

Economic data update | Consumer price inflation

Investments

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South Africa's consumer price inflation eased further to 3.8% in September 2024

Tshembhani Hlongwane | Economist

Sifiso Mkwanazi | Economist

Key highlights

- Headline consumer price inflation dipped further in below the mid-point of the inflation target, as it decelerated to 3.8% year on year (y/y) in September, down from 4.4% in the prior month and in line with Bloomberg consensus estimate of 3.8%. On a month-on-month (m/m) basis, consumer prices were unchanged at 0.1% when compared to the previous' month print. The moderation in price pressures was driven by further deceleration in transport inflation, although the overall disinflation was partly offset by food and non-alcoholic beverages, housing and utilities, and miscellaneous goods and services.
- Core inflation, which excludes volatile food, fuel and electricity prices, was unchanged from the August print of 4.1%, remaining below the midpoint of the inflation target. On a monthly basis, core inflation rose 0.3% in September after it was flat (0%) in August. The quarterly survey of rental inflation was a key feature of the September inflation data. Across the various measures, there was a broad-based increase in rental inflation: with actual rent up 3.3% y/y (from 3.2% in August) while owners' equivalent rent rose 2.9% y/y (from 2.8% previous month). Overall, goods inflation moderated to 3.3% y/y, from 4.4% the prior month, due to decelerating price pressures across all goods categories, with notable slowdowns observed in semi-durable and non-durable goods. Services inflation also edged down to 4.4% y/y, up from 4.5% the prior month.
- Lately, transport inflation has dropped significantly from its October 2023 peak of 7.4%. For the September print, transport inflation came in at -1.1% y/y in September from 2.8% in the previous month. The downward pressure emanated from fuel which dropped sharply by (3.8% m/m) and 9% y/y due to the lower price of Brent Crude oil and a firmer rand/dollar exchange rate. Transport inflation will continue to contribute an ease in inflationary pressures this month, amid further announced fuel price cuts.
- Food and non-alcoholic beverages prices remained steady at 4.7% due to a slowdown in food prices. Encouragingly, food inflation was unchanged as well at 4.1%. Price movements in subcategories were mixed, with downward pressure mainly coming from Bread and cereals, meat, oils and fats, sugar and sweets and desserts . However, slower price increases came from fish and vegetables recording 5.8% (from 5.4% in August) and 6.8% (from 4.4%) respectively. Meanwhile, milk, eggs and cheese remained steady at 6.9% y/y.
- Relative to a few months ago, inflation has broadly eased across income deciles. However, it remains slightly elevated at 5.6% y/y for low income households compared to 4% for middle and top income households, respectively.
- Looking ahead, inflation is expected to remain contained, albeit with a downward trend for the year. In terms of monetary policy, the South African Reserve Bank (SARB) started its easing cycle with 25bps cut and will likely be able to deliver a cumulative 100-125bps worth of easing in this cycle. We expect the SARB to move in clips of 25bps given their limited room to cut and the MPC's cautious approach.

