

# Consumer inflation

ECONOMICS | SOUTH AFRICA

## Inflation ticked up on rising food prices and softer declines in fuel prices.

- Headline **consumer inflation** increased to 3% in December from 2.9% in November. The outcome, however, was slightly better than our and the market’s forecast of 3.2%. The main contributors to the yoy increase were ‘food and non-alcoholic beverages’, ‘housing and utilities’, ‘miscellaneous goods and services’ and ‘transport’.

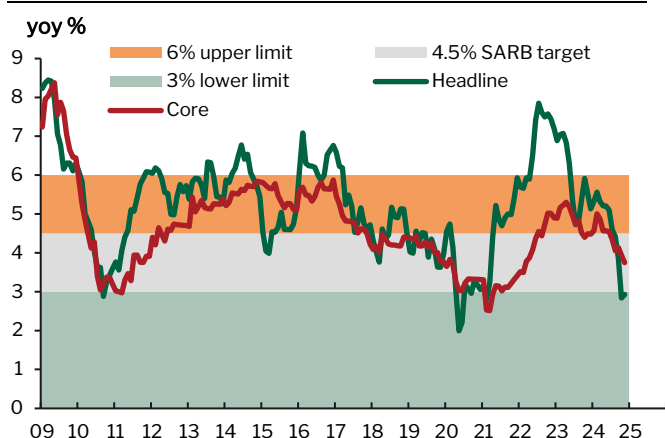
**Table 1: Key Inflation Outcomes**

	Dec-24		Nov-24	Forecasts (yoy %)	
	yoy %	mom %	yoy %	Nedbank	Market
Headline	3.0	0.1	2.9	3.2	3.2
Core	3.6	0.0	3.7	3.6	3.8

Source: Stats SA, Nedbank GEU, Refinitiv

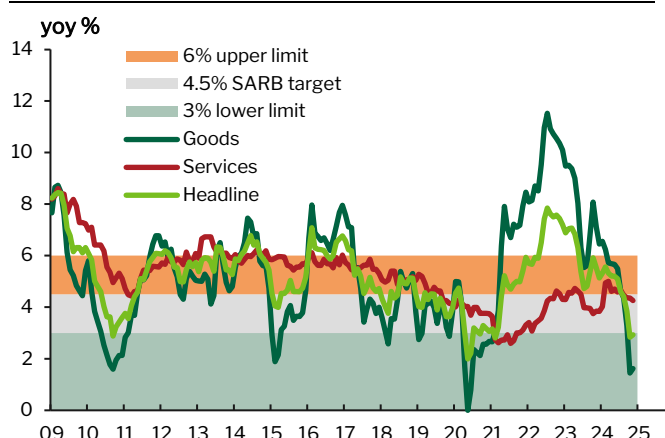
- Transport deflation** slowed to 2% in December from 3.3% in November due to an increase in fuel prices. During the month, the petrol price rose by 1.1%, reflecting the impact of a 4.4% depreciation of the rand against the US dollar, while the price of Brent crude oil was relatively steady. In yoy terms, the petrol price fell by 10.2%, less than the 13.6% drop in November. Public transport costs increased slightly, while new vehicles prices rose at steady pace.
- Food and non-alcoholic beverages inflation** edged up to 1.7% from 1.6%, with processed food prices unchanged at 3.2% and those of unprocessed food rising. The performances of the subcategories were mixed but broadly showed price increases due to fading base effects. ‘Bread and cereals’, ‘sugar, sweets, and deserts’, ‘milk, eggs and cheese’, ‘vegetables’ and ‘fruits’ prices increased. The only meat declined, while fish prices increased at a slower rate. Non-alcoholic beverage prices also moderated, pulled down by lower cold drinks prices.
- Housing and utilities** inflation eased further from 4.7% to 4.4% due to lower interest rates. Prices of ‘actual rent’ and ‘owners’ equivalent rent’ moderated, while the rate of increase in ‘water and other services’ and ‘electricity and other fuels’ prices were unchanged.
- Miscellaneous goods and services** were steady at 6.6%. Personal care costs moderated, but the effect was counterbalanced by steady increases in insurance, financial services and other services prices.

