

FreeFACTS

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SA inflation has been under control, but for how much longer?

One of the (increasingly few and far between) successes of the ANC government has been its management of inflation. In this century inflation has been fairly manageable, only rarely breaching the 6% upper limit of the inflation target of the South African Reserve Bank (SARB).

Of course, it could well be argued that it is the SARB, rather than the government, which has kept inflation under control. Nevertheless, in general, the SARB has been left to do its job, occasional rumblings about nationalisation coming from some in the ANC and some in a number of our other opposition parties notwithstanding.

How long inflation will remain in control is an open question. It is clear that the global environment has changed dramatically over the past few years. The current war between Ukraine and Russia is no doubt playing a role in pushing global inflation higher. However, the large amounts of monetary stimulus many countries injected into their economies as a way to mitigate the economic shock from the Covid-19 pandemic and the resulting lockdowns arguably played a much bigger role.

This edition of *FreeFACTS* looks at historical inflation in South Africa as well as other indicators such as interest rates. As can be seen the 21st century has been a period of relatively low inflation and interest rates, compared to earlier years, particularly the 1980s.

However, this may no longer be the case with inflationary pressure ramping up, and petrol prices at record highs, which will filter through to the rest of the economy.

Also of note in this edition is that statistics on the differences between the inflation experienced by people on different incomes. Unsurprisingly, it is those on lower incomes, which experience higher levels of inflation. As with most things in South Africa, it is the poor who will suffer the most.

Although South Africa has enjoyed relatively low inflation this century – thanks to the SARB – this situation could well be coming to an end. We could be in for a bumpy ride.

— **Marius Roodt**

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The IRR is an advocacy group that fights for your right to make decisions about your life, family and business, free from unnecessary government, political, and bureaucratic interference. FreeFACTS publishes evidence that communities are better off when individuals are free to make decisions about how they want to live, be educated, work, access healthcare, think, speak, own property, and protect their communities. If you agree with the issues we stand for, welcome to the team. There are millions of people just like you who are tired of South African politicians, activists, and commentators attempting to rein in your freedom to decide. Take control and make sure your voice is heard by becoming a friend of the IRR.

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Inflation

Inflation and interest rates, 1981-2020

Year	Headline inflation ^a	Change in producer price index ^b	Bank rate ^c / repo rate	Prime overdraft rate ^d	Real prime overdraft rate ^e
1981	15.2%	13.5%	10.6%	14.0%	-1.1%
1982	14.7%	13.9%	16.0%	19.3%	4.1%
1983	12.4%	10.5%	14.2%	16.7%	3.9%
1984	11.6%	8.4%	20.8%	22.3%	9.7%
1985	16.1%	17.0%	13.0%	21.5%	4.5%
1986	18.7%	19.5%	9.5%	14.3%	-3.6%
1987	16.1%	13.9%	9.5%	12.5%	-3.2%
1988	12.9%	13.1%	11.8%	15.3%	2.3%
1989	14.7%	15.4%	16.8%	19.8%	4.5%
1990	14.4%	11.9%	18.0%	21.0%	4.5%
1991	15.3%	11.5%	17.2%	20.3%	4.3%
1992	13.9%	8.2%	15.4%	18.8%	4.3%
1993	9.7%	6.6%	12.8%	16.2%	5.9%
1994	9.0%	8.3%	12.3%	15.8%	6.1%
1995	8.7%	9.4%	14.5%	17.9%	8.5%
1996	7.4%	7.0%	15.9%	19.5%	11.4%
1997	8.6%	7.0%	16.8%	20.0%	10.5%
1998	6.9%	3.6%	19.4% ^f	21.8%	14.0%
1999	5.1%	5.8%	14.8%	18.0%	12.1%
2000	5.3%	9.2%	11.8%	14.5%	8.7%
2001	5.7%	8.4%	11.0%	13.8%	7.6%
2002	9.2%	14.2%	12.1%	15.8%	6.1%
2003	5.8%	1.7%	11.7%	15.0%	8.8%
2004	1.4%	0.6%	11.3%	11.3%	12.3%
2005	3.4%	3.1%	7.1%	10.6%	8.3%
2006	4.7%	7.7%	7.6%	11.1%	7.7%
2007	7.1%	10.0%	9.6%	13.1%	6.7%
2008	11.5%	14.2%	11.6%	15.1%	4.7%
2009	7.1%	-0.1%	8.4%	11.9%	4.2%
2010	4.3%	5.8%	6.4%	9.9%	5.3%
2011	5.0%	8.4%	5.5%	9.0%	3.8%
2012	5.7%	7.0%	5.2%	8.8%	2.9%
2013	5.7%	6.0%	5.0%	9.0%	2.6%
2014	6.1%	7.5%	5.6%	9.1%	2.9%
2015	4.6%	3.6%	5.9%	9.4%	4.6%
2016	6.4%	7.0%	6.9%	10.4%	3.9%
2017	5.3%	4.8%	6.9%	10.4%	4.9%
2018	4.7%	5.5%	6.8%	10.3%	5.2%
2019	4.1%	4.6%	6.5%	10.1%	5.8%
2020	3.3%	2.6%	3.5%	7.9%	4.3%

