



September 2024

Bargaining Benchmarks

A resource for trade union negotiators
in South Africa

Negotiators often have very few resources to assist them with preparing for bargaining processes at company or sector level. There is very little information on wages and other key indicators in the public domain and trade union negotiators in particular have limited scope to buy the information that they might need. It is also true that much of the information that is available is not in a form that is easily understood by negotiators.

Bargaining Benchmarks is a basic resource for role players in collective bargaining in South Africa. This report provides negotiators with a series of benchmarks that will help them enter into bargaining processes as informed role players.

Table of Contents

Definitions	02
Price Inflation: Cost of Living	03
Contributions to annual change	04
Inflation by expenditure Group	08
Inflation by province	08
Producer Price Index	09
Unemployment rate	10
Economic Growth and GDP	11
Household Food Basket Index	12
Wage indicators	13
References	14

Definitions

CPI (Consumer Price Index)

Measures changes in the price level of market basket of consumer goods and services purchased by households.

Economic growth

The increase in the inflation-adjusted market value of the goods and services produced by an economy over time. It is conventionally measured as the percent rate of increase in real gross domestic product, or real GDP.

Employment

The fact of having a paid job.

Inflation

The rate at which prices increase over time, resulting in a fall in the purchasing power of money.

GDP (Gross Domestic Product)

A monetary measure of the market value of all the final goods and services produced in a period of time, often annually or quarterly in a country.

PPI (Producer Price Index)

Measure of the average change in the price of a basket of representative goods and services sold by manufacturers and producers in the wholesale market, including finished goods, intermediate goods, and raw materials or crude commodities.

PMBEJD

Pietermaritzburg Economic Justice and Dignity.

The median

The number found in the middle of a range of numbers. For example: if the range of numbers is 2, 4, 6, 8, 10, 12, 14, 16, 18 then the median is 10.

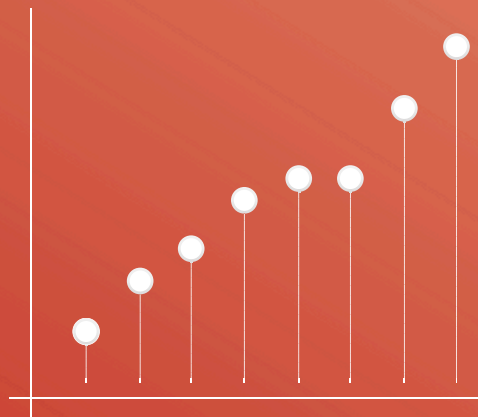
Price inflation: Cost of living

Inflation is backwards looking. If the latest inflation number is for June 2024 and it was reported to be 5.1%, then this tells us what happened to prices over the last 12 months (from June 2023 to June 2024).

The easiest way to understand inflation is to 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 will not be able to buy anything beyond what they bought previously even though they appear to have more money. The wage earner, therefore, has 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 inflation rate as measured by the CPI was 5.1% in June 2024. This means that the price of goods and services generally increased by 5.1% from June 2023 to June 2024.

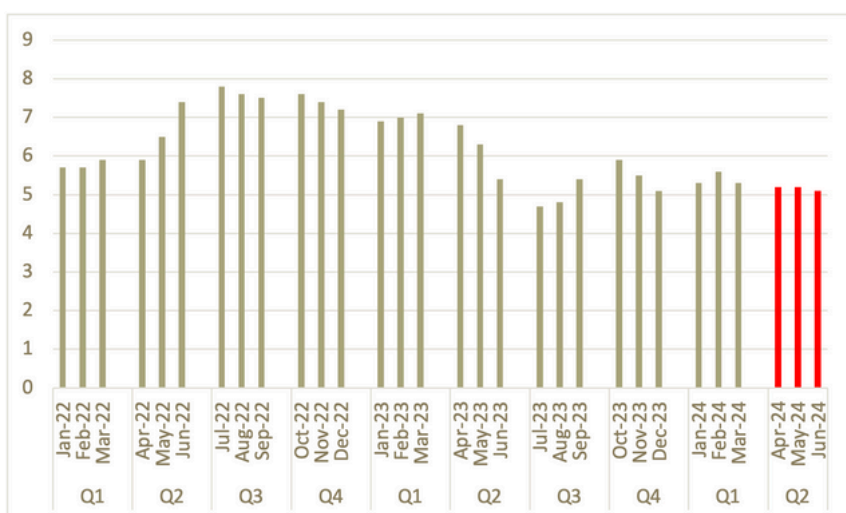
You can find this monthly release at www.statssa.gov.za



Inflation

The **increase in prices** over a certain time period. Measured as an annual percentage increase (for example, June 2023 to June 2024). Almost always presented as an annualized number covering the previous 12 months.

