SPII
STUDIES IN POVERTY AND INEQUALITY INSTITUTE
Building up knowledge to break down Poverty

ACAOSA
Access to Justice for Marginalised Communities in South Africa

The Basic Need Basket

Monthly Price Monitoring Project

October – December 2014 Quarterly Report

Background

Against a background of high levels of existing poverty, the cost of living continues to increase as incomes, social services and work opportunities have stagnated and even declined globally and in South Africa, creating a harsh situation where the majority of families cannot afford to lead decent lives, and food protests increase internationally. And yet income inequality continues to grow, increasing the gaps between rich and poor, and worker and bosses.

SPII is an independent, non-profit think tank, committed to the eradication of poverty and inequality in South Africa and the sub region. Through research we seek to develop innovative, evidence-based solutions that address the c auses and consequences of poverty. SPII is rooted in the values of the South A frican constitution. We believe that poverty undermines democracy and inhibits the development of society as a whole

It is in this context that the Studies in Poverty and Inequality Institute (SPII)in partnership with the Association of Community-based Advice Offices of South Africa(ACAOSA), decided to re- launch its Basic Needs Basket research programme in South Africa in mid- 2014. The Basic Needs Basket is a monthly survey of the cost of essential food and non- food items that comprise the items that a low income family deem necessary. It is important to note that the BNB only monitors prices of the most common pack size purchased and not the actual quantities required for an average sized household.

"This Project is supported by
Church of Sweden
(www.svenskakyrkan.se/english)

Methodology

The Basic Needs Basket project follows on baseline studies conducted by SPII wherein SPII conducted Household Expenditure Surveys in two independent peri-urban townships. The first was done in Vosloorus Township, in the East Rand, and the second in Evaton Township in the Vaal region of Gauteng between 2009 and 2011. The latter survey was done in collaboration with StatsSA. At the core of the surveys was the desire to develop an applied understanding of what poor people believe constitute basic needs towards a standard of living that enables people to live a life of dignity in line with the Constitution of the South Africa, and thereafter to monitor the price fluctuations on these items to provide an alternative analysis of the real inflation impact onlowspenders.

In the current South African context, what constitutes basic needs is not clearly articulated. Existing sources of information from government institutions and other research institutions conduct broad and often complex analyses which are often too technical or too simplified and therefore in both cases do not articulate in an accessible manner what is happening on the ground.

Why Price Monitoring?

Specifically, in the spirit of exposing the plight of the poor and raising their concerns,the SPII Basic Needs Basket Project monitors the prices or cost of 39 out of 46 goods and services on a monthly basis in all the 9 Provinces in South Africa.

