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**Covid-19: Household affordability thresholds now threaten to be further breached – taxi fare hikes major risk.**

The prices of foods on supermarket shelves whilst still increasing seem to be stabilising albeit off a higher base. The PMBEJD Household Food Basket has increased by 8,2% (R265) between March 2020 and June 2020, and now costs R3 486. This is a lot of money. The PMBEJD Household Food Basket includes the basic core foods which women tell us they try and buy each month for a 7-member family. Families are struggling. The substantial increases in food prices over the past three months have put enormous pressure on household affordability.

The increase in the cost of the household food basket is a major concern however the imminent taxi fare hikes and annual electricity tariff increases now present a further threat to being able to put food on the table. Not all goods and services compete equally in the household purse – expenses like transport and electricity are non-negotiable and must be set aside before any other expense is paid. Money for food arises only after these non-negotiable expenses have been paid. With no increase in income, the imminent taxi fare and electricity hikes in the face of the substantial spikes in the cost of the household food basket will act to deepen the crisis in homes.

In March 2020, Government chose to increase the National Minimum Wage by 76 cents to R20,76 an hour for a General Worker – an increase of just 3,8% per annum. In June 2020, the maximum wage paid to a worker on the National Minimum Wage is R3 488. Over the past several years the gap between incomes and the cost of goods and services has widened: low baseline wages have not kept up with the pace of increases on transport, electricity, and food (amongst other critical expenses). The affordability thresholds of households living on low incomes have been breached.

Currently, on our data, workers spend about 50,9% of the National Minimum Wage on transport and electricity expenses alone. The money remaining (R1 713) is not enough for families to secure proper nutritious food or to pay for other critical expenses. If the proposed taxi fare hikes of between R4 to R5 on local routes (nationally), and electricity tariffs of 6,9% (in Pietermaritzburg) are implemented, then **workers will have to spend 62% of the wage just on transport and electricity**. Even more food will have to be removed off the plate to pay for transport and electricity costs.

We argue that now, probably more than ever, millions of workers, many of whom are hanging onto jobs and paid at the lowest wages, cannot withstand a massive spike in goods and services, and nor should workers have to continue to carry the cost of an unchanged apartheid geography (which leaves workers far from their places of work) and inadequate transport system. Most of the wage of a low paid worker goes on transport. Transport is a non-negotiable expense. It eats a huge portion of the wage. We have to find a way to reduce the cost of transport whilst freeing up money for workers to eat properly but also to have money to spend, to demand goods and services in the economy, and now very importantly, where it is increasingly obvious that formal jobs are not going to come; also to invest in a livelihood and build up some level of savings buffer in times of crises.

At the time of writing it is not clear if the relief package offered to the taxi industry will result in a lowering of taxi fare hikes. Unless an urgent solution is found between the taxi industry and government, we must expect deeper levels of hunger, unemployment, poverty, and social unrest. **The principle should be that government and all other actors do not do anything to deepen the household affordability crisis.**

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**1. The cost of the PMBEJD Household Food Basket.**

Over the past three months, covering the period pre-lockdown (2 March) to 3 June 2020, the price of the PMBEJD Household Food Basket increased by **R265,23 (8,2%)**, taking the total cost of the basket in June 2020 to **R3 486,23** (from R3 221,00 in March 2020). See page 8 for the summarised price data.

