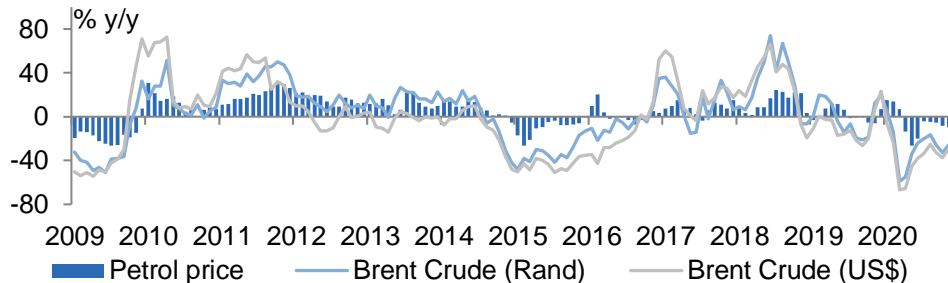




CPI Update: CPI inflation lifted to 3.3% y/y in October from 3.0% y/y in September on upward food and non-alcoholic beverage price pressures

25th November 2020

Figure 1: Petrol and Brent crude oil prices



Sources: Department of Energy, Bloomberg, Investec

- CPI inflation lifted to 3.3% y/y in October from 3.0% y/y in September mainly on a higher contribution from the food and non-alcoholic beverages component (see figure 2).
- Food price inflation, a key contributor to the headline CPI outcome, with a weighting of 15.48%, increased to 5.6% y/y in October from 4.2% y/y in September, while non-alcoholic beverage (weighting of 1.76%) inflation rose to 3.2% y/y from a prior 1.1% y/y. The increased rate of inflation yielded a contribution to headline CPI inflation of 0.9% in October compared to a prior 0.7%.
- Within the food basket, grain price inflation increased to 3.3% y/y from 2.7% y/y previously while meat price inflation increased to 6.0% y/y from 4.4% y/y. Grain price dynamics are linked to the increase in maize prices for the fourth consecutive month in October (see figure 4). The UN Food and Agriculture Organization ascribed this to “upward pressure from export demand and the effects of a weaker currency offset the downward supply pressure from this year’s bumper harvest.” The lift in meat price inflation is partially a function of a recovery from deflation the previous year, according to the SARB.
- A dampening effect on the headline outcome stemmed from the 32c/litre and 93c/litre cuts in the petrol and diesel prices respectively in October. This translated to an accelerated rate of fuel price deflation of -9.1% y/y compared to -6.2% y/y in September (see figure 1). This offset the lift in inflation in the remaining transport component items (purchase of vehicles, other running costs and public transport) and yielded a fall in transport inflation of -0.5% y/y in October versus 0.3% y/y in September.
- Underlying inflation measured by CPI excluding food and non-alcoholic beverages, fuel and energy, lifted to 3.4% y/y from a prior 3.3% y/y. This reflects mainly an increase in goods price inflation (see figure 3). Services inflation remained subdued likely on the continued deflation in prices related to tourism and travel.

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

	September 2020	October 2020
Food and non-alcoholic beverages	0.7	0.9
Alcoholic beverages and tobacco	0.2	0.3
Housing and utilities	0.7	0.7
Household contents and services	0.1	0.1
Health	0.1	0.1
Transport	0.0	-0.1
Recreation and culture	0.1	0.1
Education	0.2	0.2
Miscellaneous goods and services	1.0	1.1
Residual	-0.1	-0.1
All items	3.0	3.3

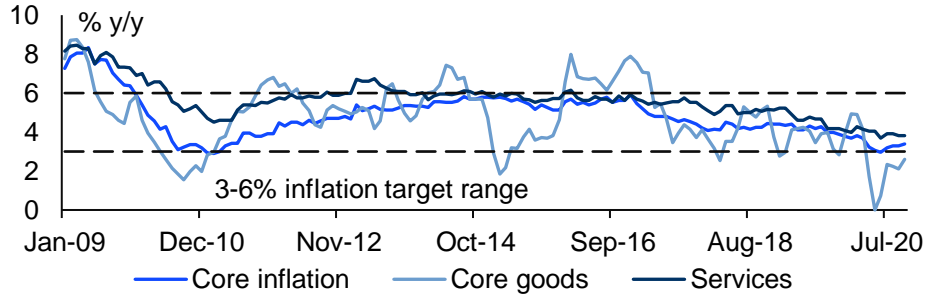
Source: Stats SA



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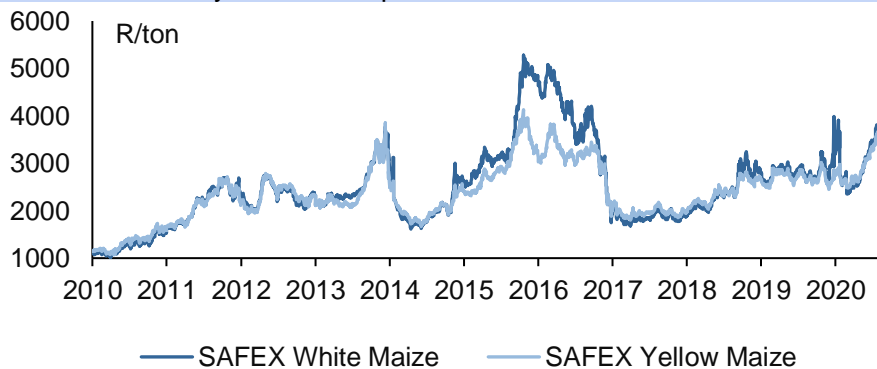
Figure 3: Core inflation and its components



Sources: SARB, Stats SA

- Miscellaneous goods and services inflation lifted to 6.7% y/y in October from 6.5% y/y in September mainly on account of an increase in the personal care (includes hygiene products) category of 0.1% y/y compared to deflation of -0.8% y/y the previous month. With a weighting of 15.05%, the contribution of the miscellaneous goods and services category to headline CPI rose to 1.1% from 1.0%.

Figure 4: White and yellow maize prices



Source: Grain SA

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