

NATIONAL ASSEMBLY

QUESTION FOR ORAL REPLY

QUESTION NUMBER: 498 [NO3741E]

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★498. Ms P N Abraham (ANC) to ask the Minister of Finance:

Whether, in light of the latest consumer price inflation figures released by Statistics South Africa which indicate a year-on-year increase in the cost of living and the recent survey from Debt Rescue that has found that 81% of respondents are cutting down on daily meals and the face of hunger and that absolute hunger is growing, he and/or the National Treasury is considering any amendments to current relief packages to deal with this scenario; if not, what is the position in this regard; if so, what measures will he consider introducing that will include addressing food inflation? NO3741E

REPLY

Yes, Government is keenly aware that households are currently under great pressure from high and increasing inflation eroding their disposable income. Headline inflation has risen to a 13-yr high due to higher food and fuel prices. In addition, the burden of the high cost of living falls more on low-income households because they spend a relatively large proportion of their disposable income on basic necessities such as food and public transport. The main causes of the increase in prices are global or international factors beyond South Africa's control. This includes demand-supply mismatches because of the gradual receding of the threat of the COVID-19 pandemic, as well as events such as the Russian-Ukraine conflict, which has driven the price of oil to almost historic highs. Oil is one of the main inputs into economic activity, and South Africa is a price taker in this regard. Therefore, when the international price of oil increases, other goods also experience price hikes due to higher transportation costs and the higher costs of operating machinery in the manufacturing sector.

Government has made specific announcements in the last Budget in February 2022, like the extension of the social relief distress grant for another year, followed by further announcements after the Budget, to reduce the burden of high food and fuel prices on South African households. For example:

1. On 1 August 2022, the Minister of Trade & Industry suspended the anti-dumping duties on poultry imports from five countries for a period of twelve months. This should help reduce the price of poultry, providing much-needed relief to consumers.
2. The National Treasury and the Mineral Resources and Energy ministry jointly announced on 31 March 2022 a temporary reduction in the general fuel levy of R1.50 per litre from Wednesday, 6 April 2022, until 31 May 2022 to provide relief to households from rising fuel prices. This relief package was further extended for two months until 2 August 2022. Since then, the price of fuel has begun to fall moderately as international pressures recede.

While the above interventions have been important, they cannot solve or permanently mitigate the impact of inflation. The South African Reserve Bank is responsible for monetary policy, and will lead by taking steps with regard to the repo rate. More broadly and over the long term, the Government will continue to conduct a macroeconomic policy based on stability and long-run predictability. This is important because it ensures that changes in cross-border capital flows and fluctuations in the value of the Rand are minimized, which serves to prevent the price of imports such as oil and other goods from changing too dramatically and for too long.