Figure 1: Consumer Price Index (CPI) Q2 2024



Source: Statistics South Africa

Overall CPI is made up of different categories of goods and services.



June 2024

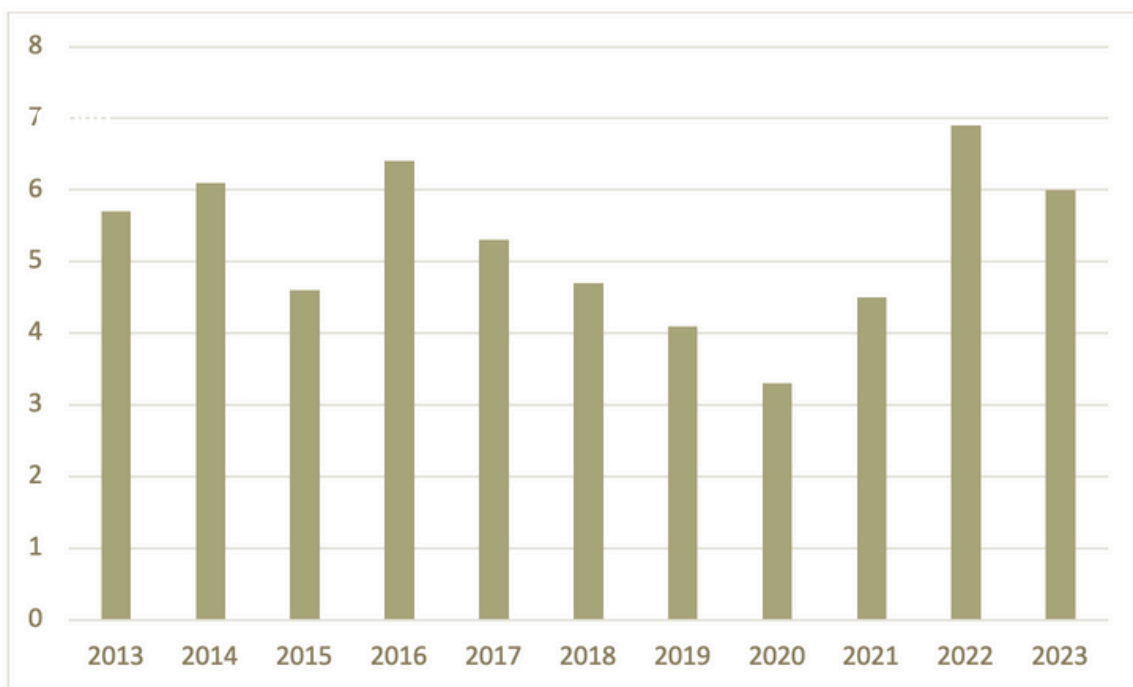
Remember the inflation rate describes a rate of increase. So, if annualised inflation is lower this month than it was last month, it does not mean that things are cheaper. It just means that the prices increased more slowly than they did before.

If we look even closer, we can see which sub-categories are currently driving inflation.



If annualised inflation is lower this month than it was last month, it does not mean that things are cheaper.

Figure 2: Average Consumer Price Index (CPI) | 2013 - 2023

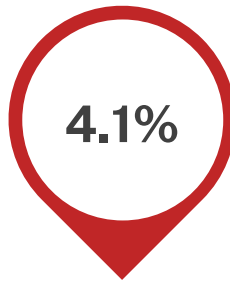


Source: Statistics South Africa

The food price index shows the increase in the price level of food products only every month. This rate is incorporated in the overall CPI inflation rate.

Food prices rose faster than inflation from January 2022 to February 2024 but fell below the annualised rate from March to June 2024.