**Chart 1: Inflation edged up.**



Source: Stats SA

**Chart 2: Goods inflation rose slightly, but services eased.**

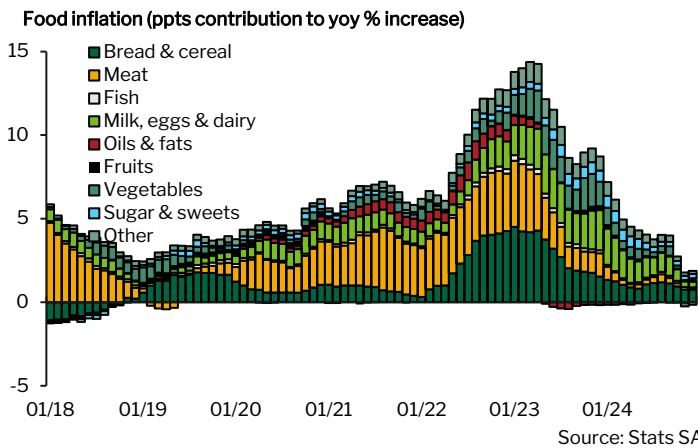


Source: Stats SA

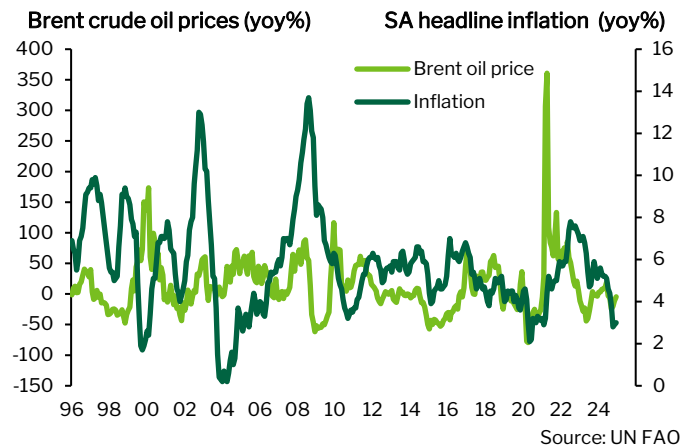
- Goods inflation** accelerated further to 1.9% from 1.6%, pushed up by non-durable goods. Semi-durable goods were steady while durable goods slowed, partly reflecting discounting during the festive season. Services inflation also eased for the third consecutive month, helped by lower communications, restaurants and hotels, and steady education costs.
- Core inflation** (excluding food and fuel prices) eased from 3.7% in November to 3.6% in December, its lowest level since February 2022. This reflected subdued underlying price pressures as restrictive monetary policy keep demand in check, while structural reforms improved supply conditions.

- In **2024 CPI** averaged 4.4%, down from 5.9% in 2023. During the year, most of the deceleration resulted from falling food and fuel prices due to a favourable base, global disinflation, lower commodity prices and a firmer rand.

