

Consumer inflation

ECONOMICS | SOUTH AFRICA

Inflation was steady in February.

- Headline **consumer inflation** was unchanged at 3.2% in February, in line with our forecast but slightly lower than Refinitiv's and Bloomberg's consensus forecast of 3.3% and 3.4%, respectively. 'Housing and utilities' and 'food and non-alcoholic beverages' exerted the most upward pressure, contributing 1 and 0.5 percentage points (ppts), respectively. A contraction in fuel prices partly contained the upside.

Table 1: Key Inflation Outcomes

	Feb-25		Jan-25	Forecasts (yoy %)		
	yoy %	mom %	yoy %	Nedbank	Reuters	Bloomberg
Headline	3.2	0.9	3.2	3.2	3.3	3.4
Core	3.4	1.1	3.5	3.2	3.5	n/a

Source: Stats SA, Nedbank GEU, Refinitiv, Bloomberg

- Housing and utilities inflation** ticked down to 4.4% from 4.5%, but was the main driver of the upside in headline inflation, contributing 1 ppt. The upside was driven by electricity and other fuels, which accelerated to 11.9% from 11.8%. But that was counterbalanced by owners' equivalent rent, which was steady for the third consecutive month at 2.4%, due to a moderation in water, maintenance and other services costs.
- Food and non-alcoholic beverages inflation** edged higher to a four-month high of 2.8% from 2.3% as the low base effects in some of the subcategories faded. **Food inflation** rose to 1.9% from 1.5%, driven mainly by meat, fruits and vegetables, which outweighed some moderation in 'dairy products', 'sugar, sweets and desserts' and 'oils and fats' prices. Non-alcoholic beverage inflation also softened to 8.5% from 9%.
- Transport deflation** continued, with prices falling for the fourth consecutive month, down by 0.5% yoy. However, the rate of decline has been moderating gradually from -5.3% recorded in October. This decline in transport costs emanated from fuel. In February, fuel prices fell by 3.6% yoy, but the rate of decline moderated from 4.5% in January and a more severe 19.1% drop in October. This slower annual rate of decrease reflected the monthly hikes in petrol and diesel prices in February. Over the month, fuel prices increased by 3.9% due to a weaker rand dollar exchange rate. Vehicle price inflation also increased to 2.6% from 2.4%, while public transport costs contracted for the first time in nine months, down by 2.4% yoy.
- Restaurants and accommodation inflation** softened to 4.6% yoy from 4.9%, with price pressures in both categories easing.
- Within **miscellaneous goods and services**, insurance edged up to 8.1% from 8%, outweighing some moderation in financial services costs, which eased to 5.3% from 5.5%.

Chart 1: Inflation steady at 3.2%.

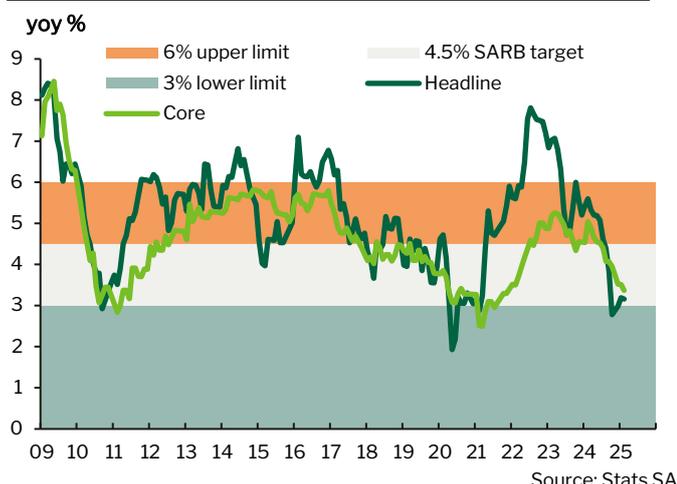
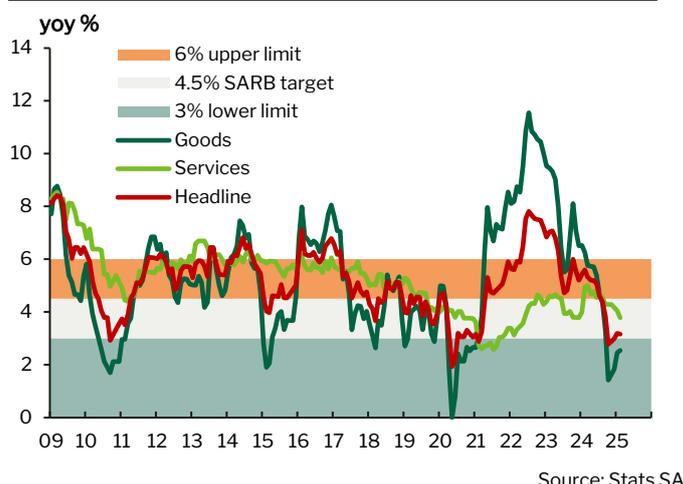


