

CPI Inflation Brief: **November 2023**
SA Consumer Inflation was 5.5% in November 2023

Current (Actual)	5.5%	November 2023 – Statistics South Africa	
Previous month	5.9%	October 2023 – Statistics South Africa	
Year-to-date Average	6.0%	Year to November 2023	
Medium-term Inflation Forecasts			
Institution	2023	2024	2025
SARB	5.8%	5.0%	4.5%
National Treasury	6.0%	4.9%	4.6%
Repo Rate		Prime Lending Rate	
8.25% (hiked 4.75% since Nov 2021)		11.75%	

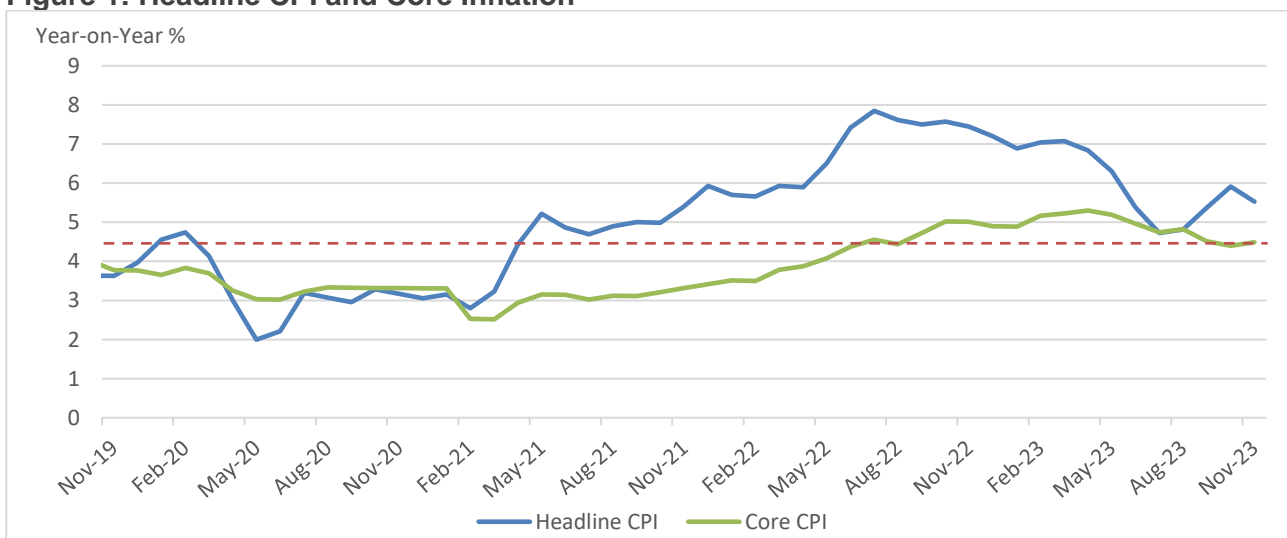
Detailed Breakdown:

The main contributors to the 5,5% annual inflation rate were:

- **food and non-alcoholic beverages** (increased by 9,0% year-on-year and contributed 1,6 percentage points);
- **housing and utilities** (increased by 5,5% year-on-year and contributed 1,3 percentage points);
- **miscellaneous goods and services** (increased by 5,3% year-on-year and contributed 0,8 of a percentage point); and
- **transport** (increased by 4,3% year-on-year and contributed 0,7 of a percentage point).

In November the annual inflation rate of **goods** was 7,1%, down from 8,1% in October. For **services**, it was 3,8%, unchanged from October.

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).

Figure 1: Headline CPI and Core Inflation


Source: Statistics SA.

Note: The red dotted line represents the SARB's 4.5% inflation target.

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South Africa's inflation rate fell to 5.5% in October, a 0.4 percentage point decrease from the previous month. For November 2023 we note that:

