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MPUMALANGA PROVINCE
REPUBLIC OF SOUTH AFRICA



PROVINCIAL INFLATION BULLETIN

NOVEMBER 2024

COMPILED BY: ECONOMIC ANALYSIS

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KEY FINDINGS

- The national headline annual inflation rate for all urban areas was 2.8% in October 2024, a decline from 3.8% in September 2024.
- Mpumalanga's inflation rate decreased from 3.5% in September 2024 to 2.5% in October 2024.
- Among the nine provinces, Mpumalanga recorded the joint lowest inflation rate in October 2024.
- In October 2024, Mpumalanga's inflation rate was lower than the national headline inflation rate (2.8%) for the ninth month in succession.
- In October 2024, Mpumalanga's inflation rate was below the 6% upper band of the inflation target zone for the eleventh consecutive month.
- During October 2024, the housing and utilities index accounted for 37.0% of the average price increase in Mpumalanga and the FNAB index accounted for 25.9%. The MGS index was accountable for 25.2% and the transport index for only -14.1%.
- Together, these four main determinants contributed 74.0% of the average price increase in Mpumalanga during October 2024.
- 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 3.2% in October 2024.
- In November 2024, the headline consumer price inflation forecast for 2024 generated by the SARB's QPM declined from 4.6% in September 2024 to 4.5%. The inflation forecast for 2025 remained on 4.0% and the forecast for 2026 increased from 4.4% in September 2024 to 4.6%.

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.

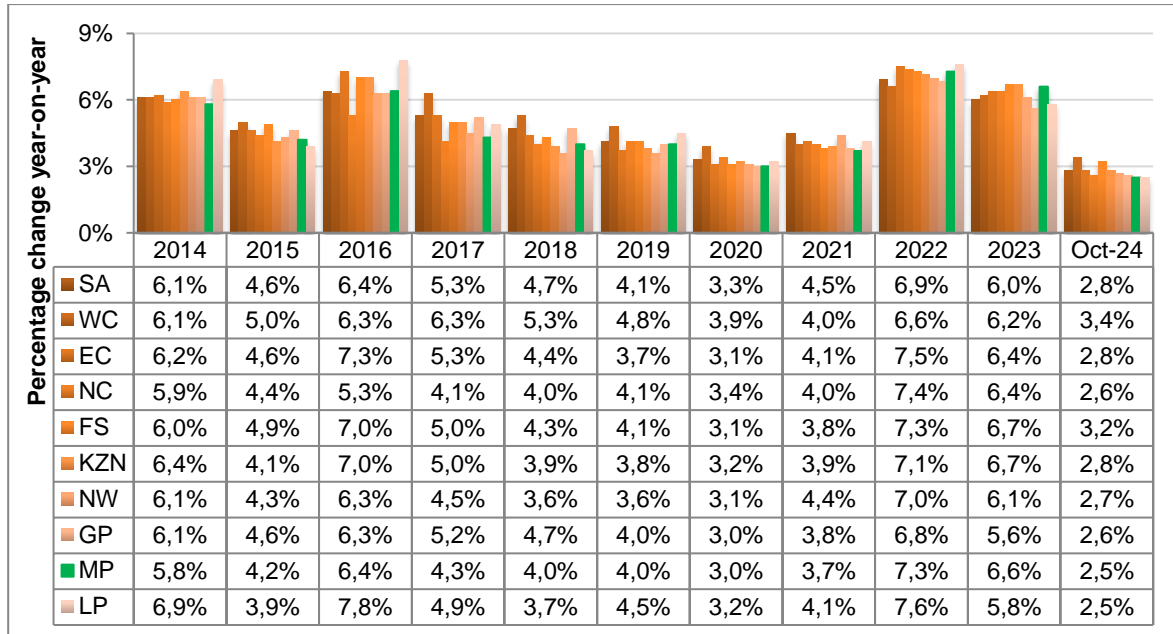
In October 2024, the annual consumer price inflation, as measured by the consumer price index (CPI), was 2.8%, down from 3.8% in September 2024. Inflation was below the upper limit of the South African Reserve Bank's monetary policy target range for the seventeenth month in succession. October 2024 marked the third month in a row with an annual increase below the SARB's 4.5% midpoint target, following 40 months of exceeding it. Among the 12 group indices, the annual inflation rate of MGS (6.8%), education (6.3%), restaurants and hotels (5.9%), health (4.8%), housing and utilities (4.8%), alcoholic beverages and tobacco (4.5%), as well as, FNAB (3.6%) were higher than the national inflation rate of 2.8% in October 2024. The annual inflation rate of two indices (MGS and education) were also higher than the 6% upper band of the inflation target zone. The price increase in clothing and footwear (1.8%) household contents and services (1.6%), as well as recreation and culture (1.4%) were below the national inflation rate. Furthermore, communication (-0.5%) and transport (-5.3%) recorded price declines.

