

CPI Inflation Brief: **January 2024**
**SA annual headline consumer inflation was 5.3% in January 2024**

<b>Current (Actual)</b>	<b>5.3%</b>	<b>January 2024 – Statistics South Africa</b>	
<b>Previous month</b>	<b>5.1%</b>	<b>December 2023 – Statistics South Africa</b>	
<b>Medium-term Inflation Forecasts</b>			
<b>Institution</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
SARB	5.0%	4.6%	4.5%
National Treasury	4.9%	4.6%	4.6%
Minerals Council SA	5.1%	4.6%	n/a
<b>Repo Rate</b>		<b>Prime Lending Rate</b>	
8.25% (hiked 4.75% since Nov 2021)		11.75%	

Detailed Breakdown:

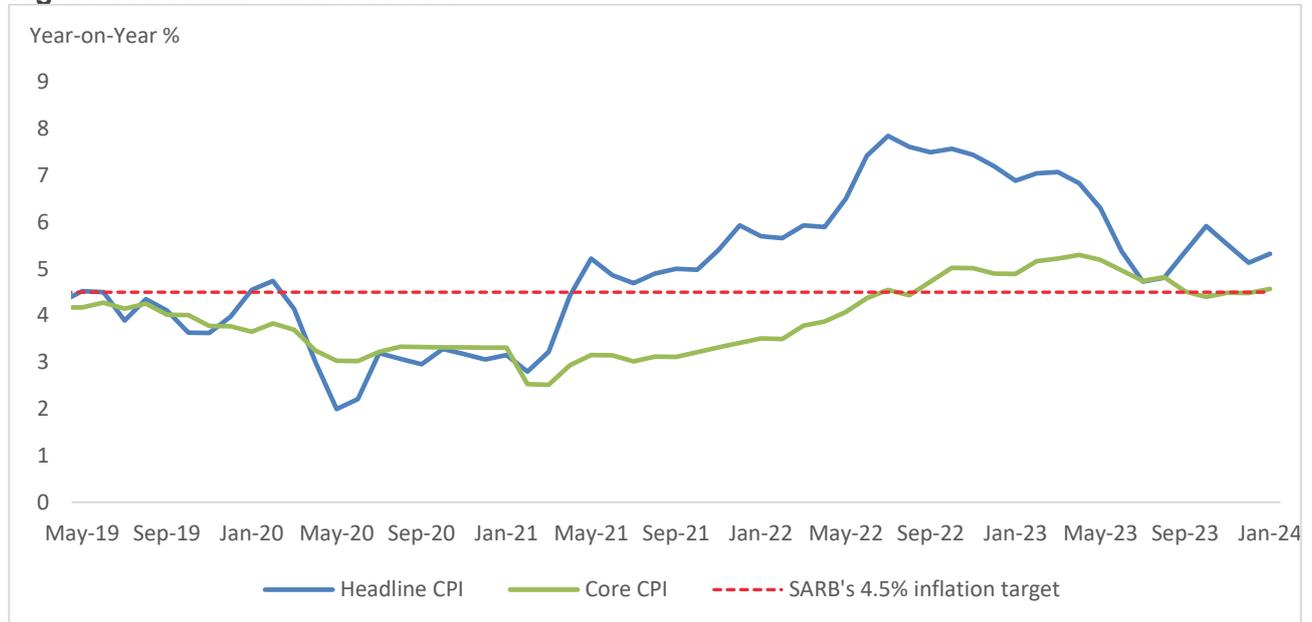
South Africa's annual inflation rate rose to 5.3% in January 2024, a 0.2 percentage point increase from the previous month. The main contributors to the 5,3% annual headline inflation rate were:

- Food and non-alcoholic beverages (NAB)**, which increased by 7,2% year-on-year and contributed 1,3 percentage points.
  - Although still elevated, food and non-alcoholic beverages continue to experience a slower rate of increase, with most subcategories seeing a decrease in annual rates. The exceptions were sugar, sweets & desserts (up 18.7% YoY in January) and cold beverages (up 7.3% YoY in January).
  - Sugar prices drove much of the upward momentum, with the annual rate for white sugar accelerating from 20,1% in December to 21,2% in January.
- Housing and utilities** that increased by 5,7% year-on-year and contributed 1,3 percentage points.
  - The electricity and water sub-categories continue to drive overall inflation at rates of 15.2% and 7.9% YoY, respectively.
- Miscellaneous goods and services**, which increased by 5,4% year-on-year and contributed 0,8 of a percentage point.
  - Prices for personal care items increased by an annual rate of 9,5%, lower than the 10,3% rise recorded in December.
  - An increase in bank fees contributed to a 5,5% annual rise in financial services.
- Transport** that increased by 4,6% year-on-year and contributed 0,7 of a percentage point.
  - Fuel increased by 3,3% YoY in January.
  - With the festive season over, public transport tariffs decreased by 2,0% in January compared with December, dragged lower by monthly price decreases for long-distance busses (down 21,2%), car rental (down 12,1%) and airfares (down 4,1%).

