

CPI Inflation Brief: **October 2024**

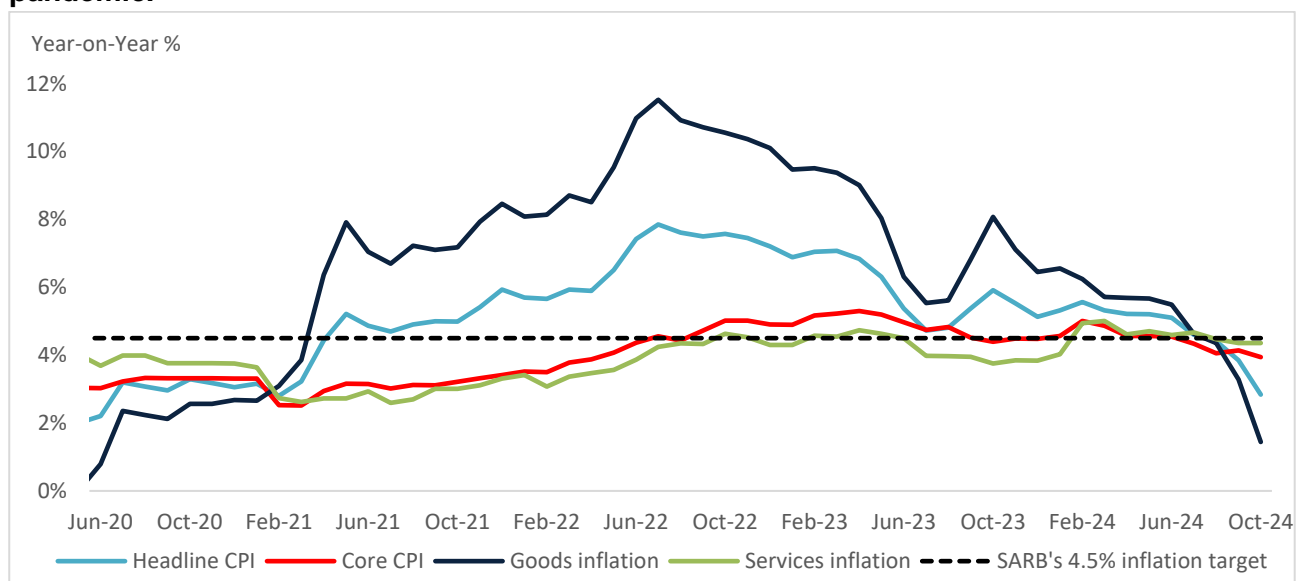
SA's annual headline consumer inflation rate was 2.8% in October 2024

Current (Actual)	2.8%	October 2024 – Statistics SA	
Previous month	3.8%	September 2024 – Statistics SA	
Medium-term Inflation Forecasts			
Institution	2024	2025	2026
SARB (September)	4.6%	4.0%	4.5%
National Treasury (October)	4.6%	4.4%	4.6%
Minerals Council SA (November)	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 headline CPI inflation rate** slowed sharply in October 2024, easing to 2.8% year-on-year (y-o-y), down from 3.8% in September. Consumer inflation has now eased for five months in a row. The October CPI print was below the Bloomberg market consensus of 3.0%, aligning with the lower end of the consensus. **Core inflation** also eased, to 3.9% y-o-y in October, which aligned with the Bloomberg consensus. October's headline rate marks the lowest inflation reading since June 2020 during the COVID-19 pandemic. Additionally, **goods inflation** slowed to 1.4% y-o-y from 3.3% in September, while **services inflation** was unchanged from September at 4.4% y-o-y.

Figure 1: Headline CPI lowest level since June 2020, during the height of the COVID-19 pandemic.



Source: Statistics SA & Minerals Council SA.

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The main contributors to the 2,8% 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.

- As October fell outside of the quarterly housing survey, all components of housing and utilities inflation remained stable in October, with no changes observed on a m-o-m basis.
- Actual housing rentals increased by 3.3% y-o-y, maintenance and repairs by 3.7%, water supply tariffs by 7.5%, and electricity and other fuels by 11.4% (unchanged from September).