Food price



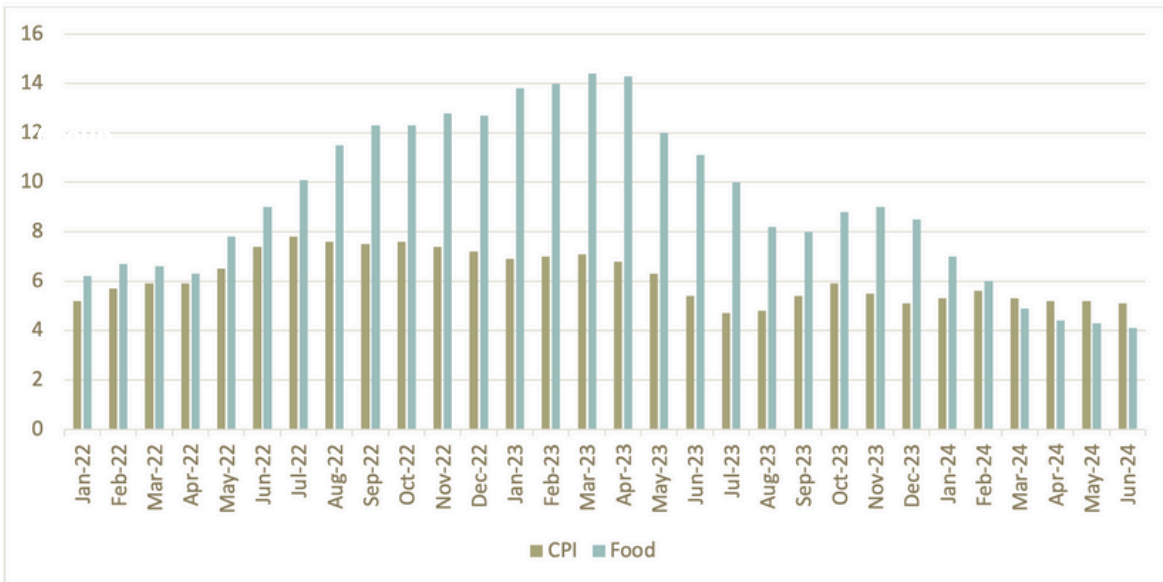
June 2024

Consumer Price Index



June 2024

Figure 3: The Food Price | January 2022 - June 2024



Source: Statistics South Africa

The transport price index reflects the rise in the cost of transportation items within the basket of goods and services used to calculate the inflation index. This rate is factored into the overall CPI inflation rate.

Transport price



June 2024

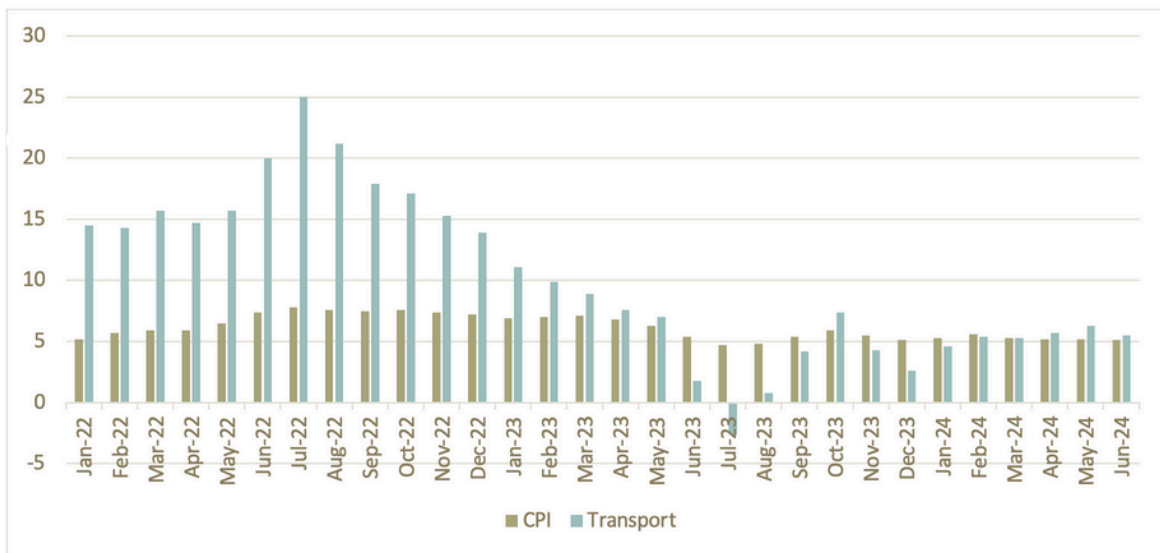
Consumer Price Index



June 2024

Transport prices exceeded inflation from January 2022 to May 2023, fell below it from July to September 2023, and rose above it in October before declining in November and December. In January 2024, prices were below inflation, increased slightly in February, and settled at 5.3% in March. Transport prices exceeded the annualised inflation rate in Q2 of 2024.