In January, the annual inflation rate for **goods** was 6,6%, up from 6,4% in December; and for **services** it was 4,0%, up from 3.8% in December.

Figure 1 below illustrates the long-term trend in headline CPI and core CPI (which excludes the prices of food, non-alcoholic beverages, petrol and energy). Core inflation increased by 4.6% in January, marginally higher than the 4.5% recorded in December.

**Figure 1: Headline and core CPI**

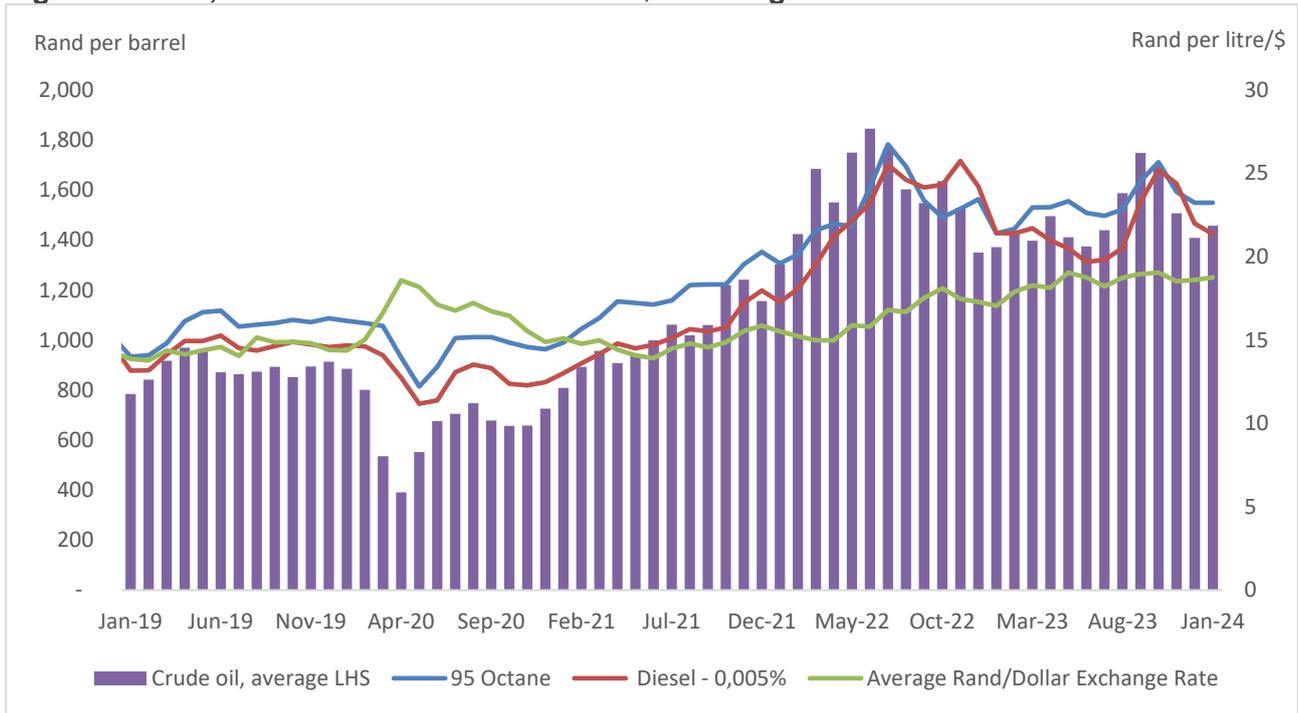


Source: Statistics SA & Minerals Council.

