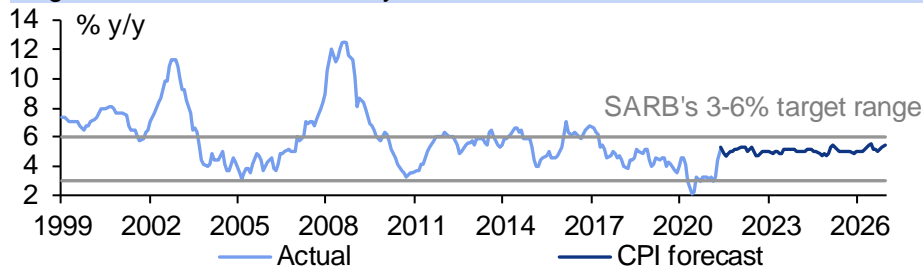




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Figure 1: CPI inflation: history and Investec forecasts



Sources: SARB, Stats SA, Investec

- CPI inflation increased to 5.2% y/y in May from 4.4% y/y in April. The annual rate of inflation was heavily affected by the statistical base comparison after last year's strict lockdown. Specifically, CPI contracted at a rate of -0.6% y/y in May 2020, thereby boosting this year's annual inflation outcome.
- The key driver behind the May 2021 acceleration in headline CPI inflation was the transport component, the contribution of which increased by a sizeable 0.5% to 2.0% (see figure 2). The transport component comprises 14.28% of the CPI basket and growth accelerated to 15.3% y/y in May from 10.6% y/y in April.
- Within the transport component, the notable change occurred in the fuel price component, in which inflation quickened to 37.4% y/y in May from a prior 21.4% y/y. This is reflective of the effects of the oil price collapse in April/May 2020 and a higher international oil price this year. The fuel price component on its own made up 1.7% of the total 5.2% increase in CPI inflation.
- Aside from the impact of the base effects, food price inflation remained elevated in May, at 0.7% m/m and 6.8% y/y. Based on its weighting of 15.48%, the food price component comprised 1.0% of the total increase in CPI inflation in May. Food price inflation has been affected by higher international agricultural commodity prices and in the case of meat prices, by the effects of reduced slaughtering activity at the turn of the year and higher poultry import tariffs, according to the SARB (see figure 4).
- Maize prices moderated from their recent peak in Q4.20 but were still elevated with a 30% y/y increase in May (see figure 5). The domestic maize price has been buoyed by high international maize prices that were underpinned by tightening global supplies amid higher demand. However, it is possible that above average domestic supplies are serving to curb the extent of price increase.
- Excluding food and fuel (core inflation), inflation remained subdued at 3.1% y/y. This highlights the effects of the supply side pressures on domestic inflation, with domestic demand side price pressures remaining muted.

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

	April 2021	May 2021
Food and non-alcoholic beverages	1.1	1.2
Alcoholic beverages and tobacco	0.3	0.3
Clothing and footwear	0.0	0.1
Housing and utilities	0.6	0.6
Health	0.0	0.1
Transport	1.5	2.0
Recreation and culture	0.1	0.1
Education	0.1	0.1
Restaurants and hotels	0.1	0.1
Miscellaneous goods and services	0.7	0.7
Residual	-0.1	-0.1
All items	4.4	5.2

Source: Stats SA



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Figure 3: Contributions of food and petrol to annual CPI inflation

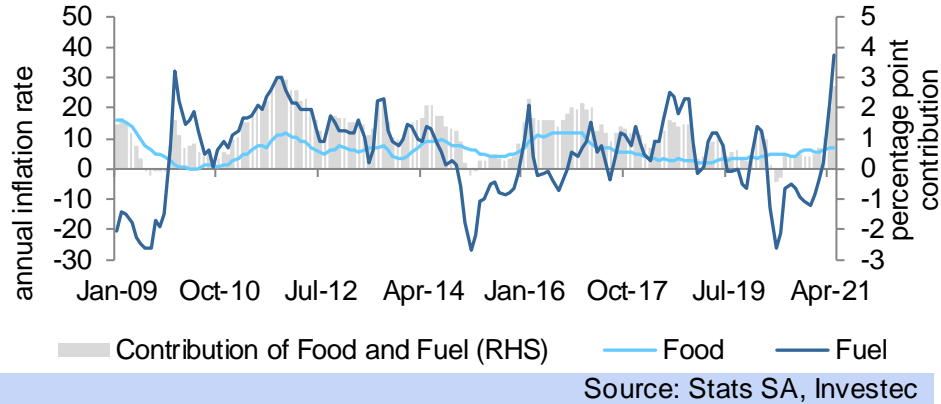


Figure 4: Selected consumer food prices

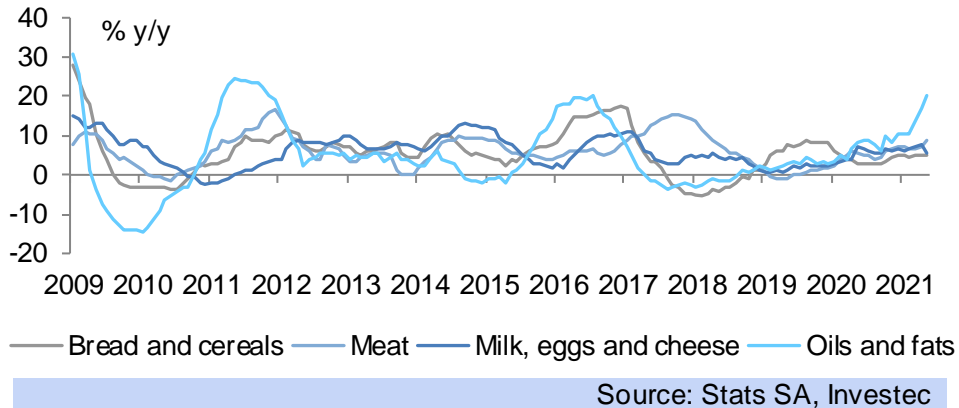
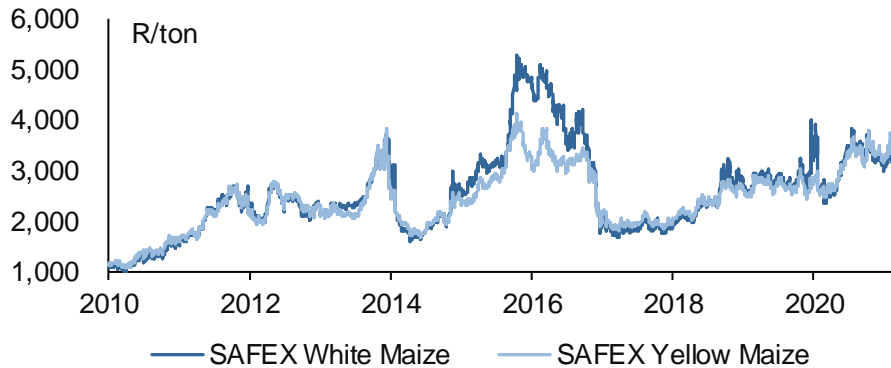


Figure 5: White and yellow maize prices



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