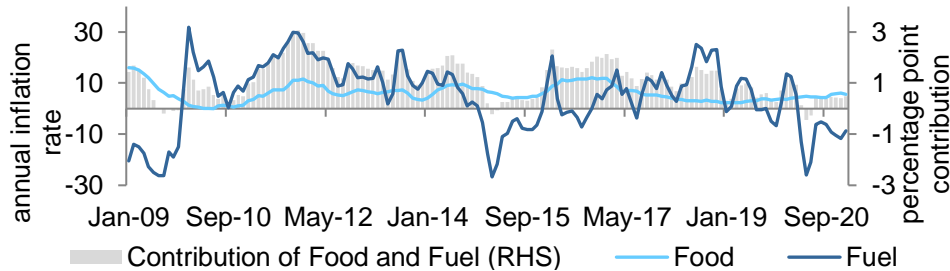




CPI Update: Fuel price increases in January contributed to the slight lift in headline CPI inflation

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Figure 1: Contributions of good and petrol to annual CPI inflation



Sources: Stats SA, Investec

- CPI inflation rose to 3.2% y/y in January from 3.1% y/y in December.
- This lift in CPI inflation occurred mainly on account of a smaller negative contribution from the transport component, and a positive contribution from the residual component (see figure 2).
- The January fuel price increases of 40c/litre for petrol and 54c/litre for diesel saw the annual rate of contraction in the fuel price decelerating to -8.6% y/y from -11.7% y/y in December. This, alongside increased rates of annual inflation in other running costs and public transport translated to a lower negative contribution of -0.1% of the transport component compared to -0.2% in December.
- Food price inflation moderated to 5.6% y/y in January from 6.2% y/y in December. This yielded a lower contribution to headline CPI of 0.9% in January compared to a prior 1.0%. Within the food basket, meat price inflation, which holds the highest weighting, eased slightly to 7.2% y/y in January from 7.3% y/y in December. Grain price inflation continued to rise, to 5.1% y/y from a prior 5.0% y/y. This is consistent with the increase in maize prices. White and yellow maize prices are presently 20% y/y and 26% y/y higher on upward pressure from export demand and currency effects (see figure 3).
- Inflation in the miscellaneous goods and services category moderated to 6.5% y/y in January from 7.0% y/y in December, with the contribution to headline CPI declining to 1.0% from a prior 1.1%. January is a measurement month for insurance, financial services and other services prices. Financial services inflation moderated substantially to 2.9% y/y in January from 7.4% y/y previously on a lower monthly increase in bank charges.
- Core CPI inflation remained steady at 3.3% y/y in January. Core goods inflation lifted to 2.7% y/y from a prior 2.6% y/y while services inflation eased to 3.6% y/y from 3.7% y/y (see figure 4). The modest rate of core inflation reflects subdued activity in the property market (slowing rental inflation), a muted demand environment and relatively low-pass-through from past currency depreciation.

Figure 2: Contribution of different groups to the annual change, y/y in the CPI

	December 2020	January 2021
Food and non-alcoholic beverages	1.0	0.9
Alcoholic beverages and tobacco	0.2	0.2
Housing and utilities	0.7	0.6
Household contents and services	0.1	0.1
Health	0.1	0.1
Transport	-0.2	-0.1
Recreation and culture	0.1	0.1
Education	0.2	0.2
Miscellaneous goods and services	1.1	1.0
Residual	-0.2	0.1
All items	3.1	3.2

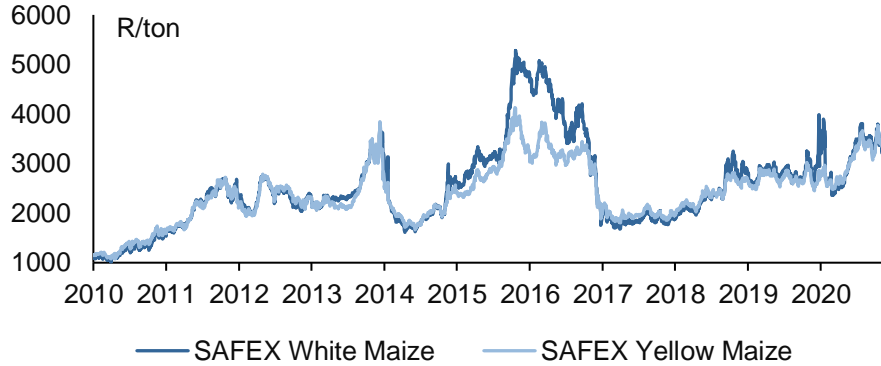
Source: Stats SA



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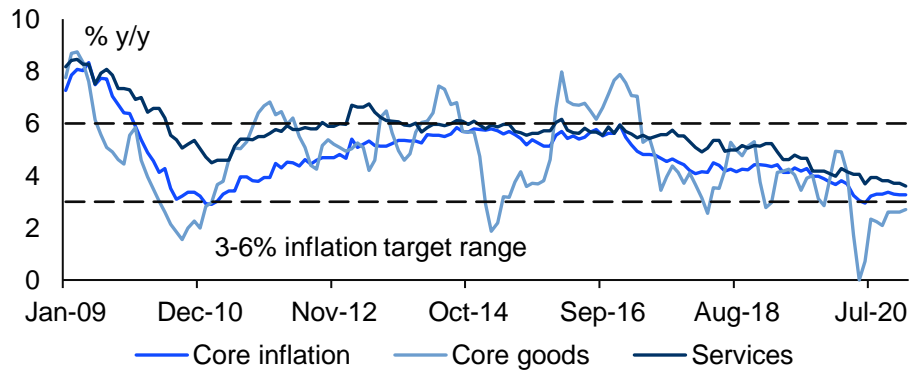
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Figure 3: White and yellow maize prices



Source: Grain SA

Figure 4: Core inflation and its components



Sources: SARB, Stats SA

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