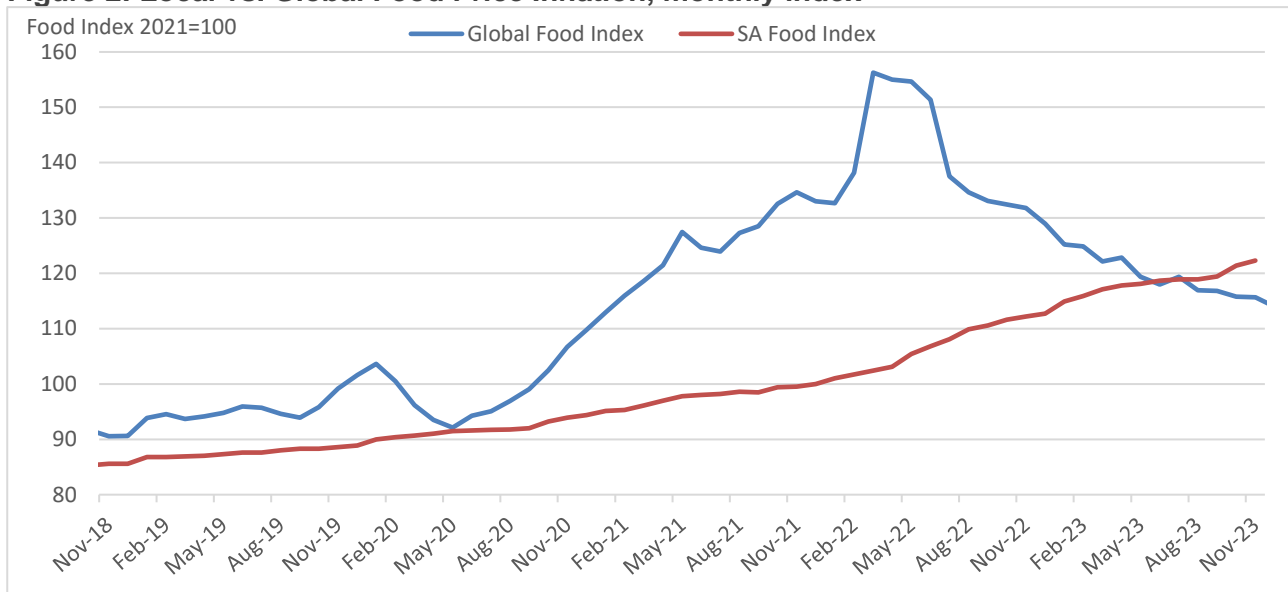
- **Food prices** increased by 9.0% y-o-y (following an increase of 8.8% in October);
- **Non-alcoholic beverage** prices increased by 8.6% y-o-y (following an increase of 8.4% y-o-y in October).
- The price of **fuel** increased by 1.8% y-o-y (following an increase of 11.2% in October). Month-on-month fuel prices were 5.5% lower in November than in October 2023.
- **Electricity** and other fuel prices increased 15.2% y-o-y, unchanged from October.

If we exclude these items from the headline CPI cost basket, we obtain core inflation where the annual rate increased by 0.1 percentage points in November to 4.5% (up from 4.4% in October). Food and electricity prices were the primary drivers of inflation in November.

What it all means:

- **Although the annual rate of increase for headline consumer inflation** decreased in November; inflation still **averaged 6.0% for the year to November 2023**. In November 2023, the South African Reserve Bank (SARB) still expected inflation for 2023 to average 5.8%. According to the Bureau for Economic Research (BER), the average headline CPI inflation expectations for the next two years of analysts, business people and trade unions increased again in Q4 2023. Respondents expect inflation to be 5.7% in 2024 and 5.6% in 2025 (up from 5.5% and 5.3% in the third quarter survey). For 2023, inflation expectations remained unchanged at 6.1%.
- **Core inflation** increased marginally to 4.5% y-o-y in November 2023. This was driven by slight increases in communication and clothing & footwear prices.
- Locally, elevated **food price inflation** continues to persist with November's figure at a four-month high of 9.0% y-o-y, up from 8.8% in October. Staple items such as potatoes, sweet potatoes and eggs have increased substantially over the past year. Potatoes prices increased 64.4% y-o-y in November, sweet potatoes 47.1% and eggs are 39.9% more expensive. Overall, local food prices are still on an upward trajectory despite international food prices trending downward. The SARB forecasts food price inflation for 2023 to remain high at 10.6% while the forecast for 2024 is at 5.5%. Figure 2 below illustrates local food price inflation's upward trend compared to global food prices which are trending down.

Figure 2: Local vs. Global Food Price Inflation, monthly index



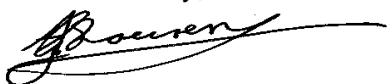
Source: Stats SA, FAO & Minerals Council

- The second largest driver of inflation is **housing and utilities**. November saw water and sanitation prices increase by 7.8% y-o-y while electricity and other fuel prices increased by 15.2% y-o-y. Also noteworthy was household maintenance services, which includes rates for plumbers and electricians. This category registered a y-o-y increase of 7,4% in November, the highest rate since the current CPI series began in 2008, putting pressure on household budgets.
- Lastly, we note the impact of **transport prices** on inflation. We note that the decrease in fuel prices in November pushed down overall transport costs. However, public transport, which includes taxis and busses, increased by 0.8% y-o-y in November following deflationary price increases since August. Seeing as the majority of South Africans depend on public transport, this exerts pressure on household budgets.

Conclusion:

In November, the headline CPI inflation rate was recorded at 5.5%. The main drivers of inflation are currently food, electricity, housing, and public transport. The cost of food items such as eggs and potatoes continues to rise, and electricity remains expensive and scarce. Tariff increases are expected this year, which will further add to the burden on households. Additionally, high-interest rates and increased rates for plumbers and electricians are putting pressure on those who own permanent residences. Despite a decrease in fuel prices in November, there was a modest annual price increase in public transport, which affects the majority of South Africans.

Yours sincerely,



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