

LRS Labour Research Service

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



INFLATION MONITOR

OCTOBER 2018

The Consumer Price Index (CPI) was 5.1% in October 2018

The term inflation means the rate at which prices increase over time, resulting in a fall in the purchasing power of money. It's measured as an annual percentage increase, for example, October 2017 to October 2018. A falling rate of inflation means that prices are rising at a slower rate.

The headline Inflation rate was 5.1% in October 2018, higher than 4.9% in September 2018. On average, prices increased by 0.5% between September 2018 and October 2018. The inflation rate of 5.1% is still within the 3%-6% target range of the reserve bank.

The food price came in at 2.9% in October 2018, lower than 3.4% in September 2018.

Transport inflation was 10.5% in October 2018, higher than 8.7% in September 2018.

Public transport inflation at 6.7% in October 2018 was lower than 7.1% in September 2018. (Buses, trains and other forms of transport that are available to the public charge set fares and run on fixed routes.)

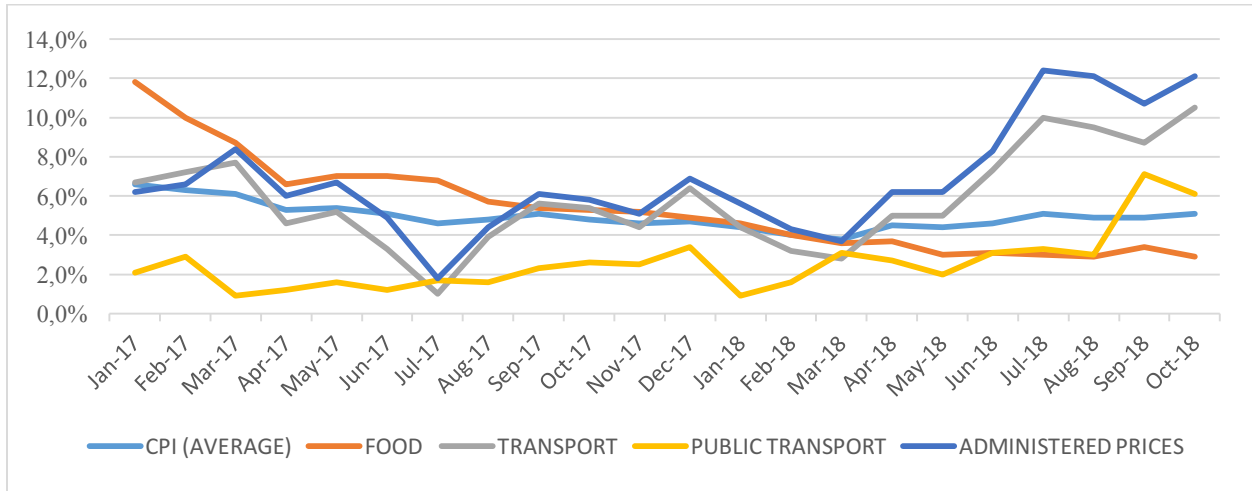
Administrators' price (school fees, telephone fees, electricity, trains, and petrol/paraffin) was at 12.1% in October 2018, higher than 10.7% in September 2018.

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

	Sep 17	Oct 17	Nov 17	Dec 17	Jan 18	Feb 18	Mar 18	Apr 18	May 18	Jun 18	Jul 18	Aug-18	Sep-18	Oct-18
CPI	5.1%	4.8%	4.6%	4.7%	4.4%	4%	3.8%	4.5%	4.4%	4.6%	5.1%	4.9%	4.9%	5.1%
Food	5.4%	5.3%	5.2%	4.9%	4.6%	4%	3.6%	3.7%	3.0%	3.1%	3%	2.9%	3.4%	2.9%
Transport	5.6%	5.4%	4.4%	6.4%	4.4%	3.2%	2.8%	5%	5.0%	7.3%	10%	9.5%	8.7%	10.5%
Public Transport	2.3%	2.6%	2.5%	3.4%	0.9%	1.6%	3.1%	2.7%	2.0%	3.1%	3.3%	3%	7.1%	6.7%
Administered Prices	6.1%	5.8%	5.1%	6.9%	5.6%	4.3%	3.7%	6.2%	6.2%	8.3%	12.4%	12.1%	10.7%	12.1%

