

CPI Inflation Brief: **November 2024**

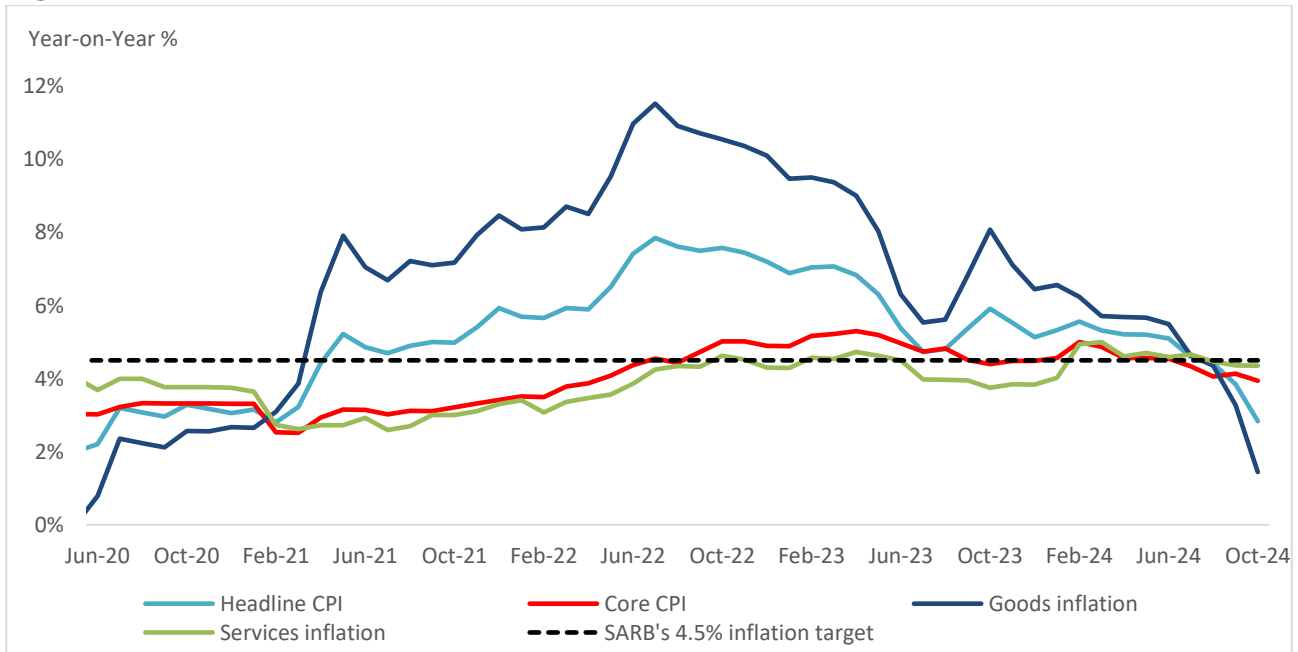
SA's annual headline consumer inflation rate was 2.9% in November 2024

Current (Actual)	2.9%	November 2024 – Statistics SA	
Previous month	2.8%	October 2024 – Statistics SA	
Medium-term Inflation Forecasts			
Institution	2024	2025	2026
SARB (November)	4.5%	4.0%	4.6%
National Treasury (October)	4.6%	4.4%	4.6%
Minerals Council SA (November)	4.4%	4.3%	n/a
Repo Rate 7.75%		Prime Lending Rate 11.25%	
(Next decision due: 30 January 2025)			

Detailed Breakdown:

South Africa's **annual headline CPI inflation rate** ticked up slightly in November 2024, to 2.9% year-on-year (y-o-y), from 2.8% in October. The November CPI print was below the Bloomberg market consensus of 3.1%, and slightly above the lower end of the consensus. **Core inflation** eased further, to 3.7% y-o-y in November, which aligned with the lower end of the Bloomberg consensus. November's headline rate below 3% is a welcome development. Additionally, **goods inflation** increased to 1.6% y-o-y from 1.4% in October, while **services inflation** eased in November to 4.3% y-o-y, down from 4.4% in October.