Source: Stats SA, *Consumer Price Index January 2021*, Statistical release P0141, 17 February 2021; *Producer Price Index January 2021*, Statistical release P0142, 25 February 2021; SARB, www.resbank.co.za, time series data, accessed 14 April 2021; *Socio-Economic Survey 2021*, p109

a This is the Consumer Price Index (CPI). Base year Dec 2016 = 100.

b All-items up to 2011, PPI for final manufactured goods from 2012. Base year Dec 2016 = 100.

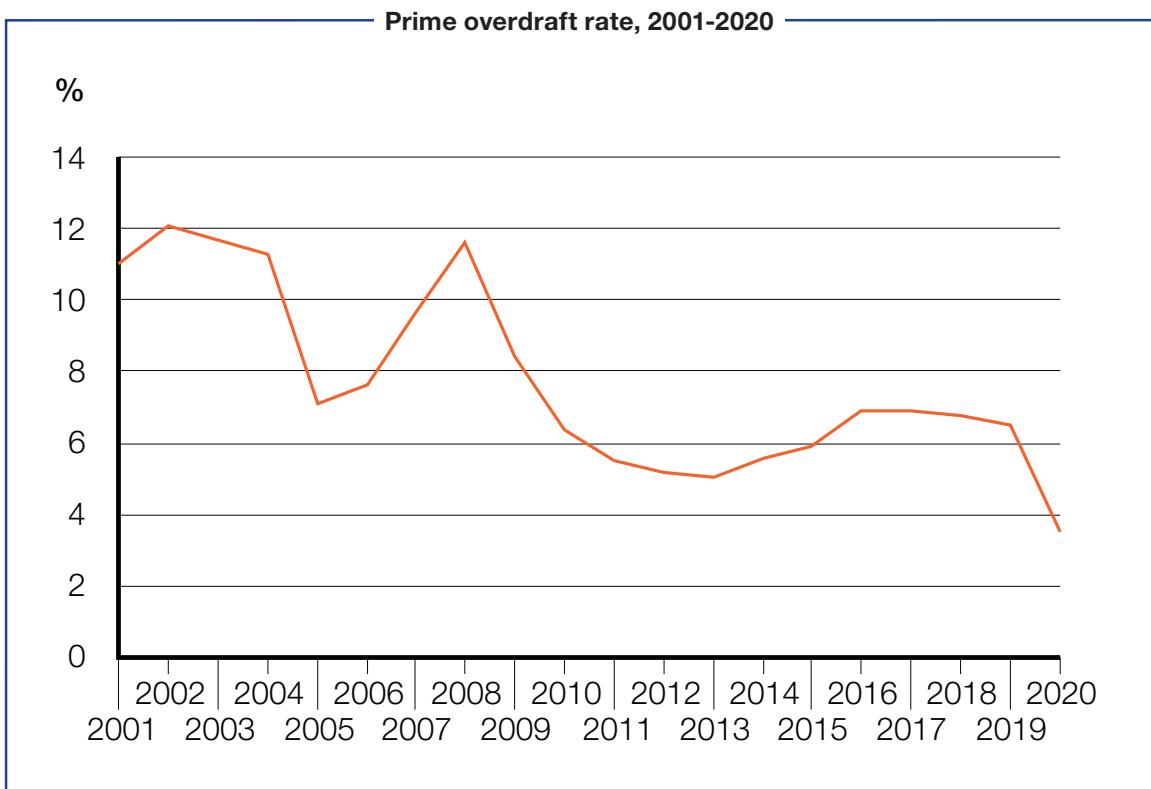