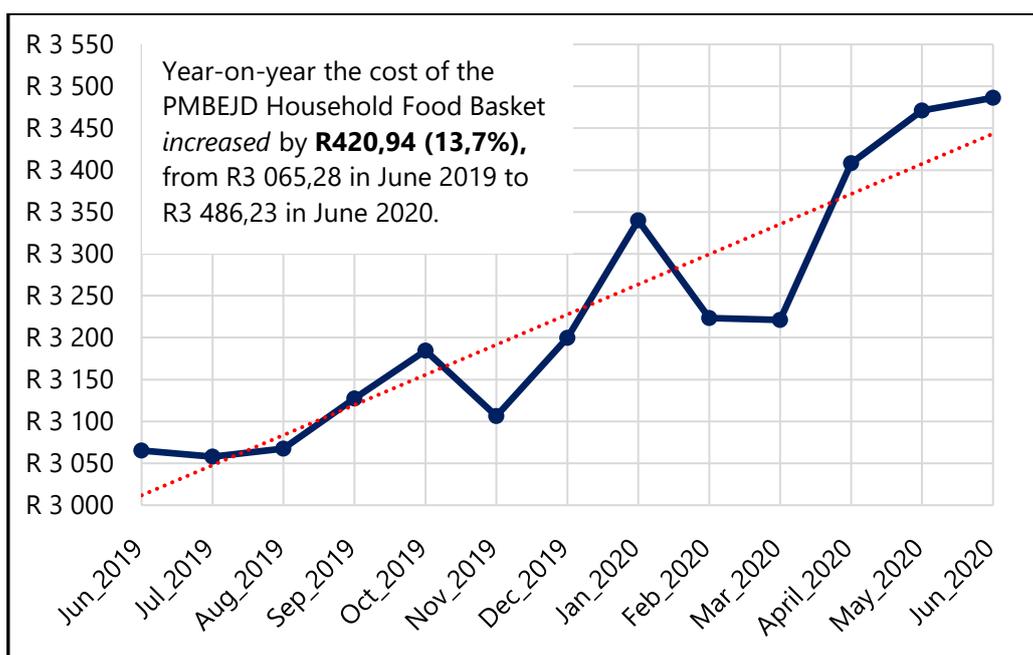
The year-on-year price of the basket increased by **R420,94 (13,7%)**, from R3 065,28 in June 2019 to R3 486,23 in June 2020.

Food prices have spiked across the basket over the past three months, with some of these shown below:

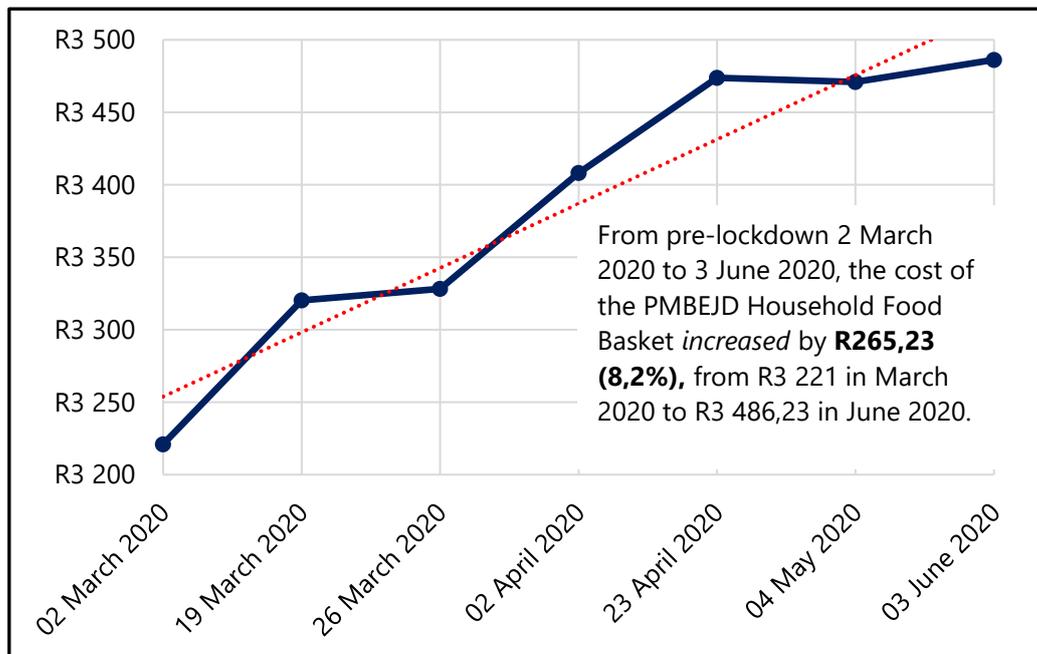
Increases on core staples	Increases on protein & calcium	Increases on vegetables
Rice: 29%	Sugar beans: 18%	Onions: 60%
Cake flour: 7%	Eggs: 6%	Cabbage: 20%
White sugar: 4%	Maas: 9%	Carrots: 34%
Cooking oil: 13%	Pilchards: 3%	Spinach: 25%
White bread: 16%		
Brown bread: 14%		

Households living on low-income have almost no more capacity to absorb shocks. The food price increases we are seeing in Pietermaritzburg are considerable. An 8,2% or additional R265 increase on the cost of a basic basket of core staple foods over the past three months, for families living on low incomes is a serious financial shock. The basket on the 3<sup>rd</sup> of June is **R3 486,23**.