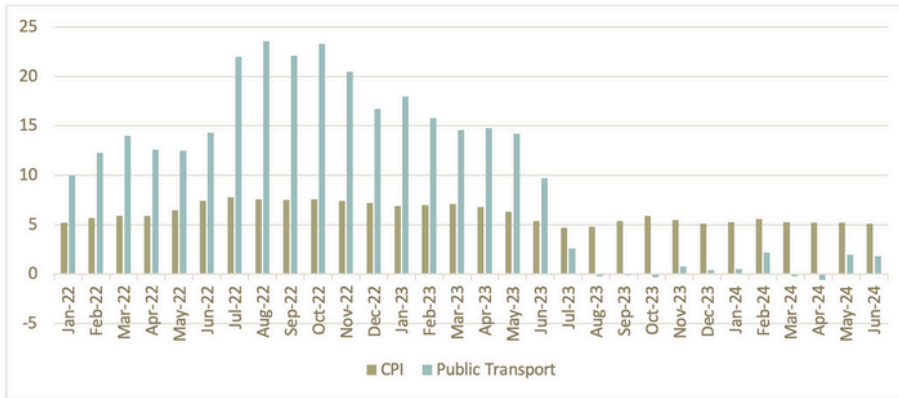
Figure 4: Transport price | January 2022 - June 2024



Source: Statistics South Africa

The public transport price index reflects price changes for taxis, trains, buses and other public transport for passengers or goods. This index is part of the overall CPI inflation rate.

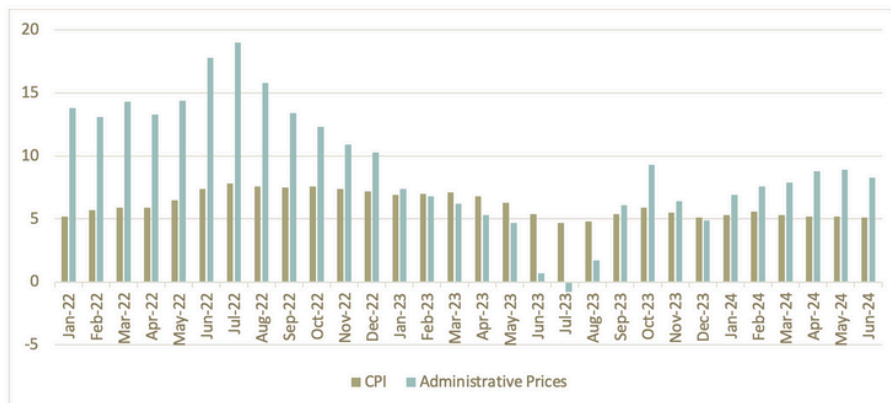
Figure 5: Public Transport price | January 2022 - June 2024



Source: Statistics South Africa

Public transport prices exceeded inflation from January 2022 to June 2023, then fell below it for the rest of the year. In the first quarter of 2024, prices remained below the consumer price index.

Figure 6: Administered price | January 2022 - June 2024



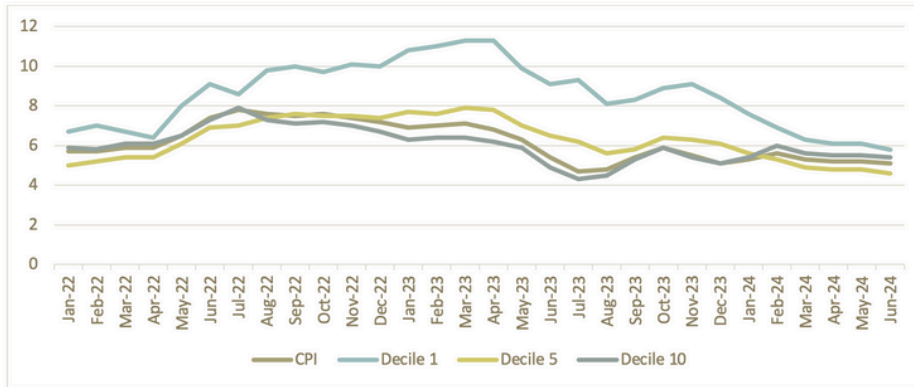
Source: Statistics South Africa

Administered prices were above inflation from January 2022 to January 2023, below it from February to August 2023, rose from September to November, and dropped again in December. Prices increased in the first quarter of 2024.