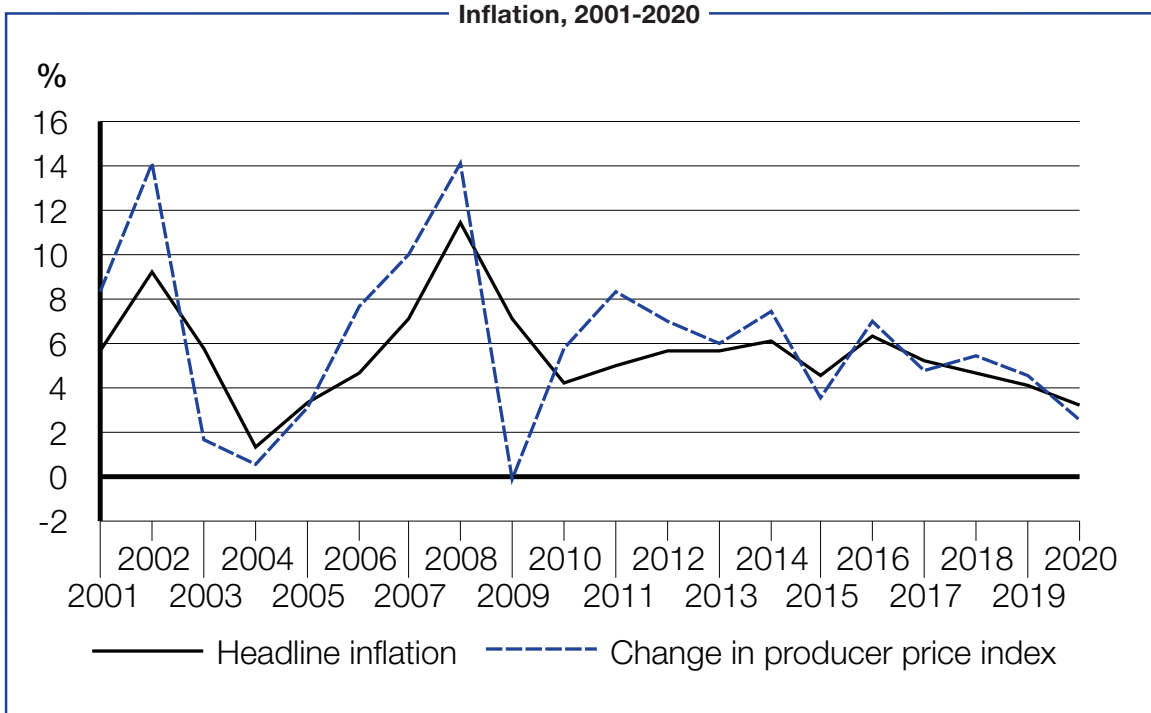
c Rate at which the Reserve Bank lends to commercial banks.

d Lowest overdraft rate charged by banks (average for the year).

e Average prime overdraft rate adjusted for rebased inflation.

f Average repo rate for 1998 (March to December). The repo rate replaced bank rate in March 1998. In terms of the repo (repurchase) rate system, the Reserve Bank dictates the amount of liquidity it is willing to supply to banks, and lets the market settle on the interest rate.