The graphs below show the year-to-year increases (June 2019 to June 2020) on the PMBEJD Household Food Basket, and the increases during the past three months. The second graph is a more detailed presentation of price movements from March 2020 to June 2020.



**Figure 1: Year-on-year cost of the PMBEJD Household Food Basket, June 2019 to June 2020.**



**Figure 2: Cost of the PMBEJD Household Food Basket, pre-lockdown March 2020 to June 2020.**

Food prices in supermarkets which target low-income consumers are still increasing but they are stabilising albeit off the higher base. The spikes seen in the week before the harsh lockdown level 5 was introduced and the DTI/Competition Commission Regulations came into place seem to be moderating. The highest spikes between price collections happened between the 2<sup>nd</sup> of March and 19 March (3,1%), the 26<sup>th</sup> of March and 2<sup>nd</sup> of April (2,4%), and 2<sup>nd</sup> of April and 23<sup>rd</sup> of April (1,9%). The highest spikes between months happened between March and April (5,8% or R187,08), April and May showed lower increases (1,8% or R62,84), and now between May and June, the lowest increases have been seen (0,4% or R15,31). Typically, June through August see lower food price inflation levels before they rise again from September. It is likely then that the cost of the Household Food Basket will stabilise off this higher base for the next few months.

Women are telling us that the disruptions in shopping patterns are also easing, and that although queues are still long at certain times of the month, and shopping still takes longer than before, that it is now easier to shop in more than one supermarket. Women are also saying that some supermarkets are again offering specials and combos (on the big foods: maize meal, rice, flour, sugar, and cooking oil). This means that although everything is not back to normal, women are better able to find cheaper prices. There is also a sense that “things have calmed down” and that shopping is less frenzied. The anxiety that came with people being scared that foods might run out on the shelves or that transport would restrict people to where they live (and prevent access to supermarkets) or that queues would never end ... are all lessening. Women say that fears around shopping and transport have been allayed both because restrictions have eased but also because they are getting more used to this new situation. They also say however that their concerns now are about their children at home and safety at schools, and having enough money, and about the looming taxi fare hikes.

*Whilst some level of stabilisation in food prices, increased ability to shop around, more specials, and less anxiety around the shopping experience might bring a sense of some relief, the reality is that the total cost of the basket, and its cumulative increases of 8,2% or R265 over the past three months, taking the total cost of the basket to R3 486, is beyond the affordability thresholds of most household living on low incomes.*

## **2. Affordability thresholds for households living on low incomes**

In June 2020 a worker earning at the maximum level of a National Minimum Wage of R20,76 per hour, for an 8-hour day, and allowed to work the full number of working days (21) in June 2020, will take home a wage of **R3 487,68**. In Pietermaritzburg, transport to work and back (2 taxi, return) will cost R1 176 (33,7% of the NMW). Prepaid electricity for her/his family of 4, will cost R598,52 (17,2% of the NMW). **Together, transport and electricity take up R1 774,52 or 50,9% of the NMW, leaving R1 713,16 for all other household expenses.** See June 2020 Household Affordability Index for complete data.

PMBEJD tracks a 2<sup>nd</sup> food basket: A Basic Nutritional Food Basket [BNFB]. This basket is still very basic but is nutritionally complete. The BNFB, unlike the Household Food Basket, can be adjusted for household size, ages, and life stages. The cost of the Basic Nutritional Food Basket for a family of 4-members in June 2020 cost **R2 603,10**. After monies for transport and electricity have been put aside, then workers are left with R1 713,16. It means that the food shortfall would be R889,94, meaning an **underspend on food of 34,2%** unless additional income is sourced or credit is taken.

This picture however is markedly worse than presented because transport, electricity and food are not the only expenses that families need to carry, and because the prices of transport and electricity are now set to increase.

Before we look into what this might mean for deeper levels of hunger, indebtedness and possible social protest and unrest, it is useful to quickly understand how affordability works and how households on low incomes allocate money to their expenditures, and what strategies women employ to deal with income shortfalls.