Inflation by expenditure group

There is more than one inflation number. Different groups, from the very poor to the wealthy, can experience different rates of inflation because they buy different things.

Figure 7: Annualised inflation by expenditure group | JAN 2022 - JUN 2024

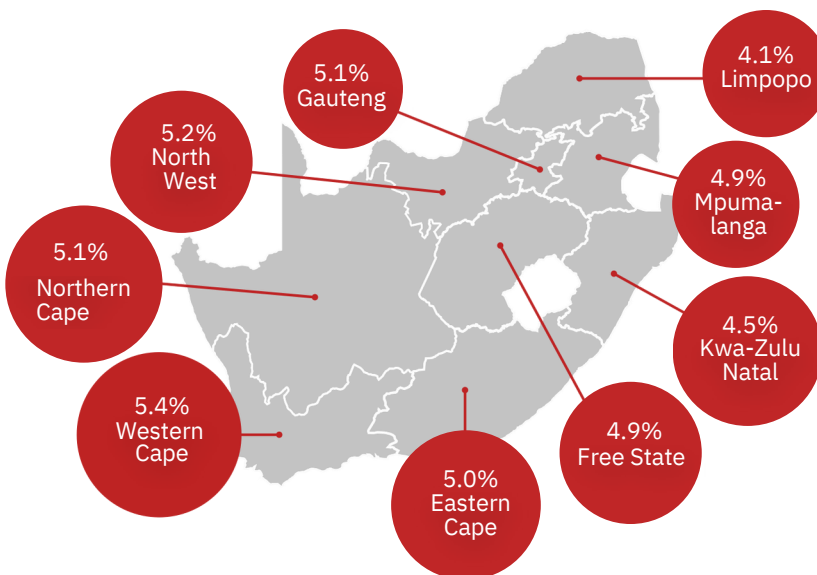


◀ In June 2024, the very-low expenditure group (Decile 1) faced an inflation rate of 5.8%, higher than the headline rate of 5.1%, while the very-high expenditure group (Decile 10) had an inflation rate of 5.4%. Inflation affects workers unequally, with lower-income workers being hit the hardest by price increases.

Source: Statistics South Africa

Inflation by province

Figure 8: Annualised Rates by Province | June 2024



◀ Limpopo (4.1%), KwaZulu-Natal (4.5%), Mpumalanga (4.9%), Free State (4.9%), Eastern Cape (5%), Gauteng (5.1%), and Northern Cape (5.1%) had annual inflation rates lower than or equal to the headline rate. Northwest (5.2%) and Western Cape (5.4%) experienced annual inflation rates higher than the headline rate.