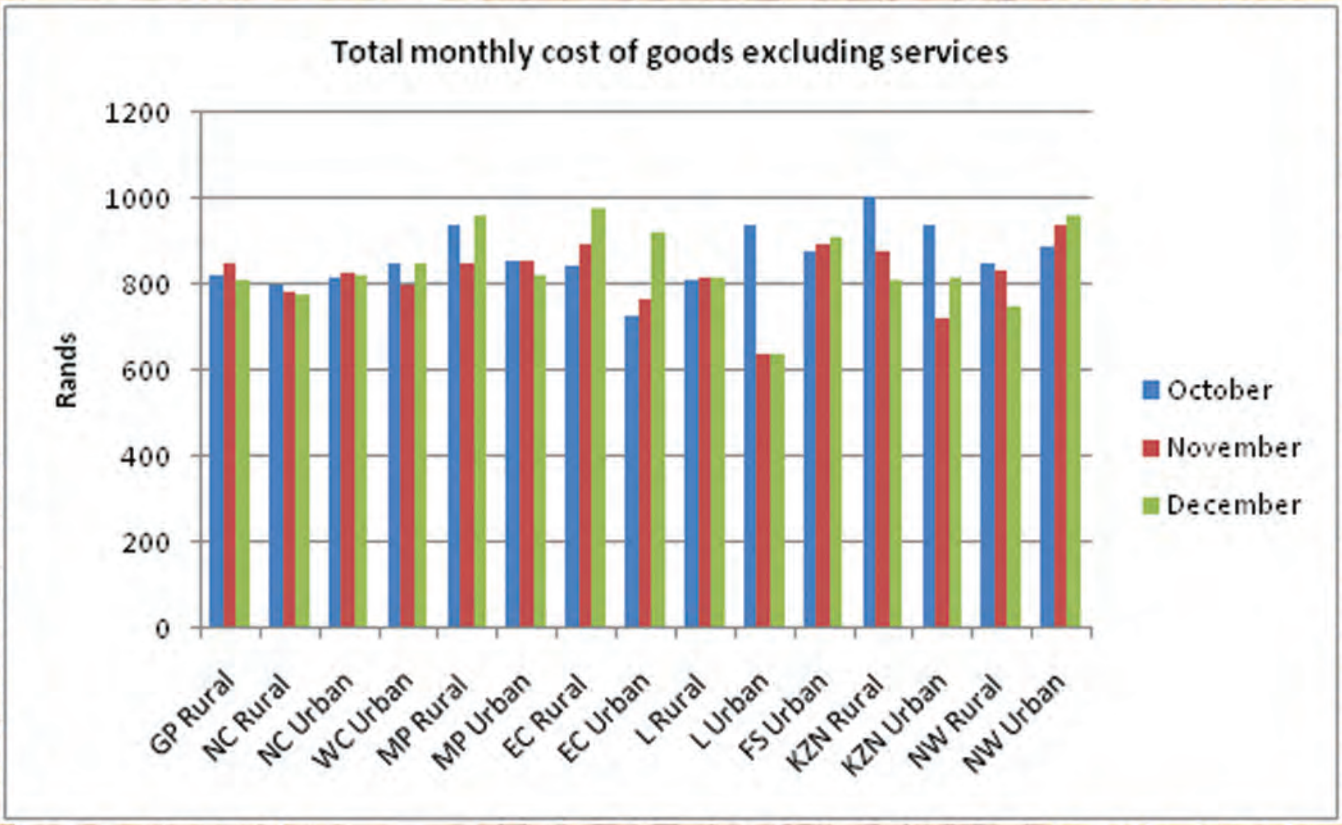
The remainder are service related which include electricity; housing; education (primary & secondary) and health are either monitored on a quarterly or annual basis as these do not fluctuate frequently. In each province prices are monitored by members of advice offices in both rural and urban areas and this analysis covers for the period October – December 2014 and excluding Gauteng Urban; Western Cape Rural and Free State Rural

Prices are monitored in different types of outlets to reflect where most people in the particular areas regularly purchase their goods.Price monitoring is important for a number of reasons, mainly;The fact that the average person is struggling to afford even the most basic of monthly commodities and the varying geometry in terms of poverty and inequality across different provinces