### **3. The basics of household affordability**

In a cash-based economy, affordability is relative to income and the cost of goods and services. Most households living on low incomes cannot get through the month on the level of income that comes into the house. Households struggle to secure even the most basic goods and services their families need. This is the result of several years of job losses, extraordinarily high unemployment levels, very low baseline wages and very low social grants. Importantly, this also means that, in most households, there is no savings buffer in times of crisis; and that households are extremely vulnerable to shocks.

Households are forced to identify and prioritise competing expenditures. Households prioritise expenditures by differentiating non-negotiable expenses from those expenses which they have a level of control over. Non-negotiable expenses are prioritised first and the monies that remain are then allocated to the goods and service expenses which households have some measure of control over.

Typical non-negotiable expenses include: transport (to work, for scholar transport to school, to go to town to shop, and to access public health care services), electricity (to cook food [all South African staple food needs to be cooked], keep the lights on, keep warm and for security), education for children (so children can have a brighter future than their parents experienced), burial insurance (so that at least in death there can be a semblance of dignity) and the repayment of debt because households cannot get through the month on the level of income coming into the home and so servicing debt is critical to secure credit going forward. After these expenses, there are a myriad of other essential expenses which compete viciously for the remaining money in the household purse, not least of all food and domestic and personal hygiene products.

It means that food is not prioritised first. Instead, food being one of the few expense's women have some measure of control over; the food budget arises out of the money left over only after other non-negotiable expenses have been paid.

It means that households are extremely vulnerable to price increases on the non-negotiable expenses because any increase on these goods (e.g. transport fares and electricity) directly reduce the available money to be spent on food.

Women tell us that three major strategies are employed to deal with income shortfalls:

- Women cut back on expenditures
- Women sacrifice their own bodies by cutting back on nutritious food to prolong the period of relatively better nutrition for their children
- Women take on debt

These strategies are no longer sustainable. Women have cut down expenditures to the most basic level, any further reduction will damage household functioning. Women cannot sacrifice their bodies any further. Already South Africa's non-communicable diseases (diabetes, hypertension, strokes, heart diseases, cancers, and depression) account for the highest causes of death amongst adult women. Many of these are the same comorbidities which make women more susceptible to dying from Covid-19. The last strategy, to take on debt is also problematic now because of the higher levels of debt having to be taken and at higher interest rates

through loan sharks. What we are seeing is that the resilience of women in the past is no longer a good predictor for the future. Many of the strategies that women use to put food on the table are now either unavailable or deeply damaging.

#### 4. Affordability crisis projected to deepen significantly with imminent taxi fare and electricity tariff hikes.

The imminent hikes in taxi fares and the increases in electricity tariffs which will come into effect on the 1<sup>st</sup> of July now present a very serious threat to deepening hunger, and worsening health and nutrition, let alone working to decimate the National Minimum Wage. Let's hold back the obvious: that these hikes might mean that it may soon be too expensive for workers to go to work. Any hike in taxi fares or electricity will reduce the amount of money available to buy food. In June, as we have shown above, transport and electricity costs take up 50,9% of the National Minimum Wage – a wage which millions of workers get paid at.

On the 1<sup>st</sup> of July local taxi fares are set to increase by R4-R5 for local routes. Part of this increase is linked to the loss of income for the taxi industry due to the harsh lockdown which restricted time on the road, and movement of workers, scholars, and people in general; the 70% carrying capacity introduced to facilitate social distancing, and the annual transport increases. It is also linked to the lack of government support for the taxi industry. There may be questions as to whether the final fare determinations are 'fair' on each specific route but it does seem that the private taxi industry will have to introduce substantial fare increases, especially if the carrying capacity limitation continues, and if no government intervention is forthcoming.

In Pietermaritzburg we use an average local fare of R14<sup>1</sup>, with workers having to take 2 return trips to get to work and back. Currently this works out to be R56 per day, and R1 176 for a 21 working-day month, as in June 2020. At the lower rate of a R4 fare increase (28,6%), the cost of a local fare will be R18, with the daily expense of R72, and on a 21 working-day month, the transport cost will be R1 512. This will mean that transport costs to get to work and back will now take up 43,4% of the NMW (up from 33,7%).

