

CPI Inflation Brief: **September 2024**

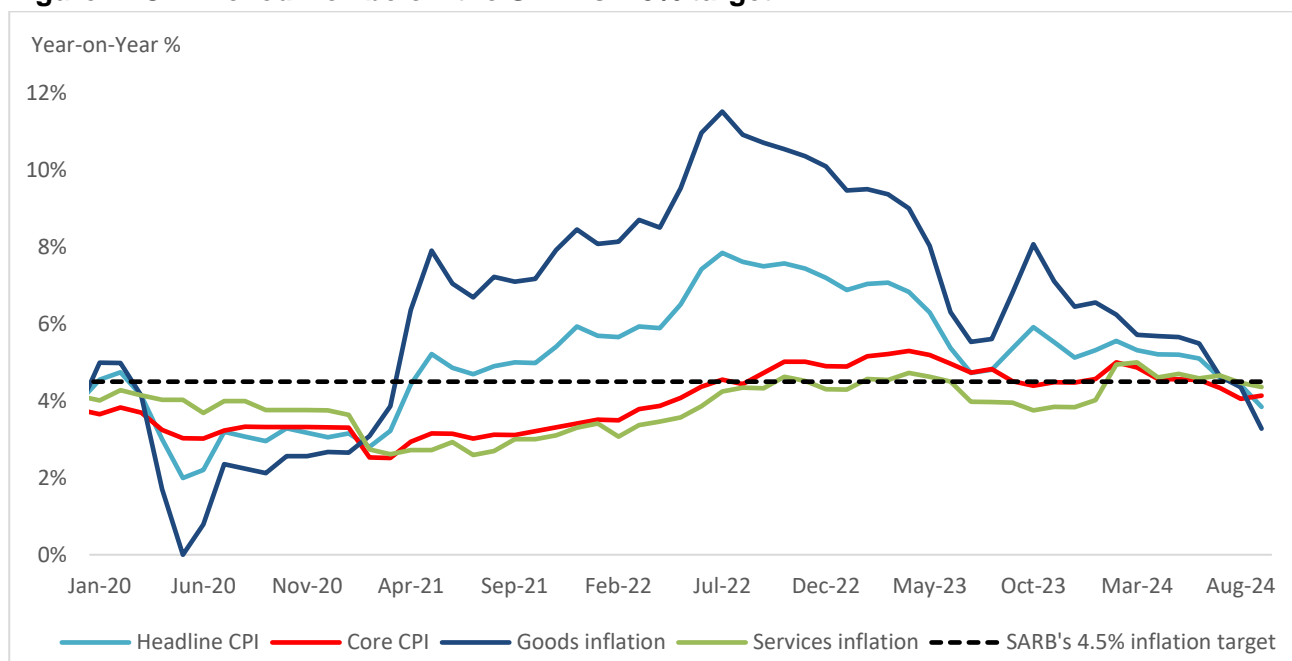
SA's annual headline consumer inflation rate was 3.8% in September 2024

Current (Actual)	3.8%	September 2024 – Statistics SA	
Previous month	4.4%	August 2024 – Statistics SA	
Medium-term Inflation Forecasts			
Institution	2024	2025	2026
SARB (September)	4.6%	4.0%	4.4%
National Treasury (February)	4.9%	4.6%	4.6%
Minerals Council SA (October)	4.5%	4.3%	n/a
Repo Rate 8.0%		Prime Lending Rate 11.50%	
(Next decision due: 21 November 2024)			

Detailed Breakdown:

South Africa's **annual inflation rate** slowed for the fourth straight month in September 2024, easing to 3.8% year-on-year (y-o-y), down from 4.4% in August. This latest figure came in at the Bloomberg market consensus of 3.8%. **Core inflation**, which remained at 4.1% y-o-y in September, was also in line with the Bloomberg consensus. September's headline rate marks the lowest inflation reading since March 2021. Additionally, **goods inflation** eased to 3.3% y-o-y from 4.4% in August, while **services inflation** slowed to 4.4% y-o-y, a slight downtick from the previous month's 4.5%.

Figure 1: CPI moved well below the SARBs 4.5% target



Source: Statistics SA & Minerals Council.

The main contributors to the 3,8% annual headline inflation rate are discussed below.

1. Housing and utilities increased by **4.8%** y-o-y and contributed 1.1 percentage points to the headline figure.

- September saw the release of Stats SA's third-quarter survey on housing and rentals. The annual growth rate for actual rentals increased to 3.3% in the third quarter, slightly up from 3.2% in the second quarter. Rental rates for flats rose by 4.1%, townhouses by 3.8%, and houses by 2.8%.
- Domestic worker wages, also surveyed quarterly, grew by 4.1% y-o-y in the third quarter, up from a 3.9% increase recorded in the second quarter.
- Water supply tariffs increased by 7.5% y-o-y in September, unchanged from the rate recorded in August. Overall, water and other services increased by 0.1% month-on-month (m-o-m) in September.

2. Miscellaneous goods and services increased by **6.9%** y-o-y and contributed 1.0 percentage points to the headline CPI figure.

- Personal care items, including hair products, sanitary towels, and toothpaste, saw a decrease in September to 5.2% y-o-y, from 5.7% in August.
- Financial services, insurance and other goods and services remained unchanged in September at 5.9%, 8.3% and 0.7% y-o-y, respectively.