Source: Statistics South Africa

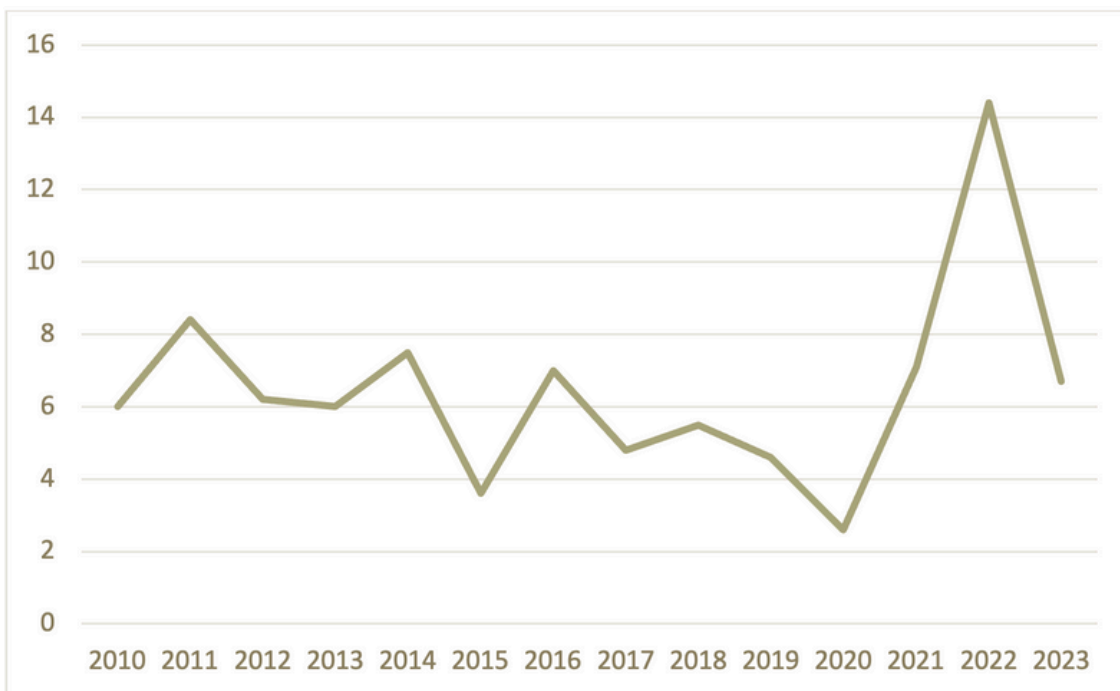
Producer Price Index

The Producer Price Index (PPI) measures the average change in the price of a basket of representative goods and services sold by manufacturers and producers in the wholesale market, while CPI measures price changes in a basket of goods and services bought by the average household.

The PPI can assist us in understanding what inflation might do in future. Many factors can influence the inflation rate, but the trend in PPI is one way of predicting what prices will do in the short term.

The average Producer Price Index (PPI) increased from 6% in 2010 to 14.4% in 2022 and fell to 6.7% in 2023.

Figure 9: Average Producer Price Index (PPI) | 2010 - 2023



Source: Statistics South Africa

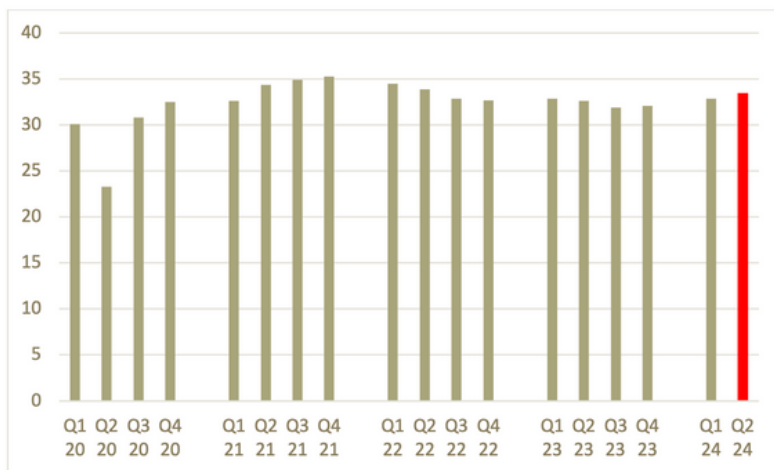
Unemployment rate

Q1 2020 - Q2 2024

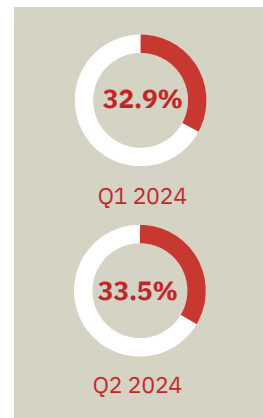
The unemployment rate is the proportion of the labour force that is unemployed.

In the first quarter of 2024, the official unemployment rate rose to 32.9% from 32.1% in the previous quarter. It increased further to 33.5% in the second quarter, 0.6% higher than the first quarter.