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 October 2024, all nine provinces recorded inflation rates within the target range of the SARB. Limpopo and Mpumalanga recorded the joint lowest inflation rate (2.5%) and Western Cape recorded the highest (3.4%). During October 2024, the inflation rates of all nine provinces decreased.

Figure 1: Comparative annual inflation averages for South Africa and provinces, 2014-2024



Source: Stats SA - CPI, 2014-2024

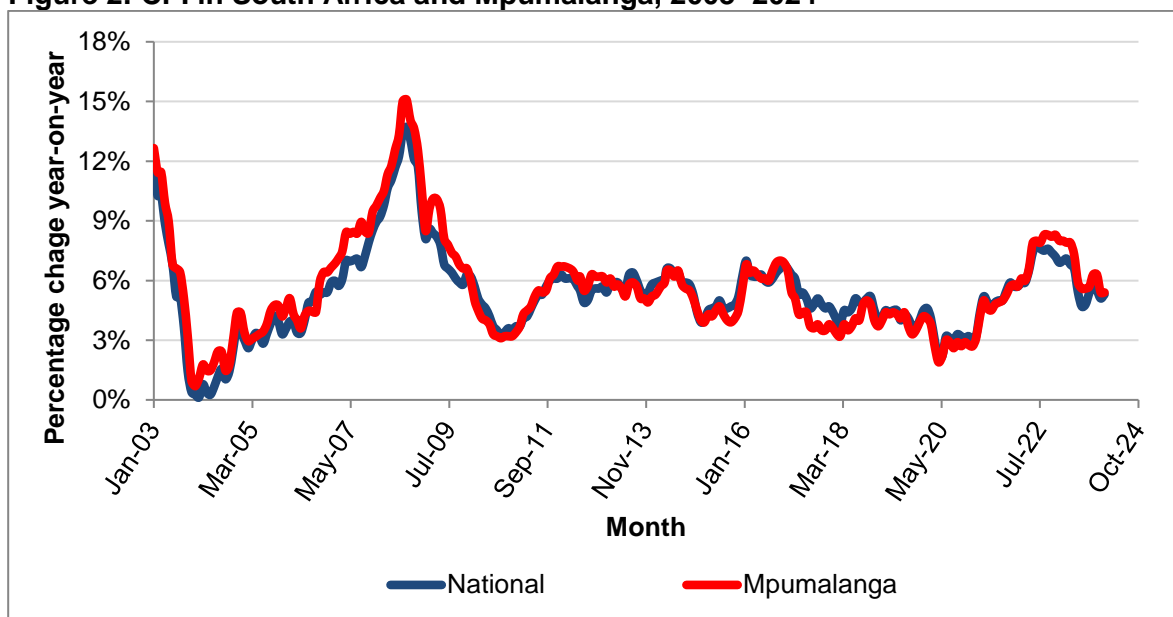
4. MPUMALANGA'S INFLATION SCENARIO

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 October 2024, Mpumalanga recorded an inflation rate of 2.5%, which was lower than the 3.5% registered in September 2024. The provincial inflation rate was lower than the national inflation rate for the ninth consecutive month. In October 2024, Mpumalanga's inflation rate was below the upper band of the inflation target zone for the eleventh consecutive month. The comparative percentage change in the CPI for South Africa and Mpumalanga from January 2003 to October 2024 is displayed in Figure 2.

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, MGS, as well as transport. These four indices, in terms of the weighting, contribute 72.0% to the level of inflation and inflation movements in Mpumalanga.

Figure 2: CPI in South Africa and Mpumalanga, 2003–2024



Source: Stats SA – CPI, 2003-2024

It appears from Table 1 that the housing and utilities index accounted for 37.0% and the FNAB index for 25.9% of the average price increase in Mpumalanga during October 2024. The MGS index was accountable for 25.2% and the transport index for only -14.1%. Together, the four main determinants contributed 74.0% of the average price increase in Mpumalanga during October 2024.