Electricity tariffs in Pietermaritzburg are set to increase by 6,9%. Currently the prepaid electricity costs per kWh are R1,71 and households living on low incomes consume an average of 350kWh per month. The monthly cost in June 2020 is R598,52. An increase of 6,9% will move the monthly electricity expense to R639,82. This will mean that the new electricity tariffs will take up 18,3% of the NMW (up from 17,2%).

**Table 1: Projecting the proposed taxi fare and electricity tariff increases on the National Minimum Wage.**

Income	Max NMW June 2020	Max NMW June 2020
Number of days worked	21	21
Number of hours worked	8	8
Remuneration rate	R20,76	R20,76
Wage income	<b>R3 487,68</b>	<b>R3 487,68</b>

	Current		Proposed: R4 taxi fare hike & 6,9% electricity tariff hike	
<b>Wage income</b>	<b>R3 487,68</b>		<b>R3 487,68</b>	
<b>Household expenses</b>		<b>% of wage</b>		<b>% of wage</b>
Transport to work (2 taxi, return)	R1 176,00	33,7%	R1 512,00	43,4%
Prepaid electricity (350kWh)	R598,52	17,2%	R639,82	18,3%
<b>Total for transport + electricity</b>	<b>R1 774,52</b>	<b>50,9%</b>	<b>R2 151,82</b>	<b>61,7%</b>
<i>Money remaining to secure all other expense</i>	<b>R1 713,16</b>		<b>R1 335,86</b>	
Subtract: food (4 persons)	R2 603,10		R2 603,10	
<b>Minimum surplus/shortfall on food costs</b>	<b>-R889,94</b>	<b>-34,2%</b>	<b>-R1 267,24</b>	<b>-48,7%</b>

As seen in Table 1 above, together transport and electricity will take up **61,7%** or R2 151,82 of the NMW. This means that off the June figures, only **R1 335,86** will remain for food and all other critical household expenses.

<sup>1</sup> Other current one-way local route fares from JHB, CT & DBN: Soweto to JHB CBD = R14, KwaMashu to DBN CBD = R17, Khayelitsha to CT CBD = R19,50, Alexandra to Sandton = R11 and Alexandra to JHB CBD = R13.

In the context of the Minimum Nutritional Food Basket for June 2020 for a family of 4 members (R2 603,10), the food shortfall will increase from 34,2% to **48,7%** (from -R889,94 to -R1267,24).

### **5. *Where does this leave us?***

On the 1<sup>st</sup> of March 2020, the Minister of Employment and Labour chose to increase the National Minimum Wage hourly rate by 76 cents or 3,8%, taking the rate from R20 an hour to R20,76 an hour for General Workers. The 76 cents increase per hour on an 8-hour day is an increase of R6,08 per day. A taxi fare hike of R4 on a local return route (R8) not only erodes the annual increase but leaves workers poorer than they were before. For workers having to take 2 taxi returns to work and back, or for workers having to travel between Metros, the taxi fare hikes might be too much to bear. It is useful further to recognise that we are using the maximum National Minimum Wage for a General Worker and not an exempted wage or the wage for a Domestic Worker – in these cases a taxi fare hike would be even more damaging.

In most Black South African families on average only one person brings in a wage. We know that this will now worsen because more workers will lose their jobs. We do not think it will be possible for a worker to pay around 62% of her wage just on transport and electricity and still see to it that her children and herself are fed, are healthy and well, schooled and clothed and kept safe, and be productive in the workplace.

Over the past several years the gap between incomes and the cost of goods and services has increased. Our low baseline wages have not kept up with the pace of increases on transport, electricity, and food (amongst other critical expenses). The affordability thresholds of households living on low incomes have been breached. We now face a situation where even fair increases on the cost of goods and services cannot be absorbed, it means that even if the increases are justified and reasonable; these increases are not fair for households when incomes remain so low.

Millions of low-paid workers, long before Covid-19, could not meet their monthly expenditures and had to cut back on expenses and go into deeper levels of debt to cover wage shortfalls. Women have told us that they have no savings buffers and have almost no more capacity to absorb financial shocks. At this time, probably more than any time in the past, we cannot face a massive spike in the costs of basic goods and services. But here we are ... food prices have escalated and now taxi hikes are set to increase, as are electricity tariffs.

### **6. *Going forward – some thoughts of where we should be looking.***

We will have to find some innovative ways to reduce the cost of goods and services; whilst also finding a way to put more money in people's pockets.

