

CPI Inflation Brief: **August 2024**

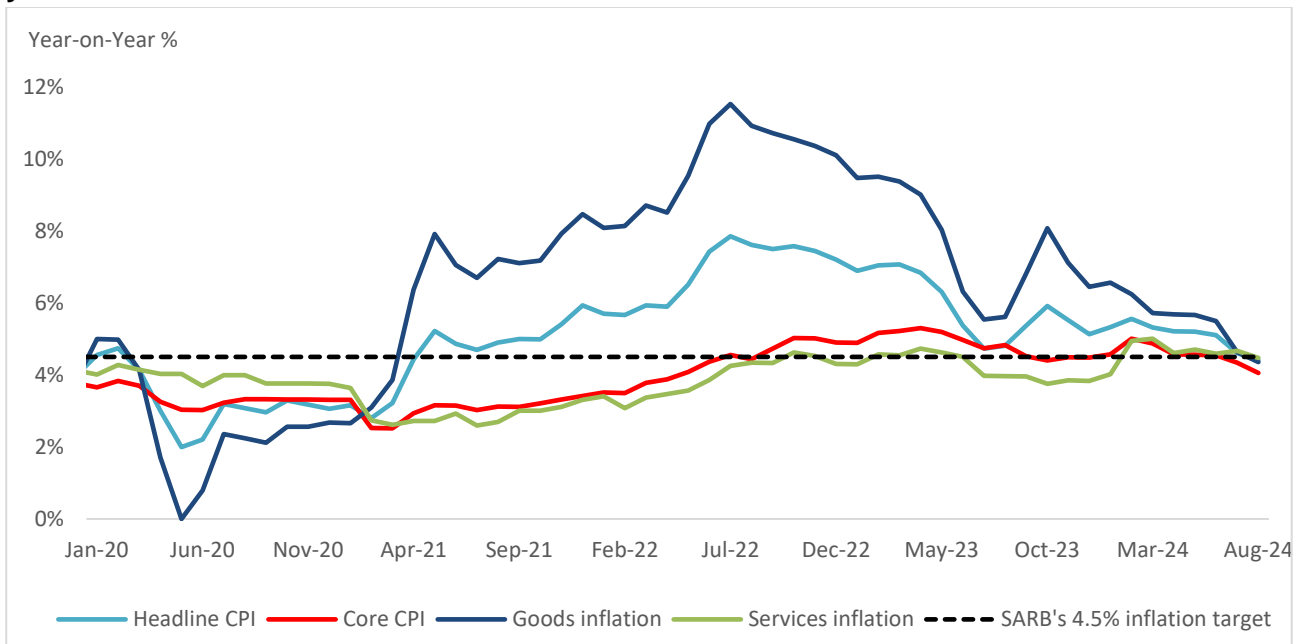
SA's annual headline consumer inflation rate was 4.4% in August 2024

Current (Actual)	4.4%	August 2024 – Statistics SA	
Previous month	4.6%	July 2024 – Statistics SA	
Medium-term Inflation Forecasts			
Institution	2024	2025	2026
SARB (July)	4.9%	4.4%	4.5%
National Treasury (February)	4.9%	4.6%	4.6%
Minerals Council SA (September)	4.5%	4.0%	n/a
Repo Rate		Prime Lending Rate	
8.25% (hiked 4.75% since Nov 2021)		11.75%	

Detailed Breakdown:

South Africa's **annual inflation rate** slowed for the third straight month in August 2024, easing to 4.4% year-on-year (y-o-y), down from 4.6% in July. This latest figure came in below the Bloomberg market consensus of 4.5%, matching the lower end of expectations. **Core inflation** also dipped, reaching 4.1% y-o-y from July's 4.3%, which was in line with the lowest Bloomberg estimates. August's headline rate marks the lowest inflation reading since April 2021, a three-year low. Additionally, **goods inflation** eased to 4.4% y-o-y from 4.6% in July, while **services inflation** slowed to 4.5% y-o-y after a slight uptick the previous month.

Figure 1: CPI below 4.5%, the midpoint of the SARB's target range, for the first time in over 3 years



Source: Statistics SA & Minerals Council.

The main contributors to the 4,4% 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.

- After the July CPI release, Stats SA completed its survey of municipal service price changes in August. With all 127 prices in various municipalities surveyed, electricity tariffs rose by 0.1% month-on-month (m-o-m), bringing the annual increase to 11.5% in August, down from 12.1% in July.
- Water tariffs saw a 7.5% y-o-y increase in August, unchanged from July.
- Overall, pressure from the housing and utilities subcomponent eased to 4.8% y-o-y in August, from July's 5.3%.

2. Miscellaneous goods and services increased by **7.0%** 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 marginal increase in August to 5.7% y-o-y, from 5.5% in July.
- Financial services, such as banking fees, and insurance, including funeral insurance, remained unchanged at 5.9% and 8.3% y-o-y, respectively.
- Other goods and services also remained unchanged from July at 0.7% y-o-y.

