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MPUMALANGA PROVINCE
REPUBLIC OF SOUTH AFRICA



PROVINCIAL INFLATION BULLETIN

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COMPILED BY: ECONOMIC ANALYSIS

CONTACT DETAILS: Mbombela Square

Mbombela

1201

Tel: 066 471 9122

Email: lcvanvuren@mpg.gov.za

KEY FINDINGS

- The national headline annual inflation rate for all urban areas was 5.1% in December 2023, down from 5.5% in November 2023.
- Mpumalanga's inflation rate declined by 0.7 of a percentage point from 6.1% in November 2023 to 5.4% in December 2023.
- Among the nine provinces, Mpumalanga recorded the fourth highest inflation rate in December 2023.
- In December 2023, Mpumalanga's inflation rate was higher than the national headline inflation rate (5.1%) for the twenty-second month in succession.
- In December 2023, Mpumalanga's inflation rate was below the 6% upper band of the inflation target zone.
- During December 2023, the food and non-alcoholic beverages (FNAB) index accounted for 34.8% and the transport index for 14.5% of the average price increase in Mpumalanga. The miscellaneous goods and services (MGS) index was responsible for 11.3% of the average price increase, whereas the housing and utilities index contributed 20.2%.
- Together, these four main determinants contributed 80.9% of the average price increase in Mpumalanga during December 2023.
- 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 4.5% in December 2023.
- The 2024 headline consumer price inflation forecast generated by the South African Reserve Bank's (SARB) Quarterly Projection Model (QPM) was kept unchanged in January 2024 at 5.0%. The inflation forecasts for 2025 was revised upward to 4.6% (from 4.5%), and the 2026 forecast was kept unchanged at 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. NATIONAL INFLATION SCENARIO

The national average annual inflation rate was 6.0% in 2023. This average annual inflation rate of 6.0% was 0.9 of a percentage point lower than the corresponding average annual inflation rate of 6.9% for the year 2022.

In December 2023, the annual consumer price inflation, as measured by the consumer price index (CPI), was 5.1%, which was lower than the 5.5% measured in November 2023. Inflation was below the upper limit of the South African Reserve Bank's monetary policy target range for the seventh month in succession. Despite being below the upper limit of the target range, December was still the thirty-second consecutive month where the annual increase was higher than the midpoint (4.5%) of the SARB's monetary policy target range.

Among the 12 group indices, the annual inflation rate of FNAB (8.5%), restaurants and hotels (7.0%), health (6.5%), education (5.7%) as well as housing and utilities (5.7%) were higher than the national inflation rate of 5.1% in December 2023. The annual inflation rate of three indices (FNAB, health, restaurants and hotels) were also higher than the 6% upper band of the inflation target zone. The annual inflation rates of MGS (5.1%) as well as alcoholic beverages and tobacco (5.1%) were equivalent to the national inflation rate of 5.1%. The prices increases in household contents and services (2.9%), recreation and culture (2.8%), transport (2.6%), clothing and footwear (2.2%), as well as communication (0.0%) were below the national inflation rate.

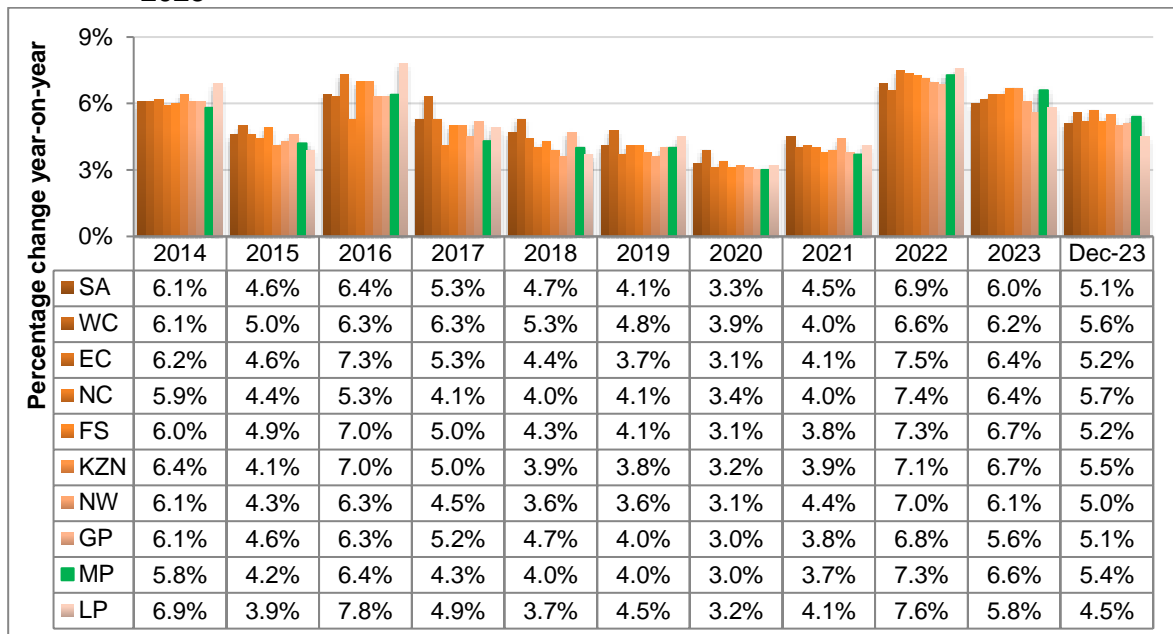
3. PROVINCIAL INFLATION COMPARISON

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 2023 was 6.0%. In 2023, Mpumalanga (6.6%) recorded the third highest/seventh lowest

average annual CPI among the nine provinces.