Black South African workers carry the cost of an unchanged apartheid geography and inadequate transport system. Most of the wage of a low paid worker goes on transport. Transport is a non-negotiable expense. It eats a huge portion of the wage. We have to find a way to reduce the cost of transport whilst freeing up money for workers to eat properly but also to have money to spend, to demand goods and services in the economy, and now very importantly, where it is increasingly obvious that formal jobs are not going to come; also to invest in a livelihood and build up some level of savings buffer in times of crises.

In the short-term, an urgent intervention is needed by the state in conversation with the taxi industry to find a way to not pass on taxi fare increases to workers.

Similarly, an urgent intervention is needed to ensure that households can access electricity even if they cannot pay for it. Electricity has positive multiplier effects for households and society which far outweighs the revenue garnered for the state or state actors– it enables food to be cooked, families to be kept warm (it is Winter now), allows light and provides energy to run stoves, radios, TVs and cell phones. Not having electricity exposes people to danger and death (by burning, by harming our respiratory systems via coal, wood, candles, and paraffin) and removes safety from women's homes. Disconnecting households for non-payment or tampering when it is clear for anybody that has eyes to see that households simply cannot afford to pay yet another exorbitant tariff increase without massive cost to our health and well-being, is not only callous but will result in massive costs down the line, including deepening inequality.

The state has come out strongly against Gender Based Violence but it does not recognise that part of protecting women also lies in women having electricity so that lights are on at night, and transport so that women do not have to walk home in the dark at night. Not being able to feed your children is also a form of everyday violence which far too many women have to face every day, but it also makes women vulnerable and increases tension in homes. Dealing with Gender Based Violence then also means ensuring universal access to affordable (and free if it must be free) goods and services and our low baseline wages and unemployment crisis.

*The principle should be that government and all other actors do not do anything to deepen the household affordability crisis.* We would also have to urgently review the 3,8% annual increase on the National Minimum Wage. If we do not do this then we have to accept that we will start moving very quickly into ever deeper levels of hunger, poverty, unemployment and social unrest because not only will it be too expensive for workers to get to work but the money reallocated to transport will take even more food off our plates. It is unlikely that workers and communities will not resist such an occurrence.

