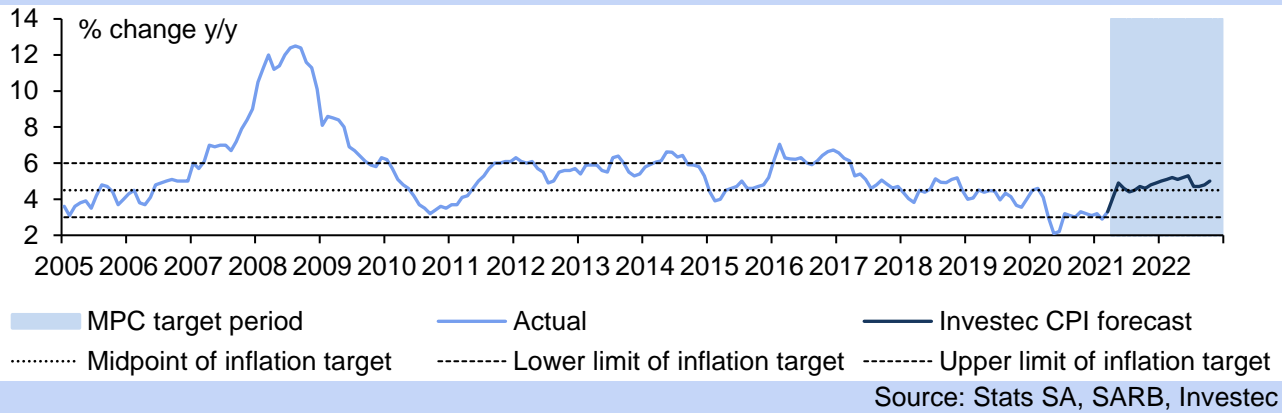




CPI Update: CPI inflation rose to 3.2% y/y in March from 2.9% y/y previously, largely on the lift in fuel price inflation

Wednesday 21 April 2021

Figure 1: SA Consumer Inflation: history and forecasts



- CPI inflation rose to 3.2% y/y in March from 2.9% y/y in February, marginally below consensus expectations (Bloomberg) of 3.3% y/y.
- Inflation within the transport component of the CPI basket lifted notably in March, contributing to the higher headline CPI outcome. Specifically, transport inflation increased to 3.8% y/y from 1.2% y/y in February, adding 0.5% points to the topline result, versus 0.2% points previously.
- Within the transport component, fuel prices rose to 2.3% y/y, following February's -3.3% y/y reading on substantial fuel price hikes in March, with petrol and diesel increasing by 65c/litre and 56c/litre respectively.
- Food price inflation increased to 5.9% y/y in March, following two consecutive months of declines and owing to its sizeable weighting in the CPI index, the food and non-alcoholic beverages category thus added 1.0% point to the headline reading (0.9% previously). Within the food basket, meat price inflation which holds the highest weighting, remained steady at 6.7% y/y, while grain price inflation rose to 4.9% y/y from a prior 4.6% y/y and prices of milk, eggs and cheese lifted notably to 7.2% y/y from 6.4% y/y in February.
- Food price inflation at the consumer level has experienced some upward pressure since the turn of the year on the acceleration in agricultural prices, with grains in particular rising at rates of above 20.0% y/y since Q4.20. However, according to Agbiz, from Q2.21, "we could see food price inflation decelerating somewhat," accordingly, they maintain their "baseline view for South Africa's consumer food price inflation to average around 5.0% y/y in 2021."
- The effect on headline CPI was partially countered by a smaller contribution from the housing and utilities component of the CPI basket. Indeed, March is a measurement month for rentals. Inflation in this category has been muted on the "glut of rental housing and declining affordability", according to the SARB and fell further in March. Accordingly, inflation within the housing and utilities category which makes up a marked 24.62% of the CPI basket declined to 2.2% y/y, from 2.6% y/y logged in February and its contribution to the top line CPI reading receded to 0.5% points (from 0.6%).
- Core inflation (measured by CPI excluding food and non-alcoholic beverages, fuel and energy) remained broadly unchanged at 2.5% y/y (February 2.6% y/y).

Figure 2: Contribution of key groups to the yearly change, y/y in the CPI

	Feb, 2021	March 2021
Food and non-alcoholic beverages	0.9	1.0
Transport	0.2	0.5
Miscellaneous goods and services	0.6	0.7
Housing and utilities	0.6	0.5
All items	3.0	2.1

Source: Stats SA



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