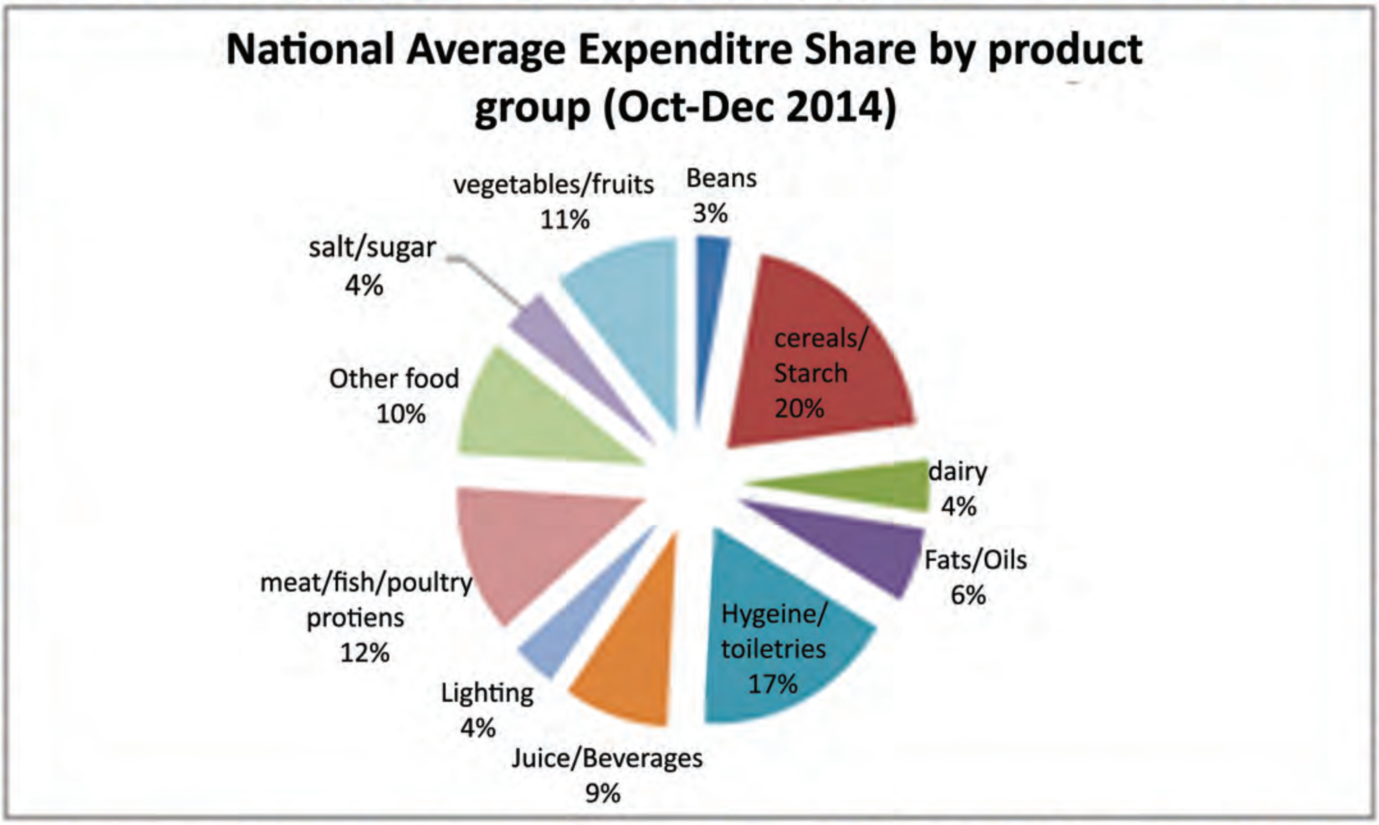
- That the BNB exposes this household struggle to meet basic needs by comparing the findings with average take-home wages and general household incomes; and By working in tandem with Community Based Organisation (CBOs), it is envisaged that information from this BNB work will provide CBOs with easy access information to inform their advocacy and campaign work and also addressing cross cutting issues such as gender, HIV, malnutrition and health in general.

The Analysis – 4th Quarter (Oct – Dec 2014)

(Infographics)



For 39 products that are monitored monthly; the total cost ranges from R636 to just under R1010 per month over the review period.- For most provinces, rural areas experience higher prices as reflected in the total cost of the basket with the exception of Northern Cape (NC) and North West (NW) provinces;Over the review period, the total basket cost remained relatively stable for most provinces although some for EC (both rural & urban) as well as Mpumalanga (MP) rural prices the total cost increased sharply in comparison to November prices;



- A look at the product groups reveals that about 50% of the total monthly cost of prices monitored is accounted by Cereals/ Starch (20%); Hygiene/ toiletries (17%) and Meat/ fish/ poultry (12%). This trend is consistent over the review period;

- Over the review period price decreases were experienced for the majority of products being monitored with about 60% (or 23 out of 39) experiencing declines. On the overall however, only a 1.3% decline in the total average cost of the basket was experiencedover the review period.

