



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

LRS Inflation Monitor

May 2018

28/06/2018

The Consumer Price Index (CPI) declined to 4.4% in May 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, May 2017 to May 2018). Take note that a falling rate of inflation means that prices are rising at a slower rate.

The headline inflation rate at May 2018 was 4.4% year on year. On average, prices increased by 0.2% between May and April 2018. The inflation rate of 4.4% is within the 3% - 6% target range of the reserve bank.

The food price decreased to 3.0% in May 2018 from 3.7% in April 2018.

Transport inflation remained unchanged at 5% in May 2018.

Public transport inflation declined to 2% in May 2018 from 2.7% in April 2018. (Buses, trains and other forms of transport that are available to the public charge set fares and run on fixed routes.)

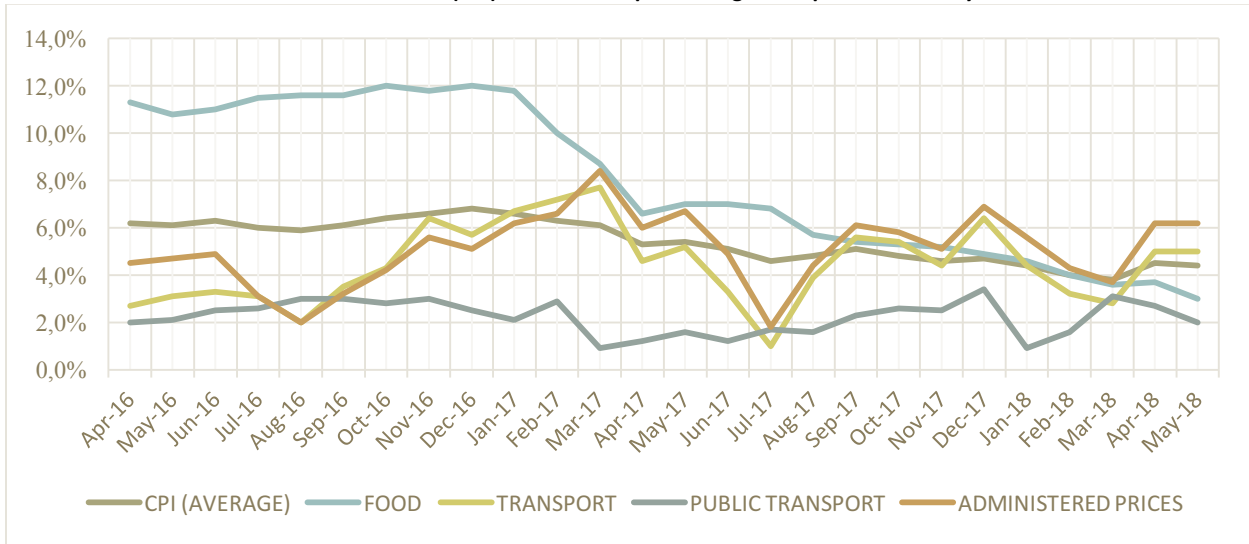
Administrator's price (school fees, telephone fees, electricity, trains, and petrol/paraffin) remained unchanged at 6.2% in May 2018.

The Annual Inflation Rate (CPI) and Selected Price Categories

	Mar-17	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
CPI	6.1%	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%
Food	8.7%	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%
Transport	7.7%	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%
Public Transport	0.9%	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%
Administered Prices	8.4%	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%

Source: Statistics South Africa

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



Source: Statistics South Africa

The table below shows 12 things that cost more in April and May 2018.

		April 2018	May 2018
1	Meat	9%	7.8%
2	Water and Other Services	7.2%	7.3%
3	Actual Rental for Housing	5.1%	5.1%
4	Owner's Equivalent Rent	4.6%	4.6%
5	Fuel	9%	9.4%
6	Primary and Secondary Education	7.7%	7.7%
7	Tertiary Education	5.3%	5.3%
8	Medical Products	3.5%	3.5%
9	Medical Services	5.7%	5.8%
10	Insurance	7.1%	7.3%
11	Financial Services	6.4%	6.4%
12	Other Goods and Services	5.2%	5.2%

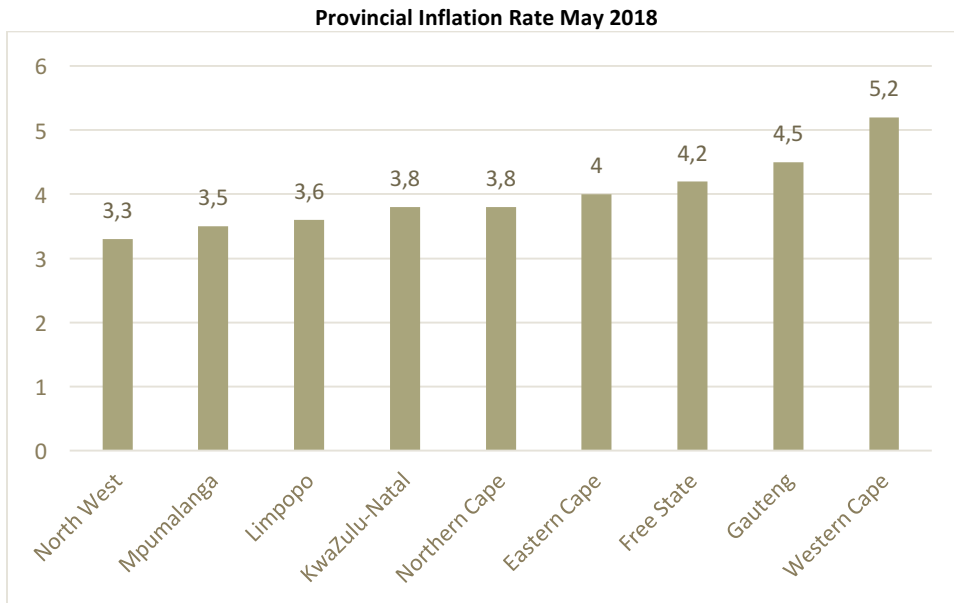
Consumer Price Index (CPI) Per Expenditure Decile

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 May-18
Average annual CPI		4.4%
Decile 1	Up to R1477 per month	2.1%
Decile 2	R1477 up to R2456 per month	2.6%
Decile 3	R2456 up to R3549 per month	3.1%
Decile 4	R3549 up to R4742 per month	3.3%
Decile 5	R4742 up to R6151 per month	3.5%
Decile 6	R6151 up to R7907 per month	3.8%
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	4.7%
Decile 10	R22492 and more...	4.7%

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 2.1% followed by the 'low' decile (2) at 2.6%, Decile 9 and 10 had the highest inflation rate of 4.7%. This is higher when compared to the annualise inflation of 4.4%.



Source: Statistics South Africa

The provinces with annual inflation rate **lower than or equal to headline inflation** were North West (3.8%), Mpumalanga (3.5%), Limpopo (3.6%), KwaZulu-Natal (3.8%), Northern Cape (3.8%), Eastern Cape (4%) and Free State (4.2%).

Gauteng and Western Cape had an annual inflation rate **higher than headline inflation**, at 4.5% 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%								

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%								

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%								

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%								

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.

For more information contact:

George Mthethwa

021 486-1100

082 336 4533

george@lrs.org.za

www.lrs.org.za