

CPI Inflation Brief: **December 2024**

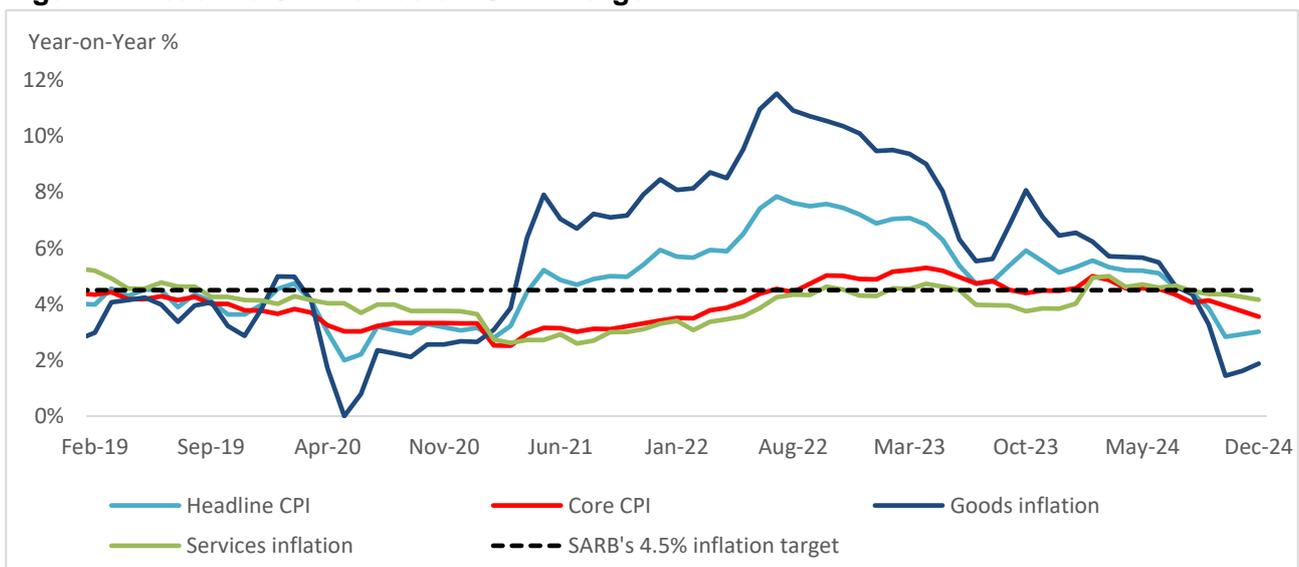
**SA's annual headline consumer inflation rate was 3.0% in December 2024**

<b>Current (Actual)</b>	<b>3.0%</b>	<b>December 2024 – Statistics SA</b>	
Previous month	2.9%	November 2024 – Statistics SA	
2024 Annual Average	4.4%		
<b>Medium-term Inflation Forecasts</b>			
<b>Institution</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
SARB (November)	4.0%	4.6%	4.5%
National Treasury (October)	4.4%	4.5%	4.5%
Minerals Council SA (January)	3.8%	4.7%	n/a
<b>Repo Rate</b> 7.75%		<b>Prime Lending Rate</b> 11.25%	
(Next decision due: 30 January 2025)			

Detailed Breakdown:

South Africa's **annual headline CPI inflation rate** ticked up slightly in December 2024, to 3.0% year-on-year (y-o-y), from 2.9% in November. Encouragingly, the December CPI print was below the Bloomberg market consensus of 3.2%, aligning with the lower end of forecasters' expectations. The December inflation print means that the average annual CPI is 4.4% for the calendar year 2024, aligning with Minerals Council projections and down from 6% recorded in 2023. **Core inflation** eased further, to 3.6% y-o-y in December 2024, which again aligned with the lower end of the Bloomberg consensus. Additionally, **goods inflation** increased to 1.9% y-o-y from 1.6% in November, while **services inflation** eased in December to 4.2% y-o-y, down from 4.3% in November.

**Figure 1: Headline CPI well below SARB target**



Source: Statistics SA & Minerals Council SA.

The main contributors to the 3,0% annual headline inflation rate in December 2024 are discussed below.

**1. Housing and utilities** increased by **4.4%** y-o-y and contributed 1.0 percentage points to the headline figure.

- In December, Stats SA released its Q4 2024 housing and rentals survey. The annual inflation rate for actual rentals slowed to 2.8% in Q4, down from 3.3% in Q3. Similarly, owners' equivalent rent inflation declined to 2.4% from 2.9%. These decreases contributed to a drop in overall housing and utilities inflation, which moderated to 4.4% in December from 4.7% in November.
- Maintenance and repairs posted a modest monthly increase of 0.1% in December, with annual costs rising by 1.5%, slightly up from 1.4% in November.
- Water and other services also rose by 0.1% month-on-month in December, resulting in an annual increase of 5.5%.
- Electricity and other fuels maintained their annual growth rate of 11.4% in December.
- Housing and utilities inflation peaked at 5.8% year-on-year in May 2024 but moderated to 4.4% by December. The electricity subcomponent was the primary driver, with an 11.5% annual increase, reflecting the 12.7% NERSA-approved tariff hike implemented in July 2024. Over the past 15 years, electricity prices have risen by an average of 10.5% annually, consistently outpacing increases in water tariffs and property rates.
- Water was the second-largest contributor to inflation in the category, increasing by 5.5% compared to December 2023. Both electricity and water inflation fall under administered prices.