In December 2023, all nine provinces recorded inflation rates within the target range of the SARB. Amongst the provinces, Northern Cape's inflation rate was the highest (5.7%), followed by Western Cape (5.6%) and KwaZulu-Natal (5.5%). Mpumalanga's inflation rate was the fourth highest at 5.4%, whereas Limpopo recorded the lowest inflation rate at 4.5%.

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



Source: Stats SA - CPI, 2014-2023

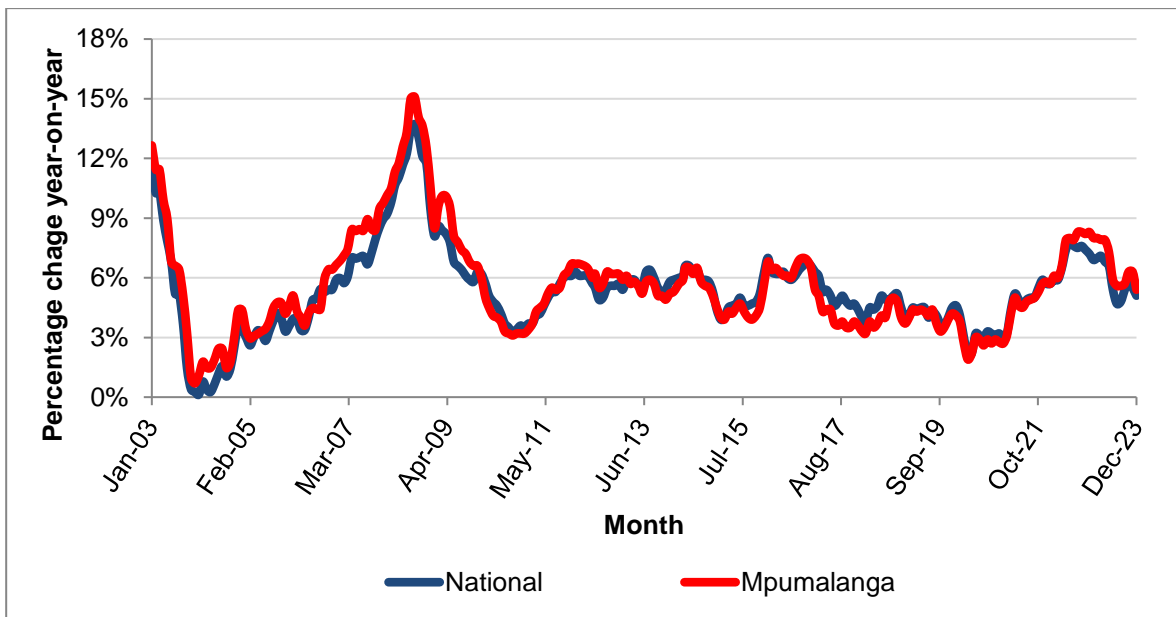
4. MPUMALANGA'S INFLATION SCENARIO

Mpumalanga's average annual inflation rate for 2023 was 6.6%, which was the third highest/seventh lowest among the provinces and higher than the average for South Africa (6.0%). Mpumalanga's average annual inflation rate for 2023 was lower than the 7.3% average for 2022.

In December 2023, Mpumalanga recorded an inflation of 5.4%, which was lower than the 6.3% registered in November 2023. This was the twenty-second month in succession that the provincial inflation rate was higher than the national inflation rate.

In December 2023, Mpumalanga's inflation rate was below the upper band of the inflation target. The comparative percentage change in the CPI for South Africa and Mpumalanga from January 2003 to December 2023 is displayed in Figure 2.

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



Source: Stats SA – CPI, 2003-2024

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, contributed 72% to the level of inflation and inflation movements in Mpumalanga.

It appears from Table 1 that the FNAB index accounted for 34.8% of the average price increase in Mpumalanga during December 2023. The housing and utilities index was accountable for 20.2%. The transport index was responsible for 14.5% and the MGS index for 11.3%. Together, the four main determinants contributed 80.9% of the average price increase in Mpumalanga during December 2023.

The price increase of milk, eggs and cheese as well as bread and cereals provided most of the upward push in the FNAB index. Within the housing and utilities index, the price increases of electricity as well as owners' equivalent rent provided the bulk of the upward swell. The higher prices of vehicles pushed the transport index higher, whereas the price increases of insurance and personal care products propped up the MGS index.

