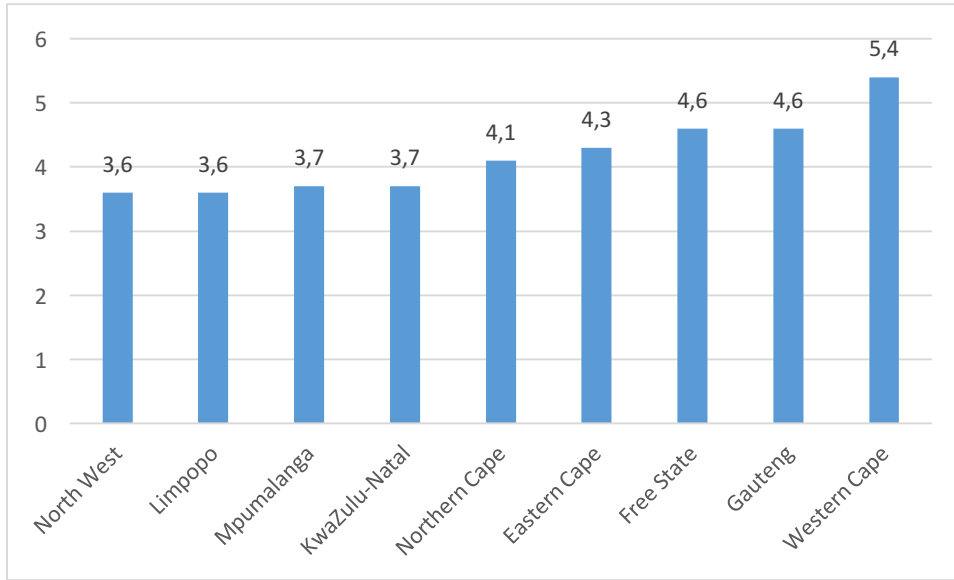
	Monthly expenditure	Inflation Rate Jun-18
<b>Average annual CPI</b>		<b>4.6%</b>
Decile 1	Up to R1477 per month	2.5%
Decile 2	R1477 up to R2456 per month	2.8%
Decile 3	R2456 up to R3549 per month	3.3%
Decile 4	R3549 up to R4742 per month	3.4%
Decile 5	R4742 up to R6151 per month	3.5%
Decile 6	R6151 up to R7907 per month	3.7%
Decile 7	R7907 up to R10352 per month	4.2%
Decile 8	R10352 up to R14419 per month	4.5%
Decile 9	R14419 up to R22492 per month	5%
Decile 10	R22492 and more...	4.8%

*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 2.5% followed by the 'low' decile (2) at 2.8%, Decile 9 and 10 had the highest inflation rate of 5% and 4.8%. This is higher when compared to the annualised inflation of 4.6%.

### Provincial Inflation Rate June 2018



Source: Statistics South Africa

The provinces with annual inflation rate **lower than or equal to headline inflation** were North West (3.6%), Limpopo (3.6%), Mpumalanga (3.7%), KwaZulu-Natal (3.7%), Northern Cape (4.1%) and Eastern Cape (4.3%).

Free State (4.6%), (Gauteng (4.6%) and Western Cape (5.4%) had an annual inflation rate **higher than headline inflation**

### 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%							

Source: Statistics South Africa

The Consumer Price Index (CPI) is known as the headline inflation rate. CPI 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.
<b>2016</b>	7%	8.8%	9.8%	11.3%	10.8%	11%	11.5%	11.6%	11.6%	12%	11.8%	12%	<b>11%</b>
<b>2017</b>	11.8%	10%	8.7%	6.6%	7%	7%	6.8%	5.7%	5.4%	5.3%	5.2%	4.9%	<b>0.5%</b>
<b>2018</b>	4.6%	4%	3.6%	3.7%	3%	3.1%							

*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.
<b>2016</b>	5.5%	8.7%	4.5%	2.7%	3.1%	3.3%	3.1%	2%	3.5%	4.3%	6.4%	5.7%	<b>4%</b>
<b>2017</b>	6.7%	7.2%	7.7%	4.6%	5.2%	3.3%	1.0%	3.9%	5.6%	5.4%	4.4%	6.4%	<b>1%</b>
<b>2018</b>	4.4%	3.2%	2.8%	5%	5%	7.3%							

*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.
<b>2016</b>	8.8%	11.5%	6.4%	4.5%	4.7%	4.9%	3.1%	2%	3.2%	4.2%	5.6%	5.1%	<b>5%</b>
<b>2017</b>	6.2%	6.6%	8.4%	6%	6.7%	4.9%	1.8%	4.4%	6.1%	5.8%	5.1%	6.9%	<b>6%</b>
<b>2018</b>	5.6%	4.3%	3.7%	6.2%	6.2%	8.3%							

*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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