**2. Miscellaneous goods and services** increased by **6.6%** y-o-y and contributed 1.0 percentage points to the headline CPI figure.

- Personal care items, including hair products, sanitary towels, and toothpaste, recorded a further m-o-m decrease of 0.2% in December, following a 0.6% decrease in November. The y-o-y rate for personal care items eased to 2.8% in December, down from 3.5% in November.
- Financial services and insurance remained unchanged in December at 5.9% and 8.3% y-o-y.

**3. Food and non-alcoholic beverages (NAB)** increased by **2.5%** y-o-y and contributed 0.5 of a percentage point.

- Food inflation inched up to 2.5% in December from 2.3% in November, marking the completion of 2024's full-year data. For the year, food and non-alcoholic beverages (NAB) inflation averaged 4.6%. After peaking at 7.2% in January 2024, food and NAB inflation steadily declined, reaching a low of 2.3% in November.
- The annual inflation rate for bread and cereals remained steady at 3.7%, while the monthly rate declined by 0.2%. Several wheat-based products saw price decreases between November and December, including instant noodles (-2.2%), cake flour (-1.1%), macaroni (-0.7%), spaghetti (-0.8%), and brown bread (-0.6%).

- The meat price index declined by 0.4% year-on-year in December, marking the lowest annual rate since May 2019. Products with the largest annual declines included sausages (-3.3%), pork (-2.2%), and whole chicken (-1.7%). However, certain items became more expensive, such as beef extract (+5.1%), bacon (+4.8%), and ham (+4.2%).
- Hot beverages recorded the highest annual inflation rate among all food and NAB groups, rising by 13.5%. Prices in this category continued to climb sharply, with instant coffee up 16.1% y-o-y in December 2024. Other notable y-o-y increases included black tea (+14.2%), drinking chocolate (+14.1%), ground coffee (+8.0%), rooibos tea (+7.8%), and cappuccino sachets (+3.8%).

**4. Alcoholic beverages and tobacco** increased by **4.3%** y-o-y and contributed 0.3 of a percentage point.

- The alcoholic beverages and tobacco category recorded a y-o-y inflation rate of 4.3% in December, down from the 4.5% recorded in November.
- Beer prices increased by 3.4% y-o-y (-0.5% m-o-m), spirits by 3.1% y-o-y (+0.4% m-o-m), red wine increased by 3.7% y-o-y (+0.3% m-o-m) and white wine increased by 5.5% y-o-y (+0.5% m-o-m).
- Tobacco prices rose by 8.4% y-o-y in December, and 1.8% in December compared to November.

Lastly, we make mention of **transport inflation**.

- As expected, the rise in fuel prices during December added upward pressure to transport inflation. Fuel prices increased by 1.1% m-o-m, while the annual deflation in fuel prices eased to -10.2%, from -13.6% in November.
- Fuel prices increased again in January of 2025. For the first month of this year, 95-octane increased by 12 cents to R21.47 a litre, 93-octane by 19 cents to R21.34, and 0.005% diesel by 11 cents to R19.43 a litre.
- Preliminary data from the Central Energy Fund indicates that fuel prices could increase significantly in February, with an expected rise of 80 to 95 cents per litre. The rand has relinquished most of the gains it achieved in 2024 following the formation of the GNU and improved investor confidence in South Africa. A key factor in the rand's recent weakness is the strengthening of the US dollar, driven by US President Trump's expected policies on import tariffs in particular. Additionally, Brent crude oil prices have risen sharply in early January, averaging around \$78 per barrel and peaking at \$81.5 per barrel, compared to an average of \$73.2 per barrel in December 2024. Overall, fuel prices are expected to exert upward pressure on inflation in both January and February this year.

Outlook:

Annual headline inflation for 2024 averaged 4.4%, slightly below the South African Reserve Bank's (SARB) target of 4.5%. Notably, November and December 2024 marked the lowest inflation levels since 2021. Core inflation, at 3.6% year-on-year in December, further indicates that inflation is likely under control. In terms of the near-term inflation outlook, this mitigates against any upward revision

to the SARB's inflation forecast because of the weaker rand/higher oil price. The SARB will need to balance these factors when considering the next repo rate decision at the end of the month.

The expected rise in fuel prices in February, coupled with pressure on the rand-dollar exchange rate and increasing Brent crude oil prices, introduces considerable uncertainty. Global factors, such as the policies of President Trump and potential disruptions to global trade will also influence the SARB's approach to likely further interest rate cuts this year. Domestically, factors like Eskom's proposed 36.2% electricity tariff hike, pending approval from NERSA, and water supply issues in major metros will weigh on the SARB's inflation outlook.

In this context, the SARB's strategy will likely remain cautious, balancing domestic challenges with global influences as it seeks to navigate the country's evolving economic landscape. On balance, we expect the SARB to deliver another 25bps repo rate cut on 30 January. Beyond that, at this stage, we see only limited scope for further cuts.

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Yours sincerely,



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