



**economic development
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MPUMALANGA PROVINCE
REPUBLIC OF SOUTH AFRICA



PROVINCIAL INFLATION BULLETIN

FEBRUARY 2023



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KEY FINDINGS

- The national headline annual inflation rate for all urban areas was 6.9% in January 2023, down from 7.2% in December 2022.
- Mpumalanga's (8.0%) inflation rate decreased from 8.3% in December 2022.
- Among the nine provinces, Mpumalanga recorded the joint third highest inflation rate in January 2023.
- In January 2023, Mpumalanga's inflation rate was higher than the national headline inflation rate (6.9%) for the eleventh month in succession.
- In January 2023, Mpumalanga's inflation rate was above the 6% upper band of the inflation target zone for the ninth consecutive month.
- During January 2023, the food and non-alcoholic beverages (FNAB) index accounted for 36.6% and the transport index for 29.1% of the average price increase in Mpumalanga. The housing and utilities index as well as the miscellaneous goods and services (MGS) index were responsible for 11.7% and 6.4% of the average price increase, respectively.
- Together, these four main determinants contributed 83.9% of the average price increase in Mpumalanga during January 2023. FNAB contributed nearly double its basket weight, whereas housing and utilities as well as MGS contributed approximately half of its respective basket weights.
- When the impacts of the more volatile food and non-alcoholic beverages prices, as well as that of petrol and electricity are excluded from the consumer price index, the underlying core inflation in Mpumalanga would have been 6.0% in January 2023.
- The 2023 headline consumer price inflation forecast generated by the South African Reserve Bank's (SARB) Quarterly Projection Model (QPM) remained unchanged at 5.4% in January 2023. The inflation forecasts for 2024 was revised upwards to 4.8% (from 4.5%) and the 2025 forecast was added and is expected to be 4.5%.

1. INTRODUCTION

The Provincial Inflation Bulletin of Mpumalanga is a monthly publication of Economic Analysis. The Bulletin is based on inflation data supplied by Statistics South Africa (Stats SA) on a monthly basis. The purpose of the Bulletin is to provide an essential reference to Mpumalanga policy makers by presenting the latest inflation data and analysis with specific reference to Mpumalanga.

It is essential to note that policy makers in Mpumalanga cannot directly influence the provincial inflation, as it is the mandate of the SARB. However, as inflation is an impediment to provincial economic development, it is important to understand the inflation scenario in Mpumalanga. Shedding light on inflation in Mpumalanga should strengthen interventions against the triple economic challenges.

2. IMPORTANT NOTES

The collection of price data from retail stores

Stats SA obtains prices from retailers through fieldwork collection and online collection. The paper forms used by fieldworkers are being replaced by tablets, which provide a custom application that includes quality control and management modules. The new collection method for fieldwork will be implemented from July 2022 to March 2023 and is expected to improve the quality and speed of data collection and processing.

3. NATIONAL INFLATION SCENARIO

The national average annual inflation rate was 6.9% in 2022. This average annual inflation rate of 6.9% was 2.4 percentage points higher than the corresponding average annual inflation rate of 4.5% for the year 2021. This was the highest annual average rate since 2009 (7.3%).

In January 2023, the annual consumer price inflation, as measured by the consumer price index (CPI), was 6.9%, slightly lower than the 7.2% in December 2022. This was the twenty-first consecutive month where the annual increase was higher than the midpoint (4.5%) of the SARB's monetary policy target range. This was also the ninth consecutive month that the increase was above the 6% upper limit of the SARB's monetary policy target range.

Among the 12 group indices, the annual inflation rate of FNAB (13.4%) and transport (11.1%) were higher than the national inflation rate of 6.9% in January 2023. The annual inflation rate of alcoholic beverages and tobacco (6.5%), household contents and services (6.2%), restaurants and hotels (5.5%), health (4.8%), MGS (4.8%), education (4.4%),