Figure 10: Unemployment rate (%) | Q1 2020 - Q2 2024



Source: Quarterly Labour Force Survey

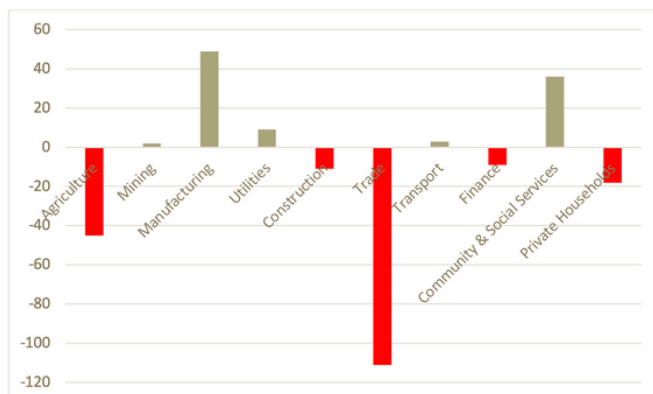


Unemployment rate
Q1 2024 & Q2 2024

In Q2 2024, employment fell in five of the ten industries. The biggest declines were in Trade (111,000 jobs), Agriculture (45,000), Private Households (18,000), Construction (11,000), and Finance (9,000).

Employment rose in Manufacturing (49,000), Community and Social Services (36,000), Utilities (9,000), Transport (3,000), and Mining (2,000).

Figure 11: Employment rate by industries | Q2 2024

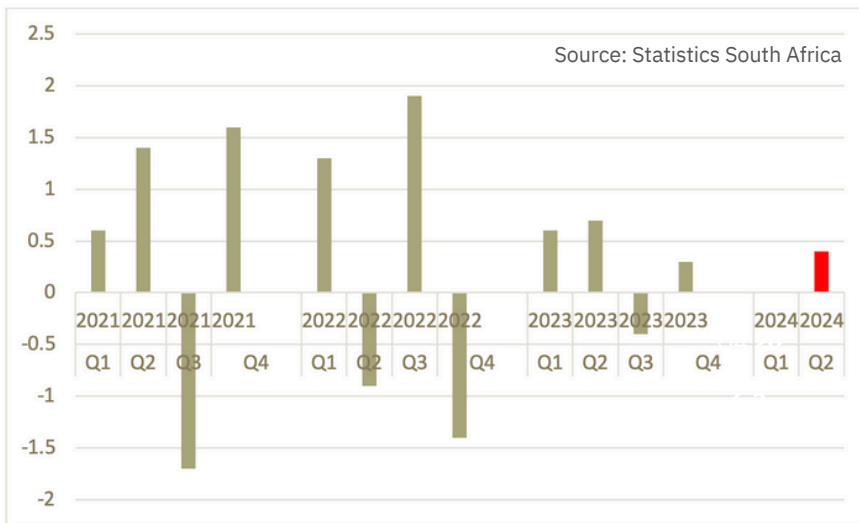


Source: Quarterly Labour Force Survey

Economic growth & GDP (Q2 2024)

The GDP represents the total market value, or prices, of all final goods and services produced in an economy during a period. GDP is expressed as a comparison to the previous year or quarter.

Figure 12: Growth in GDP % | Q2 2024

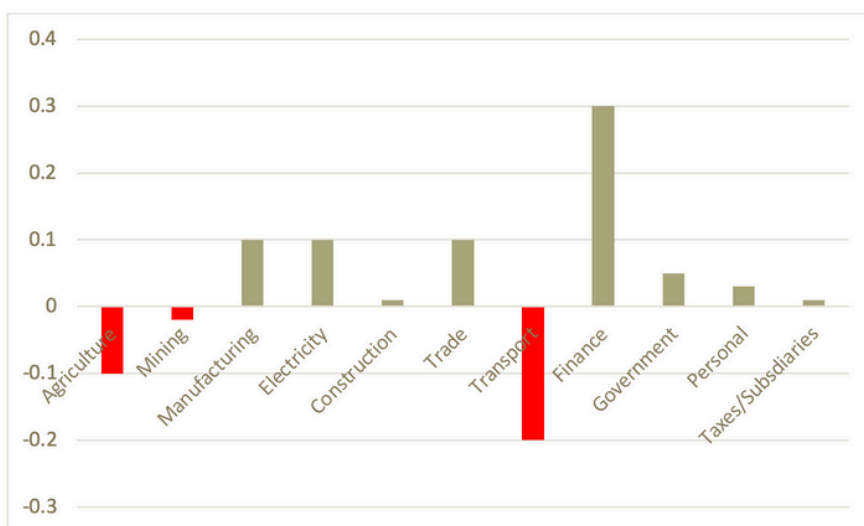


◀ In Q1 2024, real GDP measured by production fell by 0.01%, after a 0.3% increase in Q4 2023. A 0.4% increase in GDP in Q2 2024 marked an improvement over previous quarters.