### What it all means:

- Following a two-month period where the annual rate of increase moderated, **headline consumer inflation** experienced a slight increase in January, rising to 5.3%. The South African Reserve Bank (SARB) has projected an average inflation rate of 5.0% for the year 2024. Concurrently, the National Treasury, in its budget for February 2024, anticipates an inflation rate of 4.9%. Meanwhile, the Minerals Council of South Africa forecasts the inflation rate to settle at 5.1% for the year.
- **Core inflation** remained relatively stable at 4.6% YoY in January 2024.
- In January 2024, the **oil market** witnessed a slight increase in prices compared to December, with the cost per barrel hovering around US\$78. The U.S. Energy Information Administration projects that the price of Brent crude oil will average at \$82 per barrel in 2024, and decrease slightly to \$79 per barrel in 2025. This forecast aligns closely with the 2023 average of \$82 per barrel. The International Energy Agency has expressed concern over escalating geopolitical tensions in the Middle East, a region responsible for one-third of the world's seaborne oil trade. These tensions have contributed to market instability at the outset of 2024. However, barring any significant disruptions to oil flows, the oil market appears to be reasonably well supplied for 2024. This is largely due to higher-than-anticipated increases in non-OPEC+ production, which is projected to outpace the growth of oil demand by a considerable margin. For **South Africa**, higher oil prices translate to higher **petrol and diesel costs** as shown below.

**Figure 2: Fuel-, Brent Crude Oil Prices and R/\$ Exchange Rate**

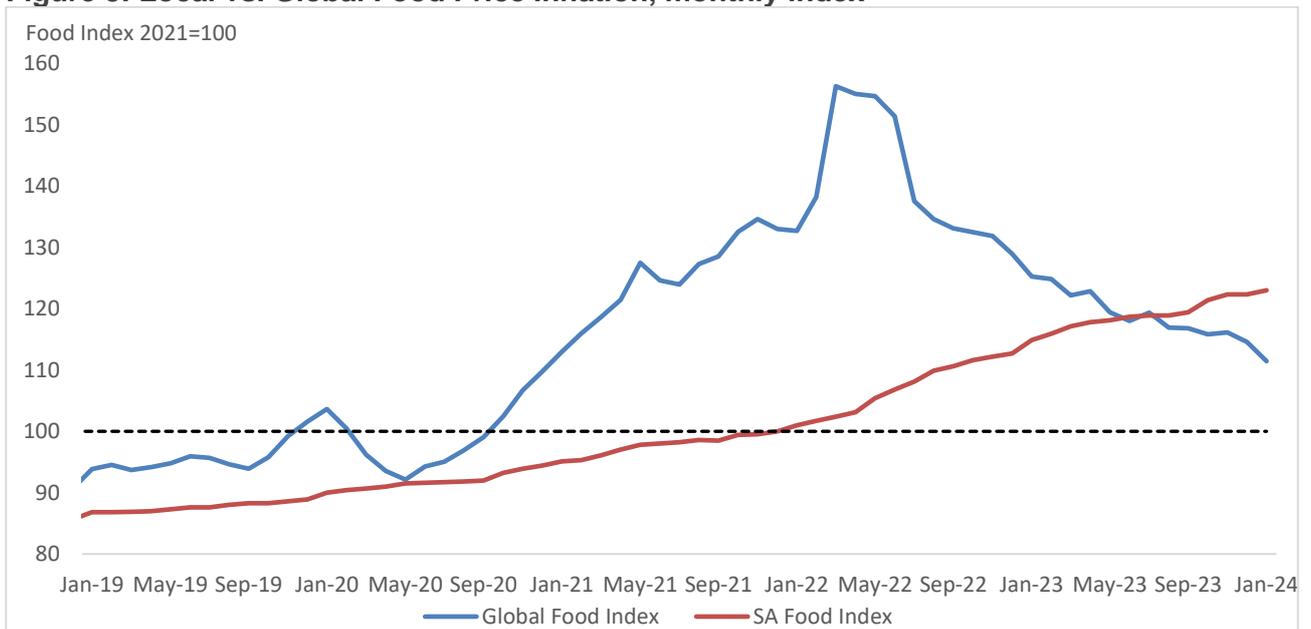


Source: Statistics SA, World Bank and Minerals Council

- Local food price inflation** amounted to 7.0% YoY in January 2024. This is a break in the continued high levels of inflation for food and signals an easing in the rate of food price increases for households. Food inflation averaged 11% in 2023 with the SARB forecasting food price inflation at 5.7% for 2024. Overall, local food prices are still on a higher trajectory than international food prices which have been trending downward for a while.

Figure 3 below illustrates local food price inflation's upward trend compared to global food prices, which are trending down.

**Figure 3: Local vs. Global Food Price Inflation, monthly index**



Source: Stats SA, FAO & Minerals Council

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Yours sincerely,



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