**Chart 3: Food prices remained contained.**



**Chart 4: Subdued oil price continues to contain inflation.**



- We expect inflation to drift higher in 2025 but remain below 4.5% for most of the year. The upward pressure will mainly emanate from food and fuel prices. Food inflation benefitted from falling global prices throughout 2024. However, the global food disinflation will likely slow as the base effects reverse. Locally, certain food items will also rise off a lower base, particularly those impacted by animal diseases, power disruptions, and logistical constraints. Even so, the upside in food inflation will partly be contained by healthy summer crops, which should benefit from good rains over past two months. On fuel, we expect mild upward pressure, driven mainly by a weaker rand, which will likely offset a further easing in global oil prices. The rand and other emerging market currencies are expected to come under pressure against a stronger US dollar, which will benefit from the likely changes in the US's economic policies under the Trump administration, volatile global risk sentiment and slower-than-expected cuts in US interest rates. Meanwhile, Brent crude oil prices will probably decline gradually over the year ahead, as global demand remains steady while non-OPEC production increases, led by the US.
- The next CPI release for January will be based on a new inflation basket**, but this is not likely to significantly change our forecasts. We forecast CPI to average around 4% in 2025. However, our forecast faces upside risks. These include the threat of a renewed rand weakness, potentially higher global inflation, increased geopolitical uncertainties, steep domestic electricity tariff hikes and higher-than-expected wage settlements.
- With inflation expected to remain below the SARB's 4.5% target and US interest rates already down 100 basis points (bps), we expect the MPC reduce interest rates further. However, the SARB will be more cautious due to the uncertain impact of the likely change in US economic policies. We expect the SARB to cut interest rates by 25 bps points next week, followed another cut in March, leaving the repo and prime rates at 7.25% and 10.75%, respectively.

Table 2: CPI Breakdown

CPI Basket	Weights Base 2022	Dec-24			Nov-24		2023	2024
		mom%	yoy%	ppts to yoy%	mom%	yoy%	Avg	Avg
<b>CPI for all urban areas: Headline</b>	<b>100.0</b>	<b>0.1</b>	<b>3.0</b>	<b>3.0</b>	<b>0.0</b>	<b>2.9</b>	<b>5.9</b>	<b>4.4</b>
Food and non-alcoholic beverages	17.1	0.2	2.5	0.4	-0.4	2.3	10.8	4.6
Alcoholic beverages and tobacco	6.3	-0.2	4.3	0.3	0.0	4.5	5.9	4.5
Clothing and footwear	3.7	0.0	1.7	0.1	0.0	1.7	2.7	2.0
Housing and utilities	24.5	0.2	4.4	1.1	0.0	4.7	4.7	5.3
Household contents and equipment	4.4	0.0	1.5	0.1	0.0	1.7	5.0	2.0
Health	1.4	-0.1	4.3	0.1	0.0	4.6	5.9	5.3
Transport	14.4	0.4	-2.0	-0.3	0.4	-3.3	5.1	2.4
Communication	2.4	0.0	-0.2	0.0	-0.1	-0.4	-0.2	-0.4
Recreation and culture	5.2	0.3	1.5	0.1	-0.2	1.1	3.5	2.2
Education	2.6	0.0	6.3	0.2	0.0	6.3	5.5	6.2
Restaurants and hotels	3.3	-1.2	4.2	0.1	0.6	5.9	5.9	6.6
Miscellaneous goods and services	14.8	0.0	6.6	1.0	-0.1	6.6	5.8	7.1

yoy %	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24
<b>All goods</b>	<b>5.7</b>	<b>5.5</b>	<b>4.6</b>	<b>4.4</b>	<b>3.3</b>	<b>1.4</b>	<b>1.6</b>	<b>1.6</b>
Durable goods	3.2	3.4	2.4	1.8	1.8	1.2	1.2	1.2
Semi-durable goods	2.9	2.5	2.1	1.9	1.6	1.7	1.5	1.5
Non-durable goods	6.7	6.2	5.3	5.0	3.5	1.2	1.5	1.5
Services	4.7	4.6	4.7	4.5	4.4	4.4	4.3	4.3
<b>Core CPI</b>	<b>4.6</b>	<b>4.5</b>	<b>4.3</b>	<b>4.1</b>	<b>4.1</b>	<b>3.9</b>	<b>3.7</b>	<b>3.7</b>

Source: Stats SA

## GROUP ECONOMIC UNIT

Johannes (Matimba) Khosa  
Nicky Weimar

+27 10 234 8359  
+27 10 234 8357

[johanneskh@nedbank.co.za](mailto:johanneskh@nedbank.co.za)  
[nickywe@nedbank.co.za](mailto:nickywe@nedbank.co.za)

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