2. Miscellaneous goods and services increased by **6.8%** 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 m-o-m increase of 0.2% in October. The y-o-y rate for personal care items eased to 4.6% in October, down from 5.2% in September.
- Financial services and insurance remained unchanged in October at 5.9% and 8.3% y-o-y, respectively, while other goods and services saw a m-o-m increase of 0.1%.

3. Food and non-alcoholic beverages (NAB) increased by **3.6%** y-o-y and contributed 0.7 of a percentage point.

- Inflation eased across most food and NAB subcategories in October, with the exception of sugar, sweets, desserts, and cold beverages.
- Prices for bread and cereals declined by 0.5% m-o-m in October, bringing the annual rate for this category down to 4.6%. Several bread and cereal products were more affordable compared to September, with notable m-o-m decreases in maize meal (-2.0%), spaghetti (-1.0%), macaroni (-0.8%), rice (-0.8%), and samp (-0.7%).
- Annual inflation for milk, eggs, and cheese fell sharply to 4.1% in October, down from 6.9% in September. Monthly price reductions were observed for milk products, including flavoured yoghurt (-0.6%) and cheddar cheese (-0.5%). However, prices for custard (+1.1%), sour milk (+0.5%), eggs (+0.3%), and margarine (+1.3%) increased m-o-m.
- Sugar, sweets, and desserts recorded a y-o-y inflation rate of 6.9%, a significant decline from the peak of 18.5% in February this year. Prices in this category rose by 1.0% m-o-m, driven by notable increases in chocolate slabs (+1.4%), jam (+1.3%), and white sugar (+1.3%).
- Prices for cold beverages increased by 1.1% from September to October, pushing the annual inflation rate up from 5.7% to 7.0%. Significant monthly price hikes were observed in canned fizzy drinks (+4.4%) and mineral water (+1.5%).

4. Alcoholic beverages and tobacco increased by **4.5%** 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 4.5% in October, down from 4.7% in September. Beer prices increased by 4.4% y-o-y (+0.1% m-o-m), spirits by 3.2% y-o-y (-0.2% m-o-m), and white wine by 5.0% y-o-y (+0.8% m-o-m).

- Tobacco prices rose by 10.4% y-o-y in October, with a 0.2% m-o-m increase from September to October.

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

- Declining fuel prices remained the primary driver behind the slowdown in transport inflation. The transport category experienced deflationary pressure, recording -5.3% y-o-y in October, down from -1.1% in September.
- Fuel prices continued to decline in October, with inland 95-octane petrol falling to R21.05 per litre - the lowest level since February 2022. However, this five-month downward trend ended in November, with 95-octane petrol increasing by 25 cents and 0.005% diesel rising by 20 cents. These increases are expected to exert slight upward pressure on transport inflation for November.
- Looking ahead to December, the latest data from the Central Energy Fund suggests petrol prices will increase by 5 to 15 cents per litre, while diesel prices are expected to decrease by 35 to 45 cents per litre.
- The prior strengthening of the rand against other currencies has helped ease import costs; however, rising international petroleum product prices are driving up fuel costs in the final months of the year. In October, Brent crude oil prices averaged \$75.30 per barrel, up from \$73.10 in September. Furthermore, in recent weeks, the rand has softened versus the US dollar to weaker than R18/\$. This came in the wake of Donald Trump's US presidential victory and the subsequent broad gains for the dollar.

Outlook:

South Africa's headline CPI inflation rate is expected to remain between 3% and 3.5% for the remainder of the year. Slight increases in fuel prices in November may exert marginal upward pressure on transport inflation, tempering the sharp deflation recorded in October. Food inflation is likely to stay stable, with price decreases in staples balancing out increases in other items like sugar and processed foods while rising international petroleum product prices could create some inflationary pressure. Overall, headline inflation is expected to remain well below the South African Reserve Bank's (SARB) target of 4.5%, reinforcing a favourable outlook for price stability. Our base case scenario anticipates that the SARB will implement an additional 25 basis point repo rate cut on 21 November, bringing the total reduction to 50 basis points for the year.

-End-

Yours sincerely,



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