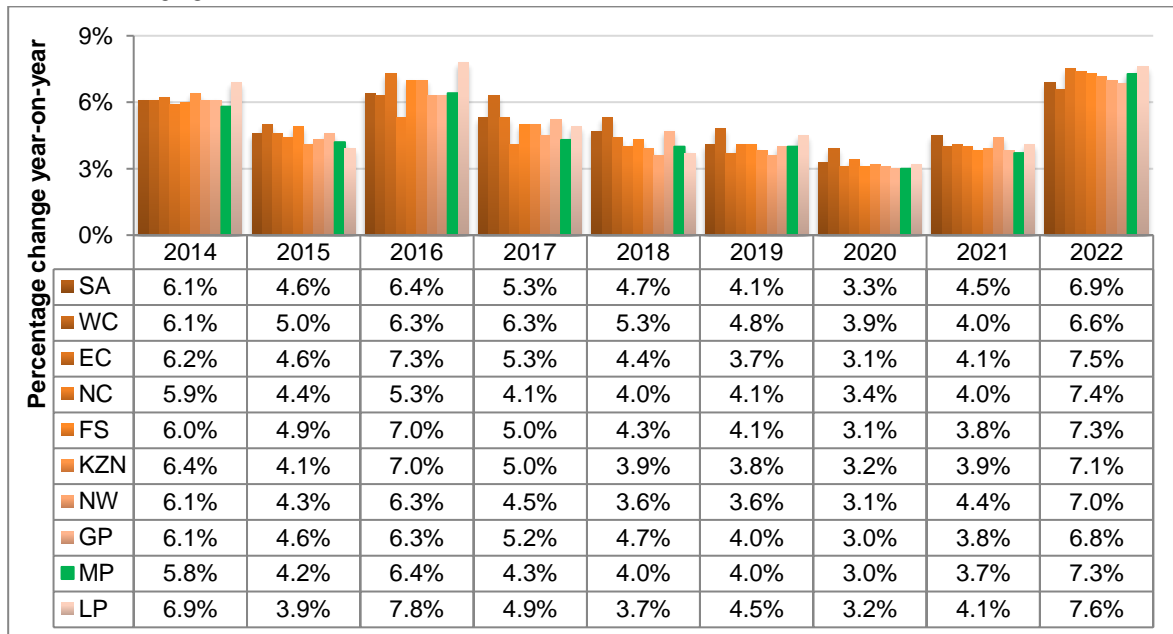
housing and utilities (4.1%), recreation and culture (3.2%), clothing and footwear (2.7%) as well as communication (-0.4%) were all lower than the national rate.

4. PROVINCIAL INFLATION COMPARISON

The comparative year-on-year percentage change in the CPI for South Africa, as reported by Statistics South Africa, is displayed in Figure 1. South Africa's average annual CPI for 2022 was 6.9%. In 2022, Mpumalanga (7.3%) recorded the joint fifth highest/lowest average annual CPI.

In January 2023, eight provinces recorded inflation rates higher than or equal than the upper limit of the SARB's inflation target zone. Only Gauteng (6.5%) recorded an annual inflation rate lower than the national inflation rate. Mpumalanga was amongst the eight provinces and its annual inflation rate for January 2023 was the joint third highest at 8.0%.

Figure 1: Comparative annual inflation averages for South Africa and provinces, 2014-2023