Figure 1: Headline and core inflation

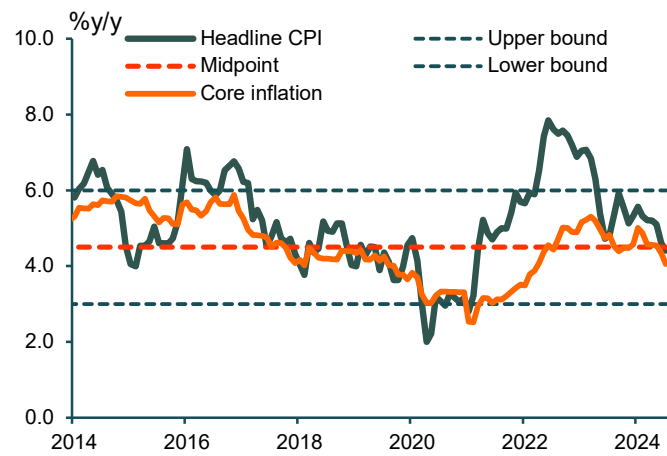


Figure 2: Contributions to headline inflation

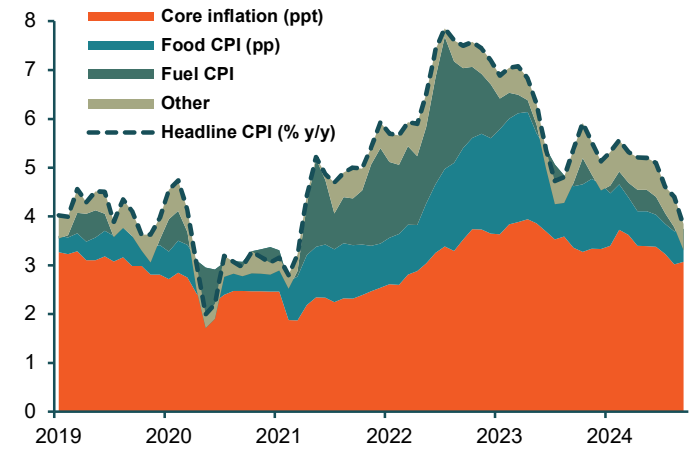


Figure 3: Core inflation

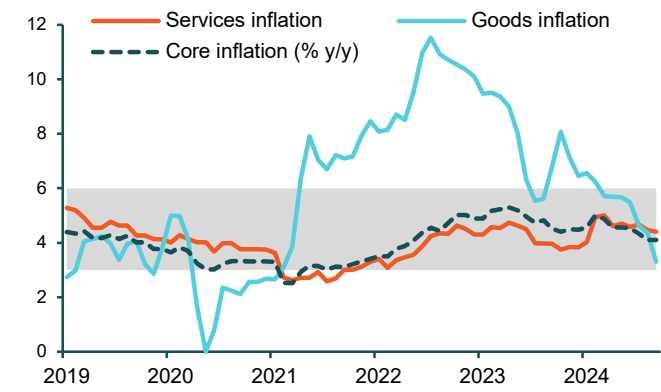


Figure 4: Food price inflation

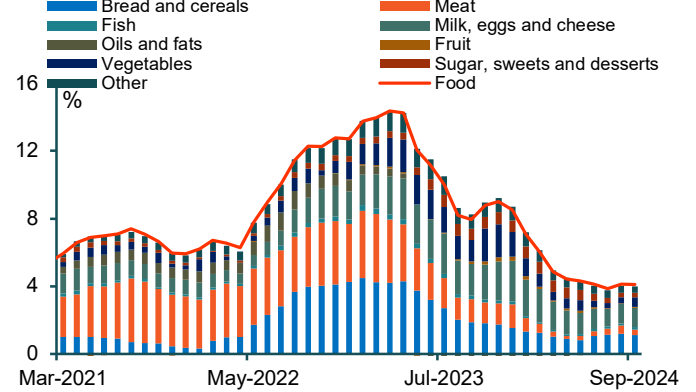


Figure 5: Fuel and transport inflation

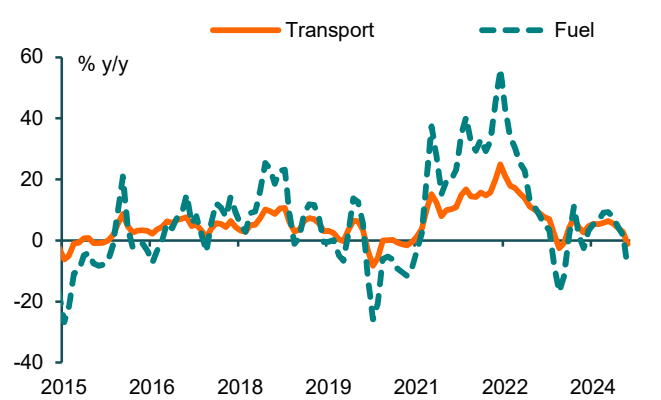
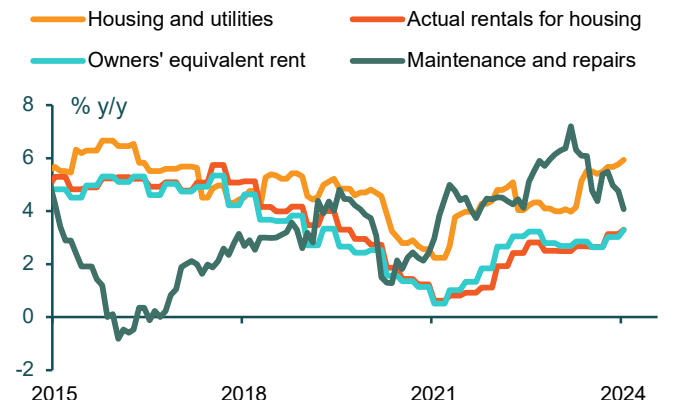


Figure 6: Housing and utilities



Sources: Stats SA, Bloomberg and Alexforbes Investments

Table 1: Components of consumer price inflation

	Weight (%)	% y/y				% m/m			
		Sep-24	Aug-24	1-year ago	5-year average	Sep-24	Aug-24	1-year ago	5-year average
Headline CPI	100	3.8%	4.4%	5.4%	5.1%	0.1%	0.1%	0.6%	0.4%
Core CPI	74.4	4.1%	4.1%	4.5%	4.0%	0.3%	0.0%	0.2%	0.3%
Food & non-alcoholic beverages	17.24	4.7%	4.7%	8.1%	7.1%	0.6%	0.2%	0.6%	0.6%
Alcoholic beverages & tobacco	5.82	4.7%	4.3%	5.2%	4.9%	0.3%	0.3%	-0.1%	0.4%
Clothing & footwear	3.83	1.8%	1.9%	2.2%	1.9%	0.1%	0.1%	0.2%	0.1%
Housing & utilities	24.62	4.8%	4.8%	5.5%	4.3%	0.4%	0.0%	0.5%	0.3%
H/H contents & equipment	4.35	1.9%	1.9%	4.1%	3.0%	0.6%	-0.2%	0.6%	0.2%
Health	1.4	5.1%	5.1%	6.5%	4.8%	0.1%	0.1%	0.1%	0.4%
Transport	14.28	-1.1%	2.8%	4.2%	7.0%	-1.2%	-0.4%	2.7%	0.5%
Communi- cation	2.63	-0.5%	-0.3%	-0.4%	-0.4%	-0.2%	-0.1%	0.0%	0.0%
Recreation & culture	5.16	1.4%	1.9%	3.7%	2.2%	0.0%	0.1%	0.5%	0.2%
Education	2.53	6.3%	6.3%	5.7%	5.4%	0.0%	0.0%	0.0%	0.4%
Restaurants & hotels	3.09	7.4%	6.6%	4.2%	4.3%	0.5%	0.4%	-0.3%	0.4%
Miscellaneous goods & services	15.05	6.9%	7.0%	6.0%	5.5%	0.0%	0.0%	0.1%	0.5%

Source: StatsSA and Alexander Forbes investments (as of 23 October 2024)