

CPI Inflation Brief: April 2024

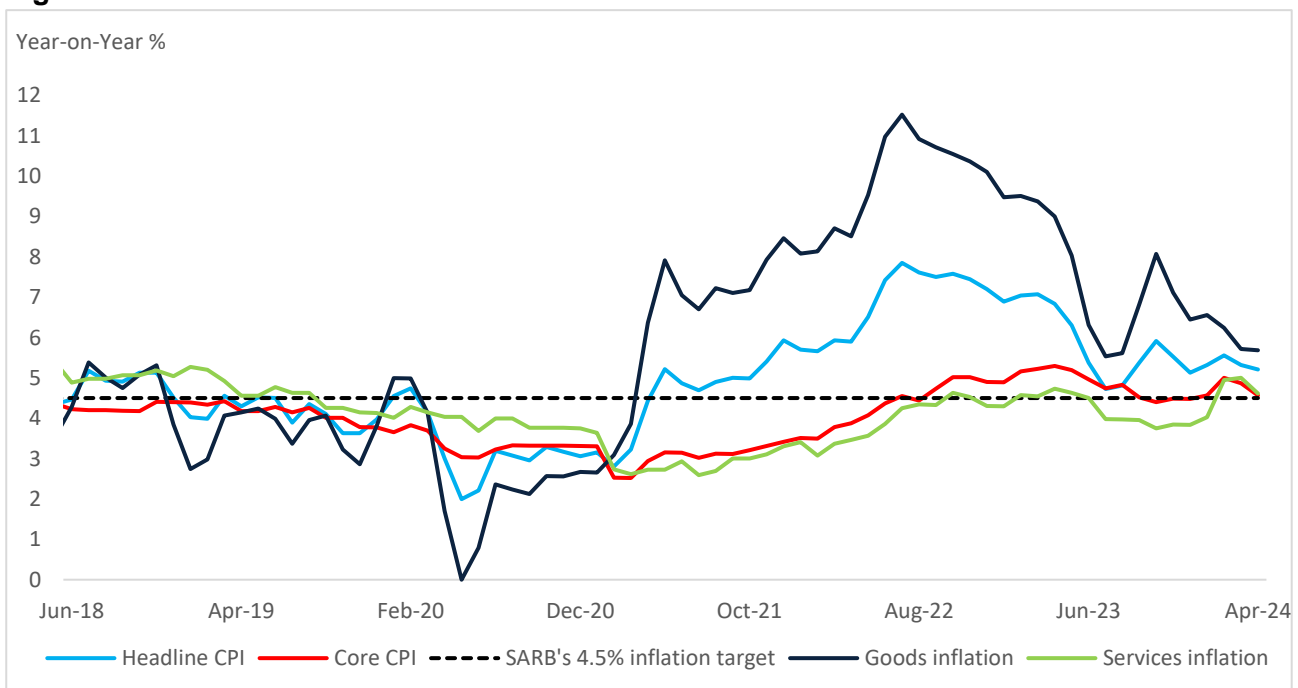
**SA's annual headline consumer inflation was 5.2% in April 2024**

<b>Current (Actual)</b>	<b>5.2%</b>	<b>April 2024 – Statistics SA</b>	
<b>Previous month</b>	<b>5.3%</b>	<b>March 2024 – Statistics SA</b>	
<b>Medium-term Inflation Forecasts</b>			
<b>Institution</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
SARB (March)	5.1%	4.6%	4.5%
National Treasury (February)	4.9%	4.6%	4.6%
Minerals Council SA (May)	5.0%	4.5%	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 moderated to 5.2% year-on-year (y-o-y) in April 2024, a 0.1 percentage point decrease from the previous month. The increase was somewhat less than the Bloomberg market consensus of 5.3%. The core inflation rate (which excludes food, non-alcoholic beverages, fuel, and energy) also eased. In April, **core inflation** was 4.6%, a slight decrease from 4.8% in March and 5% recorded in February. **Goods inflation**, which remained steady at 5.7% in April, was again the main driver of overall price pressures. Conversely, **services inflation** is relatively low, dropping to 4.6% in April from 5% in March.

**Figure 1: Core and services inflation remains below 5%**



Source: Statistics SA & Minerals Council.

The main contributors to the 5,2% annual headline inflation rate are discussed below.

1. **Housing and utilities** increased by 5,8% y-o-y and contributed 1,4 percentage points to the headline figure.
  - This was mainly driven by a 15.3% y-o-y increase in electricity and fuels, unchanged from March, while water saw a 7.9% increase y-o-y.
  - Rentals remained steady at 3.3% y-o-y in April.
  - Electricity and water prices continue to increase yearly due to financial constraints by water boards and Eskom, leading to annual price hikes that affect mining workers and their disposable income. With another double-digit (12.7%) electricity price hike on the cards for households in July, it is unlikely that this trend will reverse in the coming year.
2. **Miscellaneous goods and services** increased by 7,2% year-on-year and contributed 1,1 percentage points to the headline figure.
  - Financial services (such as banking fees) and insurance (which includes funeral insurance) increased 5.6% and 8.0% y-o-y, respectively.
  - The rising costs of financial services and insurance further squeeze mining workers' incomes, as they cannot easily forego these essential services.
3. **Food and non-alcoholic beverages** increased by 5,1% year-on-year and contributed 0,9 of a percentage point.
  - Fruit and vegetable prices ticked up notably in April, increasing by 4.1% and 7.1% y-o-y, respectively. Over the past year, rice, eggs, condensed milk, white sugar, and potatoes experienced the biggest yearly increases. We also saw items such as beetroot, unions, and tomatoes increase significantly compared to March 2024.
  - Higher food prices directly affect the cost of living for mining workers, diminishing their ability to afford other necessities and putting financial strain on their households.
4. **Transport** increased by 5,7% year-on-year and contributed 0,9 of a percentage point.
  - Fuel increased by 1,9% m-o-m in April. However, the price of Brent crude oil averaged around \$83 per barrel in May 2024 down from \$88/barrel in April. Consequently, petrol prices are expected to decrease by approximately R0.85 per litre in June 2024. This reduction should help alleviate the pressure on headline CPI from the transportation sector going forward.
  - Public transport tariffs decreased by 1.0% in April compared with March, while private transport operations increased by 1.8% m-o-m. The latter may have been driven by hefty fuel price increases, which increased by R0.67 per litre in April. This increase followed a large increase in the price of petrol (+R1.21/litre) and diesel (R1.05/litre) in March.

With overall price pressures continuing to moderate, we expect that the monetary policy committee of the SA Reserve Bank will keep the policy (repo) interest rate unchanged at their bi-monthly meeting next week.

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Yours sincerely,



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