Notable declines were mainly in the Foods categories, with vegetables/ fruits experiencing amongst the highest declines – Onions (-15%) and tatoes (-14%);Large eggs (19.2%); Washing Powder (7%) and Tagless Teabags (7.2%) were amongst products that experienced highest increases in prices.

Table 1: Total average cost of goods per category from 15 sites within the 9 Provinces of South Africa

Product Group	Description	October	November	December	Compound Growth
Cereals/ Starch	Brown Bread (700g)	9.40	9.28	9.21	-1.0%
	White Bread (700g)	10.37	10.61	10.56	0.9%
	Maize Meal (5kg)	33.82	31.88	34.73	1.3%
	Rice (2kg)	20.13	20.13	21.13	2.4%
	Bread Flour (10kg)	79.23	74.77	73.50	-3.7%
	Mealie - Samp (2.5kg)	19.25	19.98	19.69	1.1%
Meat/fish/poultry/ protein	Chicken Portions (2kg)	42.47	42.48	41.49	-1.2%
	Beef and Veal (1kg)	40.44	27.18	40.66	0.3%
	Large Eggs (6)	8.86	8.56	12.59	19.2%
	Canned Pilchards (400g)	15.21	15.25	15.14	-0.2%
Dairy	Fresh Full Cream Milk (1L)	14.11	12.95	13.47	-2.3%
	Maas (2L)	23.40	22.61	22.79	-1.3%
Beans	Sugar Beans (500g)	15.90	16.91	16.69	2.4%
	Baked Beans (410g)	7.92	7.94	8.09	1.1%
Fats/ Oils	Cooking Oil (2L)	32.38	33.57	32.73	0.5%
	Margarine spread (500g)	20.89	17.47	18.98	-4.7%
Vegetables/ Fruits	Tomatoes (1kg)	12.72	11.60	12.46	-1.0%
	Cabbage Fresh (1 head)	11.49	11.12	11.31	-0.8%
	Potatoes (1kg)	17.78	9.31	13.14	-14.0%
	Mixed Vegetables (3kg)	25.10	25.76	24.49	-1.2%
	Onions (1kg)	12.66	7.25	9.15	-15.0%
	Apples (1.5kg)	17.58	16.85	19.82	6.2%
Juice/ Beverages	Tagless Teabags (100g)	13.62	14.99	15.65	7.2%
	Coffee (250g)	35.68	38.56	38.78	4.3%
	Juice (2L)	23.25	22.82	22.28	-2.1%
Salt/ Sugar	White Sugar (2.5kg)	26.30	26.73	25.92	-0.7%
	Salt (500g)	6.37	5.26	5.84	-4.2%
Other food	Mayonnaise (750g)	21.82	19.57	19.78	-4.8%
	Instant Yeast (200g)	63.61	56.76	60.05	-2.8%
Hygeine/ Toiletries	Washing Powder (2kg)	45.57	43.18	35.14	-12.2%
	Toothpaste (100g)	8.61	8.16	7.08	-9.3%
	Toilet Paper (12s)	27.28	28.45	31.25	7.0%
	Body Cream/ Gel	25.90	24.75	24.06	-3.6%
	Body Soap (200g)	9.72	8.99	9.05	-3.5%
	Deodorant (50ml)	16.05	14.48	14.32	-5.5%
	Sanitary Towels and Tampons	17.04	17.24	18.54	4.3%
Lighting	Matches (1 pack)	5.10	5.27	5.51	3.9%
	Paraffin (1L)	14.18	13.47	13.74	-1.6%
	Candles (1 pack)	13.35	13.90	12.95	-1.5%
Average total Cost (Rands)		**864.57**	**816.06**	**841.77**	**-1.3%**