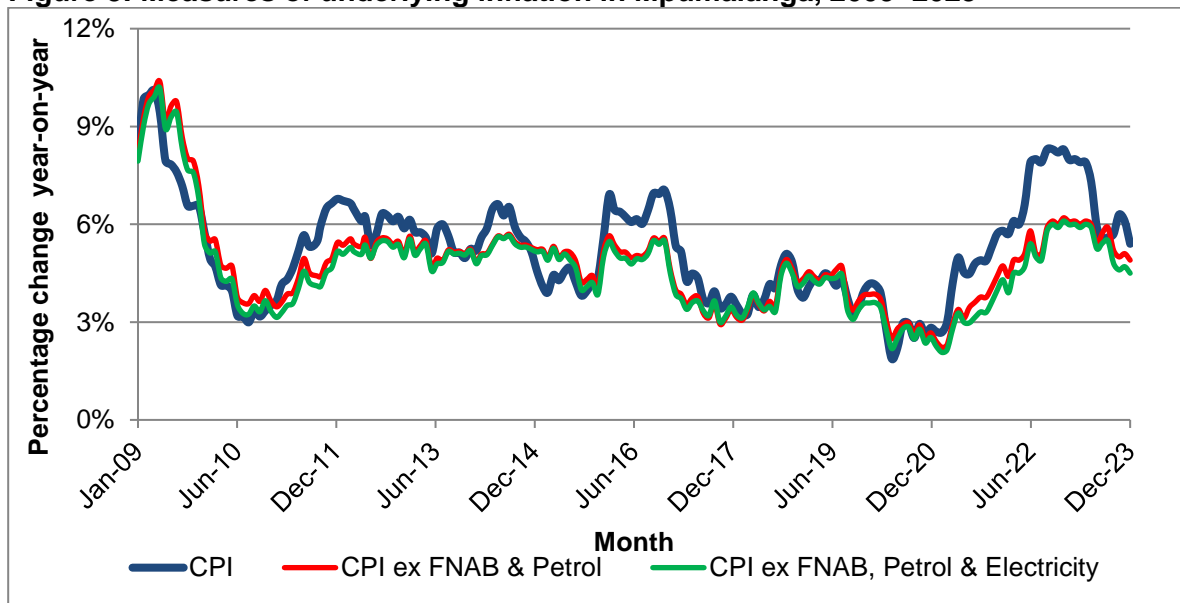
When the impact of the more volatile FNAB and fuel prices were excluded from the consumer price index as in Figure 3, the underlying annual inflation would have been 4.9% in December 2023. If the electricity price was also excluded from the calculation of headline CPI inflation, Mpumalanga's resultant core inflation would have been 4.5% in December 2023. Both the underlying inflation and core inflation rates declined between November and December in line with the decline in the headline inflation rate.

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

Index description	Weight	Percentage change		Estimated contribution to inflation
		Month-on-month	Year-on-year	
Food & non-alcoholic beverages	21.19	-0.1%	+8.9%	34.8%
Alcoholic beverages and tobacco	5.53	-0.4%	+3.8%	3.9%
Clothing and footwear	4.65	+0.0%	+2.9%	2.5%
Housing and utilities	19.94	+0.9%	+5.5%	20.2%
Household contents and services	3.71	-0.3%	+2.8%	1.9%
Health	0.57	+0.7%	+6.9%	0.7%
Transport	18.77	+0.4%	+4.2%	14.5%
Communication	2.38	+0.1%	+0.1%	0.0%
Recreation and culture	5.33	-0.2%	+1.4%	1.4%
Education	1.91	+0.0%	+8.2%	2.9%
Restaurants and hotels	3.96	+0.1%	+7.9%	5.8%
Miscellaneous goods and services	12.06	+0.1%	+5.1%	11.3%
All items	100.0	+0.3%	+5.4%	100.0%

Source: Stats SA – CPI Additional Tables, 2024

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



Source: Stats SA – CPI, 2009-2024

CONCLUSION

Mpumalanga’s inflation rate was the fourth highest (5.4%) among the provinces in December 2023. Mpumalanga’s inflation rate declined from the 6.1% recorded in November 2023 and was below the upper limit of the SARB’s monetary policy target range. December was the twenty-ninth consecutive month where the annual increase was higher than the midpoint (4.5%) of the SARB’s monetary policy target range.

The 2024 headline consumer price inflation forecast generated by the South African Reserve Bank’s (SARB) Quarterly Projection Model (QPM) was kept unchanged at 5.0% in January 2024. The inflation forecasts for 2025 was revised upward to 4.6% (from 4.5%) and the 2026 forecast was kept unchanged at 4.5%.

Inflation is anticipated to remain around the current levels for the first half of 2024 and only slowdown in the third quarter of the year. The downward pressure is mainly expected from lower oil prices. Inflation risks, however, remain to the upside due to uncertainty surrounding unstable currency, the uncertainty in the global oil market, higher food prices and increased operating costs due to load shedding.