Figure 1: Headline CPI remains below 3%



Source: Statistics SA & Minerals Council SA.

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The main contributors to the 2,9% annual headline inflation rate are discussed below.

1. Housing and utilities increased by **4.7%** y-o-y and contributed 1.1 percentage points to the headline figure.

- Maintenance and repairs were surveyed in November. As such, maintenance and repair activities recorded a 0.8% month-on-month (m-o-m) decline. On an annual basis, maintenance and repairs rose by 1.4% in November, a slowdown from the 3.7% y-o-y increase observed in October.
- All other items remained unchanged. Actual housing rentals increased by 3.3% y-o-y, water supply tariffs by 7.5%, and electricity and other fuels by 11.4%.

2. Miscellaneous goods and services increased by **6.6%** 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 decrease of 0.6% in November. The y-o-y rate for personal care items eased to 3.5% in November, down from 4.6% in October.
- Financial services and insurance remained unchanged in November at 5.9% and 8.3% y-o-y.

3. Food and non-alcoholic beverages (NAB) increased by **2.3%** y-o-y and contributed 0.4 of a percentage point.

- Food inflation continued its sharp recent decline in November, slowing to 2.3% from 3.6% in October. This represents the lowest inflation rate in the category since December 2010, when it stood at 1.6%.
- Eight of the 11 Food and NAB groups registered lower month-on-month rates, including vegetables (-4.0%), milk, eggs, and cheese (-0.3%), bread and cereals (-0.3%), cold beverages (-0.2%), fish (-0.3%), sugar, sweets, and desserts (-0.1%), and the miscellaneous "other" food category (-0.5%). Meat inflation remained flat, while oils and fats (+0.2%) and fruit (+5.8%) recorded price increases.
- Annual inflation for milk, eggs, and cheese fell to its lowest level in nearly five and a half years, at 2.1%. After significantly straining household budgets throughout 2024, egg prices entered deflationary territory in November, dropping by 3.7%. This marks a dramatic reversal from a peak inflation rate of 39.9% a year ago.

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 November, unchanged from October. Beer prices increased by 4.2% y-o-y (flat m-o-m), spirits by 5.4% y-o-y (+0.3% m-o-m), and wine increased by 3.5% y-o-y (-0.2% m-o-m).
- Tobacco prices rose by 4.8% y-o-y in November, with no m-o-m increase recorded.

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

- As expected, the rise in fuel prices during November added upward pressure to transport inflation. Fuel prices increased by 0.9% m-o-m, while the annual deflation in fuel prices eased to -13.6%, from -19.1% in October.

- Fuel prices continued to climb in December, with inland 95-octane petrol rising to R21.47 per litre and 0.005% diesel increasing by 56 cents to R19.21 per litre.
- Looking ahead to January, preliminary data from the Central Energy Fund suggests that fuel prices could rise slightly by about 5 cents per litre or remain unchanged. However, this outlook is highly contingent on potential developments in the Middle East and other geopolitical factors affecting Brent oil prices and international trade.

Outlook:

Our preliminary forecast is that headline CPI will pick up slightly to 3.2% y-o-y in December, remaining at the lower end of the Reserve Bank's target range. The easing of core inflation to 3.7% year-on-year in November indicates reduced underlying price pressures, while the decline in food inflation to multi-year lows is a boost to household income.

The possible rise in fuel prices in December is anticipated to moderate the extent of deflationary pressure in the transport category. However, fuel price increases are likely to remain limited. Recent data from the Central Energy Fund indicates minimal to no increases in January, depending on geopolitical developments and fluctuations in global oil prices.

Overall, headline inflation remains well below the South African Reserve Bank's midpoint target of 4.5%, reinforcing expectations of sustained price stability and the potential for further (modest) policy interest rate cuts in 2025. That said, uncertainty surrounding the start of a Trump presidency in January 2025 and ongoing volatility in the Middle East, in particular the impact this may have on the rand exchange rate, may limit the scope for monetary easing compared to expectations three months ago.

-End-

Yours sincerely,



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