Gauteng Urban; Western Cape Rural and Free State Rural were not included in the quarterly analysis

Economic Indicators (2014)

Gross Domestic Product (GDP):

South Africa's GDP was R3.8 trillion (or R3 800 billion) in 2014. The economy grew by 1.5% in 2014, down from 2.2% in 2013, according to preliminary estimates of real gross domestic product (GDP) released by Stats SA. Fourth quarter analysis of GDP growth reveals an annualized 4.1% growth over the previous quarter.

Consumer Price Inflation (CPI):

The CPI tracks the rate of change in the prices of goods and services purchased by consumers.Statistics South Africa (Stats SA) reported that the CPI has eased to 4.4% in January 2015 from 5.3% in December 2014..

Broad Unemployment:

which refers to people who are unemployed and available to work but have not **taken active steps to look for work is currently at35.1%.**

What Can We Expect in the Next Quarterly Analysis?

Will the petrol price decrease have any effect on the reduction of prices?
- Tracking of prices has demonstrated in the past that an increase in the price of fuel translates into an increase in prices, especially that of food. As we undertake the next quarter's analysis, we will interrogate whether the sustained decrease in the price of petrol led to a significant decrease in the price of petrol.

We will also interrogate whether the social cash grants increase announced in the recent National Budget were in line with inflation or not.

Watch the space!

Table of Sectoral Determinations&Expanded Public Works Programme (EPWP) minimums (As at 1st July 2014)

Sector	Min ph	Min pd (9 hour day)	Min pm	Review date
1. Domestic metro	9.63	86.67	1877.70	30th Nov 2014
Domestic non metro	8.30	74.70	1618.37	
2. Security Officer Grades D& E Area 1	14.12	*-	2938.00	31st August 2014
Security Officer Grades D& E Area 2	12.92	-	2688.00	
Security Officer Grades D& E Area 3	11.74	-	2441.00	
3. Forestry	12.41	111.69	2420.41	31st March 2015
4. Farm	12.41	111.69	2420.41	28th Feb 2015
5. Contract Cleaning Area A metros ex KZN	15.66	140.94	3051.35	30th Nov 2014
Contract Cleaning Area B all other ex KZN	14.19	**127.71	2764.92	
6. Hospitality 10 or < workers	13.34	600.48	2601.88	30th June 2015
Hospitality > 10 workers	14.87	669.30	2900.08	
7.Taxi drivers and admin workers	13.68	657.05	2847.01	30th June 2015
Taxi rank marshals	10.94	525.23	2275.81	
8.Wholesale& Retail shop ass. Area A	15.71	141.39	3063.13	31st Jan 2015
Wholesale & Retail shop ass. Area B	13.16	118.44	2556.30	
Wholesale & Retail sales person Area A	19.83	178.47	3866.20	
Wholesale & Retail sales person Area B	16.73	150.57	3261.51	
9.EPWP (Ministerial Determination)	8.82	***70.59		31st October 2014

Source:COSATU, July 2014.

Notes

1. Rates are all for those working more than 27 hours per week. All sectors except security guards in the Security Sector and EPWP are based on a 45 hour week.

2. *Almost all security guards work 12 hour shifts based on a compressed working week, so the daily rate is not meaningful

3. **Most contract cleaners work less than nine hours a day. Historically employers have cut hours whenever there is an increase. For this reason, since 2012, employers must pay for a minimum 6 hours per day, where there are multiple grades/wages, the dominant grades are recorded. So the actual legislated minimum per day is R89.46 for a six hour day.

4. ***EPWP workers' conditions are governed by a Ministerial Determination. The maximum hours per day are 8 hours, and 40 hours per week.

5. A Bargaining Council exists for the Contract Cleaning sector in KZN. The SD therefore excludes KZN in its entirety.