Seven industries recorded growth Between Q1 and Q2 2024: Finance (0.3%), Manufacturing (0.1%), Electricity (0.1%), Trade (0.1%), Government (0.0%), Personal (0.0%), and Construction (0.0%).

The main negative contributors were Transport (-0.2%), Agriculture (-0.1%), and Mining (0.0%).

Figure 13: Contributions to growth (%) in GDP by Industries in Q2 2024

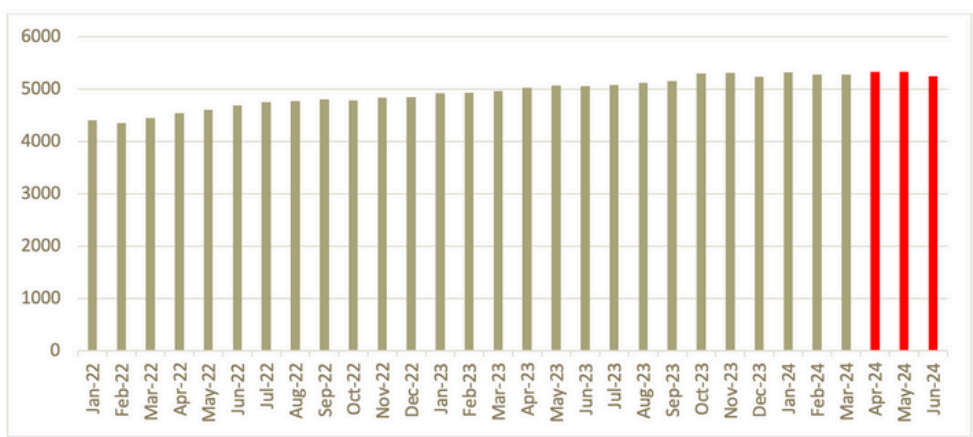


Source: Statistics South Africa

Month-on-month household food basket index | Jan 2021 - June 2024

The household food index is specifically designed to measure food price inflation as experienced by households living on low incomes in Pietermaritzburg, but may be used to give insight on food price inflation as experienced by households living on low incomes in South Africa.

Figure 14: The cost of the household food basket | JAN 2022 to JUNE 2024



Source: Pietermaritzburg Economic Justice and Dignity

From January 2022 to June 2024, the cost of the household food basket rose from R4,401 to R5,253, an increase of R852 or 19.3%. In June 2024, food prices slightly decreased to R5,253 from R5,336 in January 2024.

Wage indicators

You can find the median pay increase in different industries on the LRS Actual Wage Rates Database (AWARD). AWARD is located at www.lrs.dedicated.co.za/award

Table 1: Median increases by industry (%) | Q2 2024

Industry	Median Wage Increase (%)
Agriculture, Hunting, Forestry & Fishing	7
Community, Social & Personal Services	6
Construction	6.5
Electricity, Gas & Water	7
Financing, Insurance, Real Estate & Business Services	7
Manufacturing	7
Mining & Quarrying	7
Transport, Storage & Communication	6
Wholesale & Retail Trade, Catering & Accommodation	7
AWARD Benchmark	7

Source: LRS Actual Wage Rates Database

The *median* is the number which is found in the middle of a range of numbers. For example, if the range of numbers is 2, 4, 6, 8, 10, 12, 14, 16, 18 then the median is 10.

In Q2 2024, Agriculture, Electricity, Finance, Manufacturing, Mining, and Wholesale saw the highest median wage increases. Construction had a 6.5% increase, followed by Transport at 6%. Overall, the median wage increase for all wage agreements was 7%.

References

Labour Research Service, Actual Wage Rates Database (AWARD).

Available at <https://lrs.dedicated.co.za/award/>

Consumer Price Index, Gross Domestic Product (GDP), Quarterly Labour Force Survey publications. Available at <http://www.statssa.gov.za>

Pietermaritzburg Economic Justice and Dignity, Household Affordability Index.

Available at <https://pmbejd.org.za>

“

KNOWLEDGE
IS TOO IMPORTANT TO
LEAVE IN THE
HANDS OF THE
BOSSES