Inflation



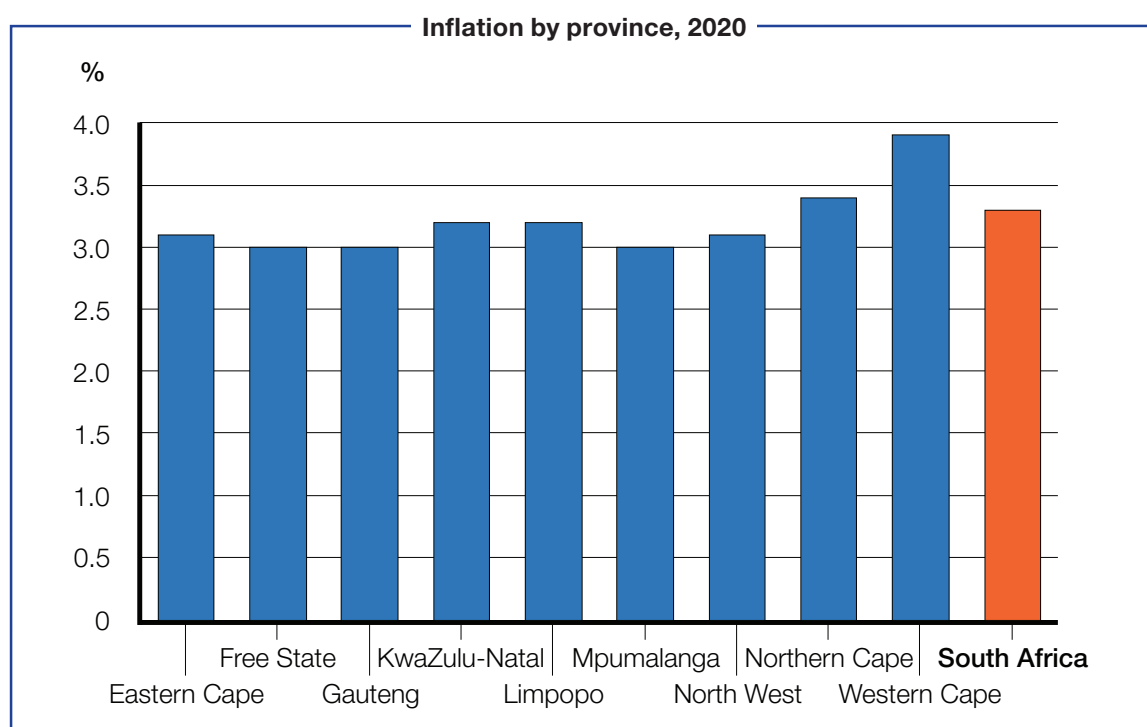
Inflation

CPI by province and area ^a , 2015-20							
Province	Weight	2015	2016	2017	2018	2019	2020
Eastern Cape	8.04%	4.5%	7.4%	5.3%	4.4%	3.7%	3.1%
Free State	5.93%	4.9%	7.0%	5.0%	4.3%	4.1%	3.0%
Gauteng	36.25%	4.5%	6.3%	5.2%	4.8%	4.0%	3.0%
KwaZulu-Natal	12.70%	4.2%	6.9%	5.0%	3.9%	3.8%	3.2%
Limpopo	5.70%	3.9%	7.8%	4.9%	3.7%	4.4%	3.2%
Mpumalanga	6.89%	4.3%	6.4%	4.3%	4.0%	4.0%	3.0%
North West	5.31%	4.3%	6.3%	4.5%	3.6%	3.6%	3.1%
Northern Cape	1.93%	4.5%	5.2%	4.2%	3.9%	4.1%	3.4%
Western Cape	17.25%	4.9%	6.3%	6.2%	5.3%	4.9%	3.9%
South Africa	100.00%	4.6%	6.4%	5.3%	4.7%	4.1%	3.3%
Area							
Rural areas ^b	12.23%	4.1%	7.8%	4.6%	3.5%	4.1%	2.9%
South Africa	100.00%	4.5%	6.3%	5.3%	4.7%	4.1%	3.3%

Source: Stats SA, email communication, 25 March 2021

a Geographic indices.

b The CPI for rural areas is compiled using data from rural and urban areas in accordance with the purchasing patterns of rural areas.



