

SA continues to battle inflation demon

The demon of inflation continues to plague South Africa. Prices continue to rise, while the economy continues to remain moribund.

This edition of *FreeFACTS* shows historical inflation trends for the country over the past four decades. Although since the end of apartheid inflation has been relatively moderate it is currently outside the target of the South African Reserve Bank (SARB). The SARB's mandate is to keep annual inflation at a range of between 3% and 6%. In 2022 annual inflation for the year was nearly 7%, the highest rate of annual inflation since 2009, at the height of the Global Financial Crisis.

However, compared to the 1980s inflation is sharply down – during the 1980s there was not a single year when annual inflation was lower than 10%.

South African inflation has a number of drivers, some out of the control of our policy makers. These include factors such as the price of oil, which has also been affected by the ongoing war between Russia and Ukraine. However, there are other factors driving inflation which are well within our control.

For example, one of the reasons for the currently relatively high levels of inflation (particularly of food) that South Africans are experiencing is because of the ongoing power crisis. The cumulative effect of power cuts causes significant issues for food producers, which we are seeing in the rising cost of food. Related to this is that many administered prices (those set by the government) also increase more than overall inflation. A related example of this are the high prices increases which Eskom is often granted – this also feeds into general inflation.

At the same time while the SARB can raise interest rates to help lower inflation, in a country such as South Africa, where economic activity is limited, this tool has limited utility. Higher interest rates can dampen economic activity, which this country can ill afford. However, inflation is also a great destroyer of wealth, and generally affects those on lower incomes more significantly, so it is vital to keep it low.

— Marius Roodt

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Inflation

Inflation and interest rates, 1981-2021					
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	4,2%	5,8%	6,4%	9,9%	5,3%
2011	5,1%	8,4%	5,5%	9,0%	3,8%
2012	5,5%	7,0%	5,2%	8,8%	2,9%
2013	5,9%	6,0%	5,0%	9,0%	2,6%
2014	6,0%	7,5%	5,6%	9,1%	2,9%
2015	4,7%	3,6%	5,9%	9,4%	4,6%
2016	6,3%	7,0%	6,9%	10,4%	3,9%
2017	5,2%	4,8%	6,9%	10,4%	4,9%
2018	4,7%	5,5%	6,8%	10,3%	5,2%
2019	4,0%	4,6%	6,5%	10,1%	5,8%
2020	3,3%	2,6%	3,5%	7,9%	4,3%
2021	4,5%	7,1%	3,5%	7,0%	2,4%

Source: Stats SA, Consumer Price Index, timeseries accessed 18 October 2022; Producer Price Index, timeseries accessed 18 October 2022; SARB, www.resbank.co.za, time series data, accessed 18 October 2022.

^a This is the Consumer Price Index (CPI). Base year Dec 2021 = 100.

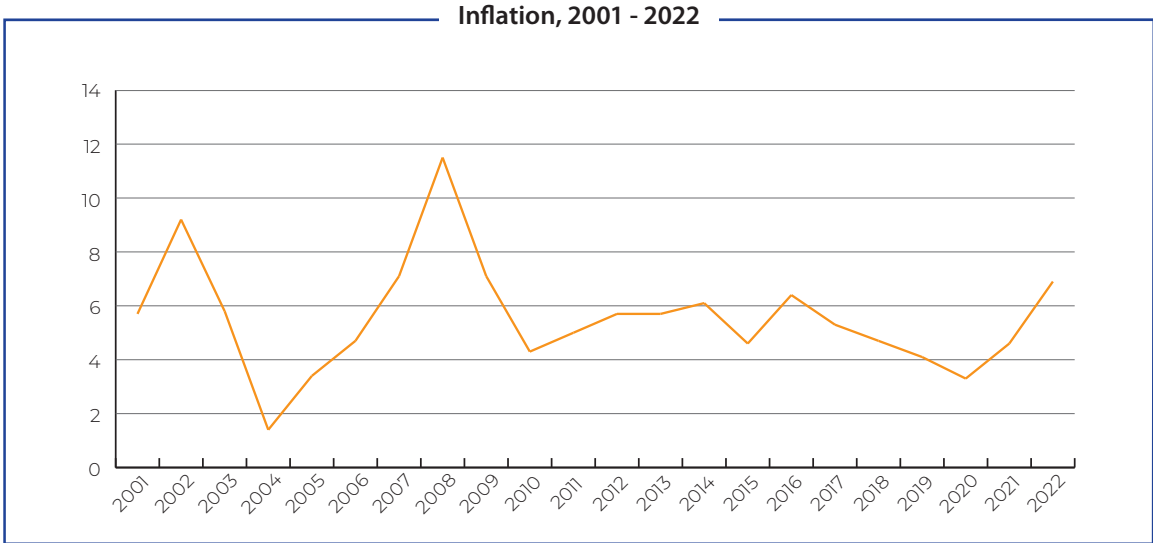
^b All-items up to 2011, PPI for final manufactured goods from 2012. Base year Dec 2020 = 100

^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.

Inflation



Inflation, 2022	
January	5,7%
February	5,7%
March	5,9%
April	5,6%
May	6,5%
June	7,4%
July	7,8%
August	7,6%
September	7,5%
October	7,6%
November	7,4%
December	7,2%
2022 (average inflation)	6,9%