Source: Stats SA - CPI, 2014-2023

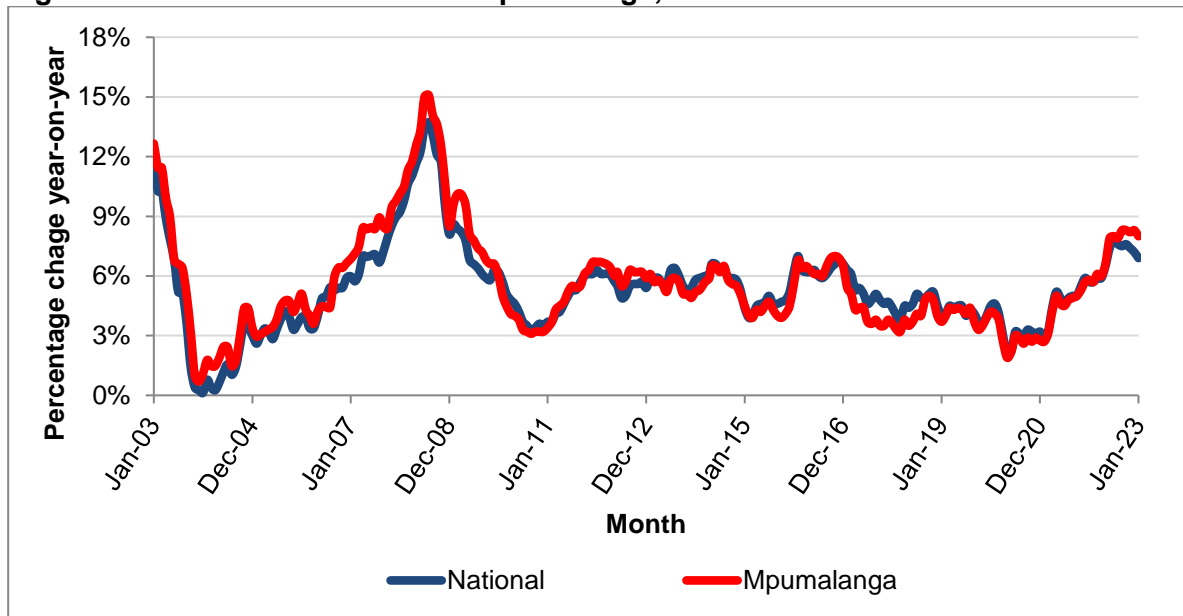
5. MPUMALANGA'S INFLATION SCENARIO

Mpumalanga's average annual inflation rate for 2022 was 7.3%, which was the joint fifth highest/lowest among the provinces and higher than the average for South Africa (6.9%). Mpumalanga's average annual inflation rate for 2022 was considerably higher than the 3.7% average for 2021.

In January 2023, Mpumalanga recorded an inflation of 8.0%, which was lower than the 8.3% registered in December 2022. This was the eleventh month in succession that the provincial inflation rate was higher than the national inflation rate. Mpumalanga recorded the joint third highest inflation measurement among the nine provinces in January 2023.

In January 2023, Mpumalanga's inflation rate breached the upper band of the inflation target zone of 6.0% for the ninth consecutive month. The comparative percentage change in the CPI for South Africa and Mpumalanga from January 2003 to January 2023 is displayed in Figure 2.

Figure 2: CPI in South Africa and Mpumalanga, 2003–2023



Source: Stats SA – CPI, 2003-2023

Statistics South Africa introduced a new basket and weights for the CPI with effect from the January 2022 release. The main determinants of inflation in Mpumalanga based on their respective weightings, as provided in Table 1, are price changes in FNAB, housing and utilities, transport as well as MGS. These four indices, in terms of the weighting, contribute nearly 72% to the level of inflation and inflation movements in Mpumalanga.

It appears from Table 1 that the FNAB index accounted for 36.6% of the average price increase in Mpumalanga during January 2023. The transport index was accountable for 29.1%, whereas the housing and utilities index as well as the MGS index were responsible for 11.7% and 6.4%, respectively. Together, the four main determinants contributed 83.9% of the average price increase in Mpumalanga during January 2023. FNAB and transport contributed much more than its respective basket weights, whereas housing and utilities as well as MGS contributed slightly more than half of its respective basket weights.

The price increase of bread and cereals as well as meat, provided most of the upward push in the FNAB index. Within the transport index, the price increase of public transport provided the bulk of the upward surge, followed by fuel cost increase. The higher price of insurance products and the price increase for owners' equivalent rent provided most of the respective increases in the MGS and housing and utilities indices.

When the impact of the more volatile FNAB and fuel prices are excluded from the consumer