Inflation

CPI, CPI for administered prices, core inflation and food, 2009-20

Year	Headline inflation	CPI for administered prices		Core inflation	Food inflation
		Regulated	Total		
2009	7.1%	-0.7%	2.3%	7.3%	9.1%
2010	4.3%	210.7%	10.1%	4.1%	0.8%
2011	5.0%	13.4%	11.7%	3.5%	7.5%
2012	5.7%	10.9%	9.9%	4.5%	7.2%
2013	5.7%	9.1%	8.8%	5.3%	5.9%
2014	6.2%	6.1%	6.7%	5.5%	7.8%
2015	4.5%	-0.6%	1.8%	5.6%	5.2%
2016	6.3%	5.2%	5.2%	5.6%	10.8%
2017	5.3%	5.6%	5.7%	4.7%	6.9%
2018	4.7%	8.9%	8.5%	4.3%	3.3%
2019	4.1%	5.1%	5.7%	4.1%	3.1%
2020	3.3%	1.1%	2.4%	3.4%	4.7%

Source: Stats SA, email communication, 25 March 2021

CPI per expenditure decile, 2015-20

Decile	Expenditure	2015	2016	2017	2018	2019	2020
1	up to R17 721	5.2%	8.0%	3.7%	2.8%	4.9%	3.9%
2	R17 722-R29 475	5.2%	8.0%	4.3%	2.9%	4.5%	3.7%
3	R29 476-R42 582	5.1%	7.5%	4.4%	3.4%	4.0%	3.5%
4	R42 583-R56 909	5.1%	7.5%	4.6%	3.5%	4.0%	3.2%
5	R56 910-R73 813	4.8%	7.0%	4.5%	3.7%	3.9%	3.0%
6	R73 814-R94 884	4.8%	7.0%	4.6%	3.9%	3.7%	2.9%
7	R94 885-R124 227	4.4%	6.3%	4.8%	4.3%	3.7%	2.9%
8	R124 228-R173 022	4.4%	6.3%	5.1%	4.6%	3.8%	2.9%
9	R173 023-R269 902	4.5%	6.2%	5.4%	5.0%	4.2%	3.2%
10	R269 903 and more	4.5%	6.2%	5.4%	4.9%	4.3%	3.5%

Source: Stats SA, email communication, 25 March 2021

Inflation

Personal saving, household debt, and gross domestic saving, 2000-2020

Year	Saving to disposable income of households	Household debt to disposable income of households	Debt-service costs to disposable income of households	Gross domestic saving to GDP
2001	0.7%	48.7%	6.7%	14.8%
2002	0.7%	47.4%	7.3%	15.8%
2003	0.3%	49.8%	7.5%	14.9%
2004	0.3%	52.6%	5.9%	14.5%
2005	0.0%	59.0%	6.2%	14.0%
2006	-2.4%	69.9%	7.7%	14.5%
2007	-2.9%	76.8%	10.0%	14.5%
2008	-1.3%	77.6%	12.8%	16.3%
2009	-0.9%	76.4%	11.0%	16.3%
2010	-1.4%	73.3%	9.3%	16.3%
2011	-1.6%	71.0%	8.9%	16.8%
2012	-2.2%	71.7%	9.1%	13.9%
2013	-2.4%	71.8%	9.1%	13.8%
2014	-1.9%	70.4%	9.3%	13.7%
2015	-1.1%	68.3%	9.2%	14.3%
2016	-0.9%	66.1%	9.4%	14.3%
2017	-0.1%	64.5%	9.1%	14.2%
2018	-0.3%	63.8%	8.8%	13.6%
2019	-0.6%	64.2%	9.0%	13.4%
2020	0.7%	68.7%	8.5%	14.7%

Source: SARB, www.resbank.co.za, time series data, accessed 3 January 2022

a Interest payments on housing and personal debt.

N/A — Not available.