3. Food and non-alcoholic beverages increased by **4.7%** y-o-y and contributed 0.9 of a percentage point.

- Lower annual rates were recorded for hot beverages, meat, bread and cereals, sugar, sweets and desserts, as well as oils and fats. Despite this, hot beverages still posted the highest annual increase among all food and non-alcoholic beverages categories, at 15.8% y-o-y, down from 17.5% in August.
- On the other hand, vegetables (+6.8%), fruit (+2.9%), cold beverages (+5.7%) and fish (+5.8%) saw faster y-o-y increases in September compared to August.
- On a m-o-m basis, the food & NAB price index increased by 0,6% in September. This is the highest monthly rise since January this year, when the rate was also 0,6%.

4. Alcoholic beverages and tobacco increased by **4.7%** y-o-y and contributed 0.3 of a percentage point.

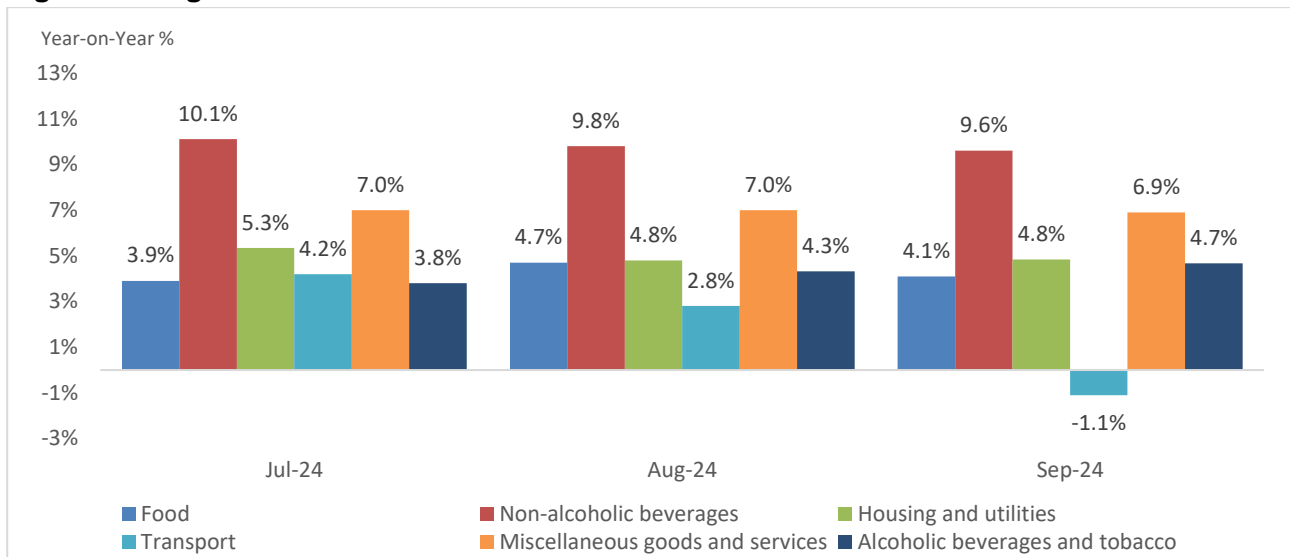
- The alcoholic beverages & tobacco category registered an annual rate of 4,7%, up from 4,3% in August. Beer prices increased by 5,2% y-o-y, spirits by 4,3% and wine by 4,0% y-o-y in September.
- Tobacco prices were increased by 4.7% in September, up from August's 4.6% y-o-y.
- On a m-o-m basis, we saw tobacco prices increase by 0.3% in September.

Lastly, we make mention of transport inflation.

- Softer transport inflation, driven primarily by lower fuel prices, was the main factor pulling down the headline CPI rate. The transport category entered deflationary territory with the annual rate declining from 2.8% in August to -1.1% in September.
- Fuel prices fell for the fourth consecutive month, averaging 9.0% lower than a year ago. In September, the price of inland 95-octane petrol dropped to R22.19 per litre, the lowest since February 2023. Fuel prices declined again in October.

- Looking ahead, the escalation of tensions in the Middle East in late-September - marked by Iran's launch of 180 rockets into Israel and subsequent threats to retaliate against Iranian oil fields - has led to a rise in international petroleum product prices. Based on the latest stats from the Central Energy Fund, we expect fuel prices in November to increase by between 25 to 35 cents/litre. This will mark the end of a five-month streak in fuel price reductions.
- Transport's contribution to overall inflation has decreased since mid-2022, when it was the main driver of rising living costs. Although the rand has strengthened recently, international petroleum product price trends remain a key factor to monitor.

Figure 2: Largest Contributors to Headline CPI



Source: Statistics SA

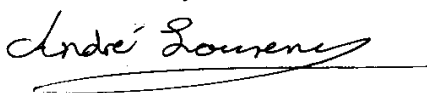
Outlook:

Our current forecast is for headline CPI to moderate materially further to less than 3% y-o-y in October, supported by a further fuel price decline.

While the recent strengthening of the rand is a positive development for imports, helping to ease inflationary pressures, rising international petroleum product prices - driven by escalating tensions in the Middle East - present a challenge to transport inflation beyond October. However, central banks globally are beginning to adopt a more accommodative stance as global inflation subsides, with the South African Reserve Bank (SARB) following suit by reducing the repo rate by 25 basis points in September. Our base case scenario anticipates that the SARB will implement an additional 25 basis point cut in November, bringing the total reduction to 50 basis points for the year.

-End-

Yours sincerely,



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