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

- After declining for eight consecutive months, annual food and non-alcoholic beverages (NAB) inflation edged up in August, to 4.7% y-o-y from 4.5% in July.
- Most product categories saw higher annual inflation rates, including bread and cereals, meat, fish, milk, eggs, cheese, oils, fats, and vegetables.
- Bread and cereals saw a third consecutive monthly increase, climbing 5.8% y-o-y, up from 5.6% in July. Among the largest price hikes in this category were rice (+17.3%), pizza and pies (+10.9%), and hot breakfast cereals (+7.9%). On a monthly basis, bread and cereal prices rose 0.4%, with significant gains in grain-based products like bread flour (+2.1%), brown bread (+1.3%), and white bread (+1.2%).
- Meat, which accounts for over a third of household food spending, posted another monthly decline of 0.4% in August, while the annual increase was a modest 1.4%. Prices fell for several chicken and beef items, including fresh whole chicken (-2.2%), sausage (-1.7%), chicken giblets (-1.3%), and beef mince (-1.3%). Conversely, prices for bacon, beef extract, corned beef, fresh chicken portions, ham, and biltong rose.

4. Transport increased by **2.8%** y-o-y and contributed 0.4 of a percentage point.

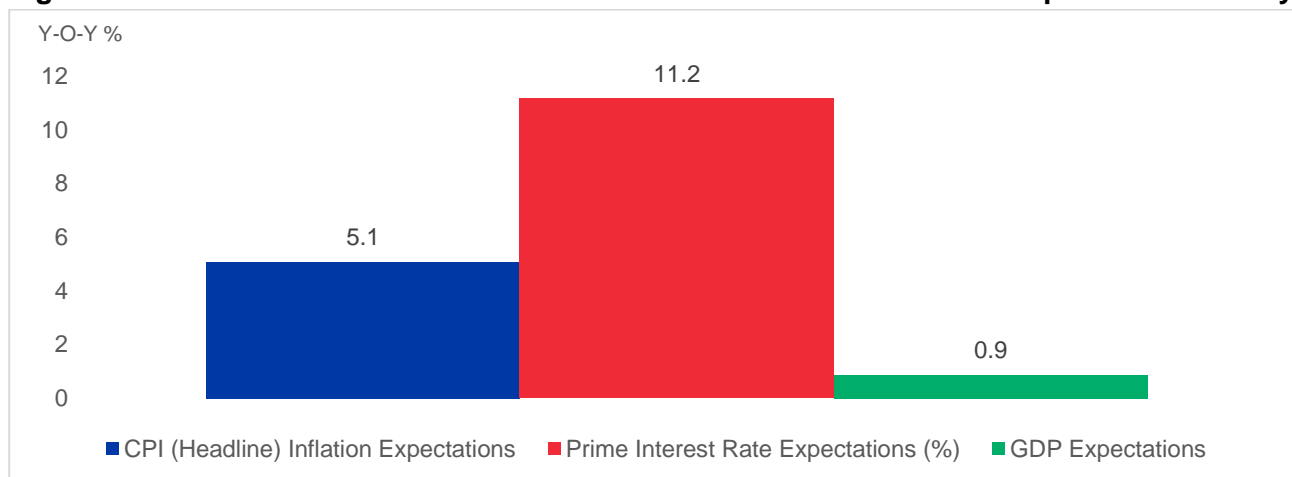
- All transport-related products posted softer annual inflation rates in August, with fuel prices continuing their downward trend for the third consecutive month.
- Fuel prices dropped by 0.5% m-o-m, while public transport costs fell by 1.6% compared to July. The drop in fuel prices contributed to a 7% m-o-m decrease in airfare costs and a 0.8% m-o-m reduction in public road transport fares. In August, the price of 95 octane petrol decreased by 15 cents/litre, and 0.005% diesel fell by 17 cents/litre. Fuel prices continued to decline in September, with 95 octane petrol dropping by 92 cents/litre and 0.005% diesel by 105 cents/litre – this will reflect in the September CPI.

- Looking forward, based on the latest stats from the Central Energy Fund, we expect fuel prices in October to decrease further by between 110 to 120 cents/litre. This will mark the fifth consecutive m-o-m decline in fuel prices and will continue to ease pressure on headline CPI from the transportation sector.
- Transport's contribution to overall inflation has diminished since mid-2022, when it was the primary driver behind rising living costs.

Outlook:

The rand continues to perform strongly against the US dollar, with respondents in the Bureau for Economic Research's (BER's) latest inflation expectations survey expecting the rand to average at R18.22/\$ for the rest of the year. Following the second consecutive month where inflation came in below the general consensus, alongside the rand's resilience and the likely start of an interest rate cutting cycle in the US later on Wednesday, our base case remains that the South African Reserve Bank (SARB) will likely cut the repo rate by a total of 50 basis points this year, starting with a 25bps cut on Thursday. There is a chance that some members of the Monetary Policy Committee (MPC) may push for a 50bps cut during their meeting, a scenario that markets have already priced in.

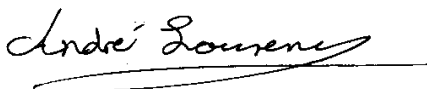
Figure 2: Forecasts for macro variables from the BER Quarter 3 Inflation Expectations Survey



Source: BER & SARB.

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Yours sincerely,



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