Table 1: Mpumalanga’s CPI group indices, weights, percentage change & contribution to inflation, October 2024

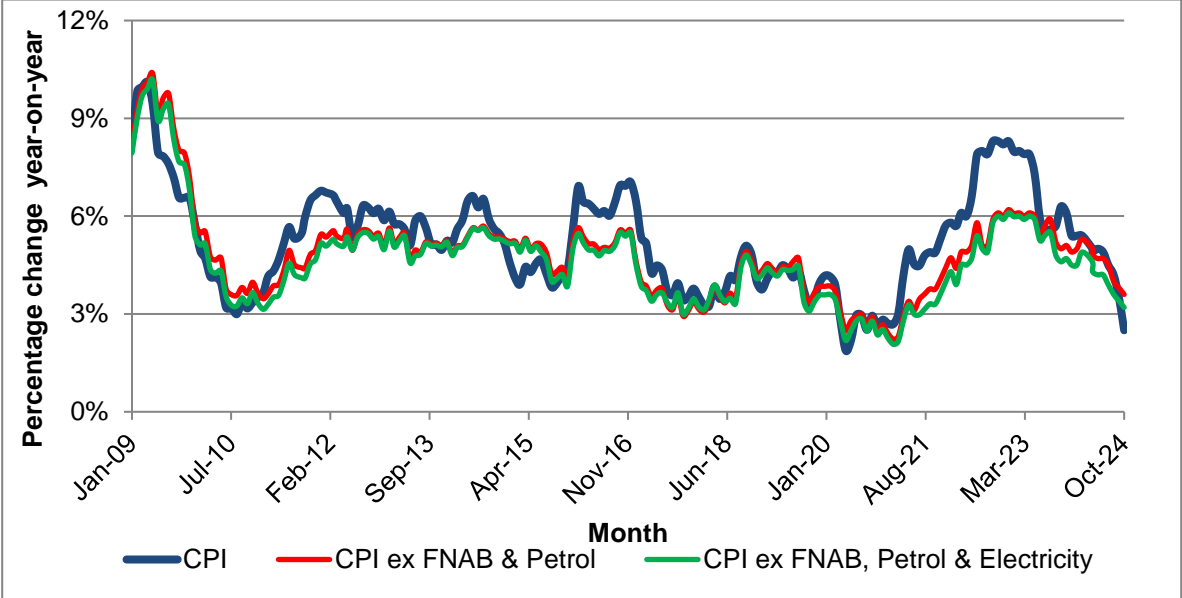
Index description	Weight	Percentage change		Estimated contribution to inflation
		Month-on-month	Year-on-year	
Food & non-alcoholic beverages	+21.19%	0.2%	3.1%	25.9%
Alcoholic beverages and tobacco	+5.53%	0.4%	4.1%	8.9%
Clothing and footwear	+4.65%	0.3%	2.7%	5.0%
Housing and utilities	+19.94%	0.0%	4.7%	37.0%
Household contents and services	+3.71%	0.0%	1.0%	1,5%
Health	+0.57%	-0.2%	3.0%	0,7%
Transport	+18.77%	-0.9%	-1.9%	-14.1%
Communication	+2.38%	-0.1%	0.3%	0.3%
Recreation and culture	+5.33%	0.0%	0.4%	0.8%
Education	+1.91%	0.0%	7.0%	5.3%
Restaurants and hotels	+3.96%	0.5%	2.3%	3.6%
Miscellaneous goods and services	+12.06%	-0.2%	5.3%	25.2%
All items	100.0%	0.0%	+3.2%	100.0%

Source: Stats SA – CPI Additional Tables, 2024

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 price increase of insurance products drove the MGS index higher, whereas the higher prices of vehicles as well as public transport pushed the transport index higher.

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 3.6% in October 2024. If the electricity price was also excluded from the calculation of headline CPI inflation, Mpumalanga’s resultant core inflation would have been 3.2% in October 2024. Not only did the headline inflation rate decrease in October 2024, but so did the underlying and the core inflation rates.

Figure 3: Measures of underlying inflation in Mpumalanga, 2009–2024



Source: Stats SA – CPI, 2009-2024

CONCLUSION

Mpumalanga’s inflation rate was the joint lowest (2.5%) among the provinces in October 2024. Mpumalanga’s inflation rate in October 2024 decreased from the 4.5% recorded in September 2024 and was below the upper limit of the SARB’s monetary policy target range for the eleventh consecutive month. October 2024 was only the third consecutive month since April 2021 that Mpumalanga’s annual increase was lower than the midpoint (4.5%) of the SARB’s monetary policy target range.

In November 2024, the headline consumer price inflation forecast for 2024 generated by the SARB’s QPM declined from 4.6% in September 2024 to 4.5%. The inflation forecast for 2025 remained on 4.0% and the forecast for 2026 increased from 4.4% in September 2024 to 4.6%.

The headline inflation rate is forecasted to remain below the mid-point of the SARB target range throughout the remainder of 2024 and move lower. Most of the downward pressure should come from lower fuel prices on the back of the stronger and stable currency. The upside risk to inflation in the near term should emanate from food prices, however, it should

be partly mitigated by global disinflation and favourable climate conditions. The possibility of higher-than-expected electricity tariffs and other administered prices should also exert some increased pressure.