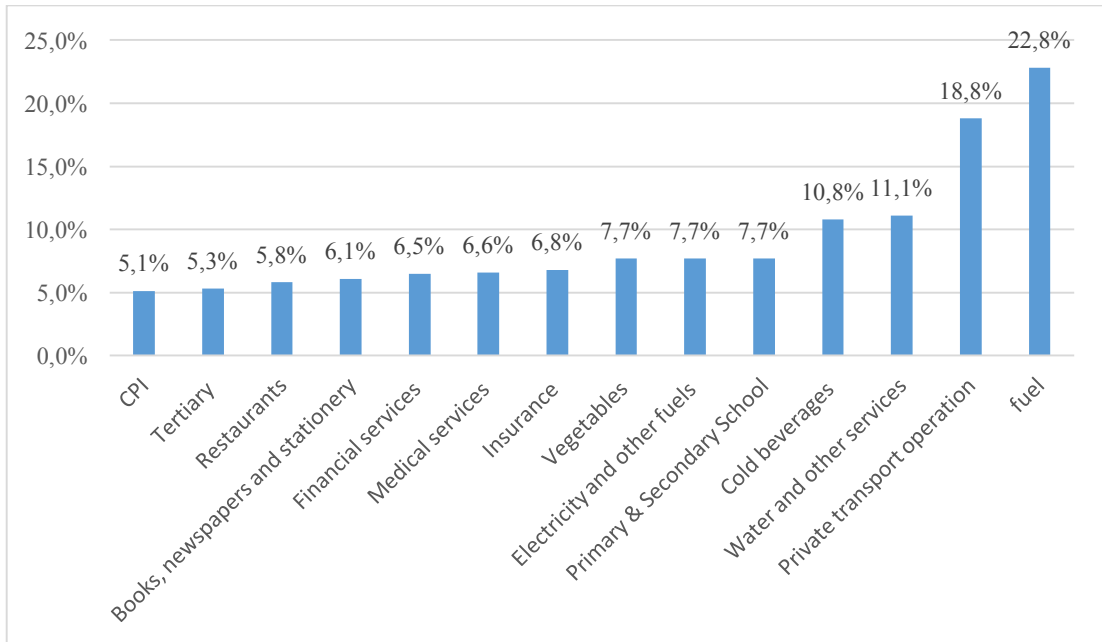
Source: Statistics South Africa

Figure 1: Consumer Price Index (CPI) and selected price categories January 2017 to October 2018



Source: Statistics South Africa

Table 2: Annualised increase in prices October 2018 by expenditure category



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

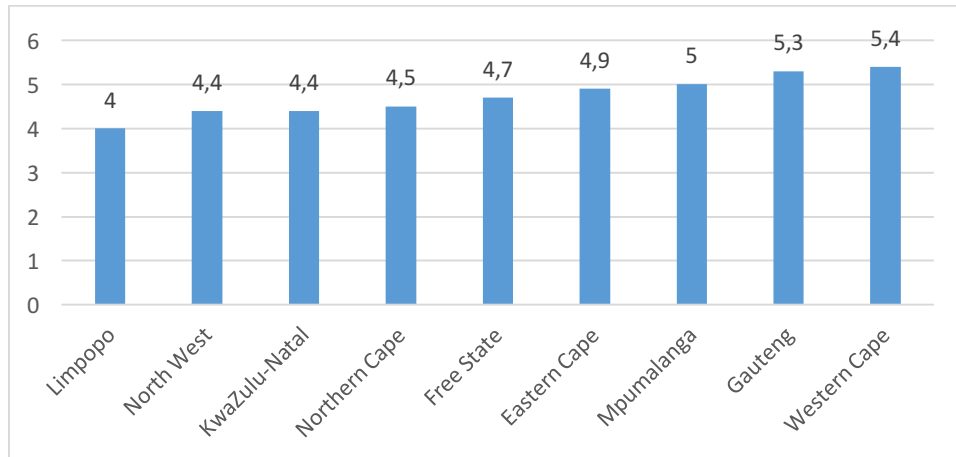
Table 3: Annualised inflation by expenditure group, October 2018

	Monthly expenditure	Inflation Rate Oct-18
Average annual CPI		5.1%
Decile 1	Up to R1477 per month	3.9%
Decile 2	R1477 up to R2456 per month	3.7%
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	4.1%
Decile 7	R7907 up to R10352 per month	4.5%
Decile 8	R10352 up to R14419 per month	4.9%
Decile 9	R14419 up to R22492 per month	5.6%
Decile 10	R22492 and more...	5.5%

Source: Statistics South Africa

There's more than one inflation number. The inflation rate that's 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 isn't 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, October 2018



Source: Statistics South Africa

The provinces with annual inflation rate **lower than or equal to headline inflation** were Limpopo (4%), North West (4.4%), KwaZulu-Natal (4.4%), Northern Cape (4.5%), Free State (4.7%), Eastern Cape (4.9%) and Mpumalanga (5%). Gauteng and Western Cape had an annual inflation rate **higher than headline inflation**, at 5.3% and 5.4% respectively.

HISTORY TABLES

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%			

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%	2.9%	3.4%	2.9%			

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%			

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%			

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 NOVEMBER 2018 CPI DOCUMENT WILL BE RELEASED ON THE 12th DECEMBER 2018

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