## Household Food Index: March 2020 to June 2020 & year-on-year.

Foods tracked	Quantity tracked	Index 2019/20			change in Rands		change in %	
		Jun_2019	Mar_2020	Jun_2020	Mar 2020 vs. Jun 2020	Jun 2019 vs. Jun 2020	Mar 2020 vs. Jun 2020	Jun 2019 vs. Jun 2020
Maize meal	25kg + 10kg	R 223,52	R 246,47	R 253,98	R 7,51	R 30,46	3%	14%
Rice	10kg	R 78,59	R 87,19	R 112,19	R 25,00	R 33,60	29%	43%
Cake Flour	10kg	R 67,59	R 73,79	R 78,99	R 5,20	R 11,40	7%	17%
White sugar	10kg	R 142,19	R 145,19	R 150,99	R 5,80	R 8,80	4%	6%
Sugar beans	5kg	R 84,79	R 84,39	R 99,79	R 15,40	R 15,00	18%	18%
Samp	5kg	R 31,39	R 35,79	R 34,24	-R 1,55	R 2,85	-4%	9%
Cooking oil	5L	R 79,19	R 91,19	R 102,59	R 11,40	R 23,40	13%	30%
Salt	1kg	R 14,79	R 15,39	R 15,59	R 0,20	R 0,80	1%	5%
Potatoes	10kg	R 50,56	R 48,45	R 43,62	-R 4,83	-R 6,95	-10%	-14%
Onions	10kg	R 53,27	R 55,24	R 88,55	R 33,31	R 35,28	60%	66%
Frozen chicken portions	10kg	R 329,99	R 339,44	R 337,89	-R 1,55	R 7,90	0%	2%
Curry powder	200g	R 28,79	R 27,59	R 28,59	R 1,00	-R 0,20	4%	-1%
Stock cubes	24 cubes x2	R 33,98	R 35,58	R 36,78	R 1,20	R 2,80	3%	8%
Soup	400g x2	R 27,18	R 26,38	R 29,18	R 2,80	R 2,00	11%	7%
Tea	250g	R 27,59	R 20,79	R 22,99	R 2,20	-R 4,60	11%	-17%
Maas	4L	R 40,39	R 39,79	R 43,19	R 3,40	R 2,80	9%	7%
Eggs	60 eggs	R 86,99	R 86,99	R 92,19	R 5,20	R 5,20	6%	6%
Chicken feet	5kg	R 127,24	R 173,59	R 198,59	R 25,00	R 71,35	14%	56%
Gizzards	2kg	R 62,48	R 59,44	R 66,58	R 7,15	R 4,10	12%	7%
Beef	2kg	R 126,98	R 151,44	R 149,94	-R 1,50	R 22,96	-1%	18%
Wors	2kg	R 82,24	R 111,94	R 126,94	R 15,00	R 44,70	13%	54%
Inyama yangaphakathi	2kg	R 61,98	R 64,94	R 73,49	R 8,56	R 11,51	13%	19%
Tomatoes	6kg	R 68,79	R 59,15	R 53,98	-R 5,17	-R 14,81	-9%	-22%
Carrots	5kg	R 22,49	R 23,79	R 31,99	R 8,20	R 9,50	34%	42%
Butternut	10kg	R 50,27	R 49,13	R 43,13	-R 6,00	-R 7,14	-12%	-14%
Spinach	8 bunches	R 59,92	R 63,92	R 79,92	R 16,00	R 20,00	25%	33%
Cabbage	2 heads	R 24,99	R 26,98	R 32,48	R 5,50	R 7,49	20%	30%
Cremora	800g	R 31,19	R 32,19	R 33,19	R 1,00	R 2,00	3%	6%
Tinned pilchards	400g x6	R 90,17	R 101,56	R 104,34	R 2,78	R 14,17	3%	16%
Canned beans	410g x6	R 63,17	R 65,16	R 68,36	R 3,20	R 5,19	5%	8%
Bananas	4kg	R 48,76	R 47,16	R 43,09	-R 4,07	-R 5,67	-9%	-12%
Apples	1.5kg	R 15,39	R 24,65	R 17,19	-R 7,46	R 1,80	-30%	12%
Margarine	1kg x2	R 64,58	R 63,98	R 72,78	R 8,80	R 8,20	14%	13%
Peanut butter	400g x2	R 47,98	R 57,18	R 56,78	-R 0,40	R 8,80	-1%	18%
Polony	2.5kg	R 63,89	R 60,49	R 60,39	-R 0,10	-R 3,50	0%	-5%
Apricot jam	900g x2	R 51,18	R 51,98	R 57,98	R 6,00	R 6,80	12%	13%
White bread	25 loaves	R 259,85	R 248,35	R 287,40	R 39,05	R 27,55	16%	11%
Brown bread	25 loaves	R 240,95	R 224,35	R 256,35	R 32,00	R 15,40	14%	6%
<b>Total household food basket</b>		<b>R 3 065,28</b>	<b>R 3 221,00</b>	<b>R 3 486,23</b>	<b>R 265,23</b>	<b>R 420,94</b>	<b>8,2%</b>	<b>13,7%</b>

**From March 2020 to June 2020:** The cost of the household food basket **increased** by R265,23 (8,2%) from R3221,00 in March 2020 to R3 486,23 in June 2020.

**Year-on-year:** The cost of the household food basket **increased** by R420,94 (13,7%) from R3 065,28 in June 2019 to R3 486,23 in June 2020.

The household food basket has been designed together with women living on low incomes in Pietermaritzburg. It includes the foods and the volumes of these foods which women living in a household with seven members (the average low-income household size in Pietermaritzburg) tell us they typically try and secure each month. Food prices are sourced from supermarkets (5) and butcheries (4) that target the low-income market and which women identified as those they shop at. Food selection at the supermarket shelves mirrors how women themselves make decisions at the supermarket shelves viz. that the foods are chosen on relative affordability and reasonable quality. The date for data collection is between the 1st and 4th day of each month. There are 38 foods in the household food basket.

The household food index is designed with women living on low incomes to provide a sense of what the food baskets of low-income households cost in Pietermaritzburg and is specifically designed to measure food price inflation as experienced by households living on low incomes. Although located in Pietermaritzburg, the household food index may provide a picture into food price inflation as experienced by households living on low incomes in South Africa.