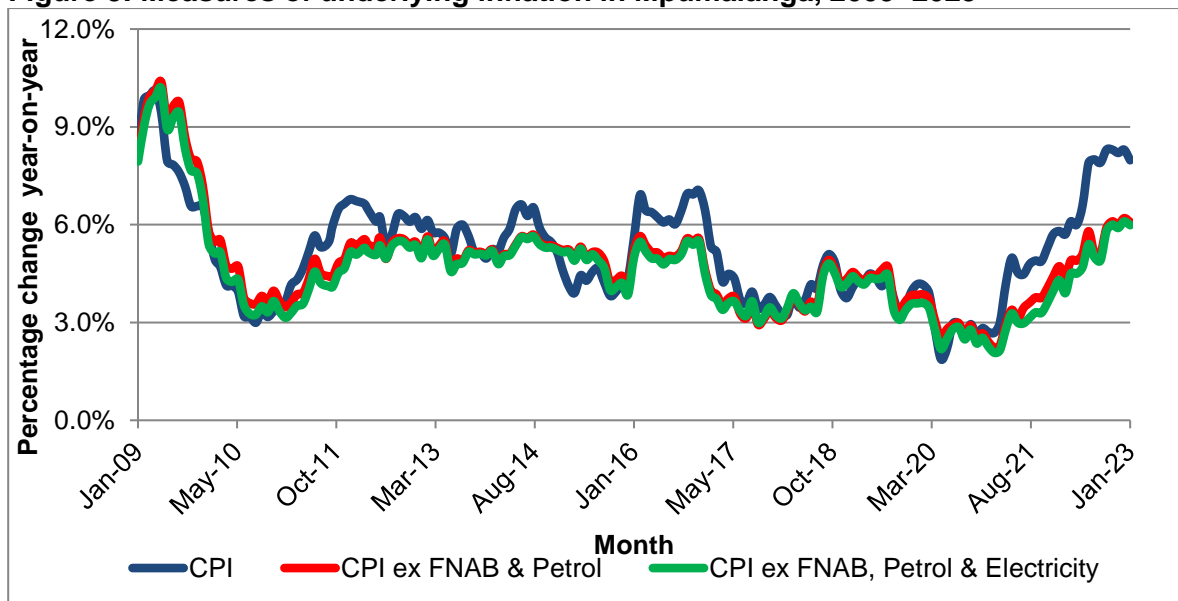
price index as in Figure 3, the underlying annual inflation would have been 6.1% in January 2023. If the electricity price is also excluded from the calculation of headline CPI inflation, Mpumalanga's resultant core inflation would have been 6.0% in January 2023.

Table 1: Mpumalanga's CPI group indices, weights, percentage change & contribution to inflation, January 2023

Index description	Weight	Percentage change		Estimated contribution to inflation
		Month-on-month	Year-on-year	
Food & non-alcoholic beverages	21.19	+1.8%	+13.6%	36.6%
Alcoholic beverages and tobacco	5.53	+1.0%	+8.5%	6.0%
Clothing and footwear	4.65	+0.2%	+3.2%	1.9%
Housing and utilities	19.94	+0.0%	+4.6%	11.7%
Household contents and services	3.71	+0.4%	+6.8%	3.2%
Health	0.57	+0.2%	+4.4%	0.3%
Transport	18.77	-2.1%	+12.2%	29.1%
Communication	2.38	+0.1%	-0.7%	-0.2%
Recreation and culture	5.33	-0.2%	+1.8%	1.2%
Education	1.91	+0.0%	+3.6%	0.9%
Restaurants and hotels	3.96	-0.7%	+5.7%	2.9%
Miscellaneous goods and services	12.06	+0.2%	+4.2%	6.4%
All items	100.0	+0.0%	+8.0%	100.0%

Source: Stats SA – CPI Additional Tables, 2023

Figure 3: Measures of underlying inflation in Mpumalanga, 2009–2023



Source: Stats SA – CPI, 2009-2023

CONCLUSION

Mpumalanga (8.0%) registered the joint third highest inflation rate among the provinces in January 2023, a decrease from the 8.3% in December 2022. Mpumalanga's inflation rate exceeded the inflation target zone, and was higher than the midpoint (4.5%) of the South African Reserve Bank's monetary policy target range for the eighteenth consecutive month. It was also above the 6% upper limit of the SARB's monetary policy target range for the ninth consecutive month.

The 2023 headline consumer price inflation forecast generated by the South African Reserve Bank's (SARB) Quarterly Projection Model (QPM) remained unchanged at 5.4% in January 2023. The inflation forecasts for 2024 was revised upwards to 4.8% (from 4.5%) and the 2025 forecast was added and is expected to be 4.5%.

It is expected that headline inflation will decline in the coming months, mainly due to base effects and lower fuel prices. Upside risks, however, remain and stems mainly from global oil prices that could stay at higher levels, persistently high local food prices, the vulnerable rand, steep increases in electricity tariffs, as well as higher input costs due to load-shedding.