Chart 2: Goods inflation rose slightly, but services eased.



- Encouragingly, **core inflation**, which excludes volatile food and fuel prices, slowed to 3.4% after remaining steady at 3.5% in December and January, suggesting that underlying price pressures remained well contained below the SARB's 4.5% inflation target.
- **Goods inflation** continued to pick up, rising to 2.5% in February from 2.4% in January and 1.4% in October. Within the goods category, the upward pressure in February came from non-durables, which accelerated significantly to 3.1% from 2.9%, while durables and semi-durables were steady at 0.8% and 1.2%, respectively. Services inflation moderated further to 3.8% from 4%.
- We expect inflation to continue to drift higher off a low base in the months ahead. The rise will emanate from various sources, but goods inflation, principally food and fuel, will take the lead. On food, the support from global disinflation will fade. The United Nations' Food and Agriculture Organisation food price index accelerated by 8.2% yoy in February, the highest since August 2022, from 6.3% in January. Trump's tariffs will also contribute to global inflation, which, combined with a weaker exchange rate, will raise imported food inflation. However, the upside in food inflation will partly be contained by easing local structural constraints and healthy summer rains, which will increase crops. Weak global demand and ample supply will keep global oil prices in check. However, the benefit will be contained by the rand weakness. The rand will likely come under pressure against the US dollar which will be supported by volatile global sentiment due to escalating trade tensions from Trump's policies. Other risks include higher wage growth and electricity tariffs, which could fuel service inflation. Despite the anticipated upward trend, headline and core inflation will remain below or around the SARB's 4.5% target for most of the year, with no evidence of significant demand pressure. We forecast headline inflation to average 4% in 2025, down from 4.4% in 2024.
- Today's figures show that inflation remains contained. However, we believe the MPC will likely keep interest rates unchanged tomorrow, focusing on the upside risks to the inflation outlook emanating from the threat posed to the rand, sticky global inflation and the increasing likelihood of a prolonged pause in US interest rates.

Table 2: CPI Breakdown

CPI Basket	Weight Base 2022	Feb-25			Jan-25	Feb-24
		Mom%	Yoy%	Contribution (PPTS)	Yoy%	Yoy%
CPI for all urban areas: Headline	100.00	0.9	3.2	3.2	3.2	5.6
Food & non-alcoholic beverages	18.23	0.4	2.8	0.5	2.3	6.1
Food	16.84	0.3	1.9	0.3	1.5	6.0
Non-alcoholic beverages	1.39	0.6	8.5	0.1	9.0	7.5
Alcoholic beverages & tobacco	4.64	0.1	4.4	0.2	4.3	4.8
Clothing & footwear	3.90	0.1	1.4	0.1	1.5	2.1
Housing & Utilities	24.10	0.0	4.4	1.1	4.5	5.7
Household content & maintenance	3.33	-0.5	1.5	0.1	1.8	2.5
Health	1.78	2.6	3.8	0.1	4.4	6.2
Transport	13.89	1.1	-0.5	-0.1	-0.2	5.4
Communication	5.47	-0.1	-0.4	0.0	-0.5	-0.8
Recreation & culture	2.94	0.6	2.1	0.1	1.5	3.3
Education	2.41	0.0	6.4	0.2	6.4	5.7
Restaurants & hotels	6.12	0.3	4.6	0.3	4.9	6.6
Insurance	8.41	7.7	8.1	0.7	8.0	9.6
Financial Services	2.00	0.0	5.2	0.1	5.5	5.8
Personal care & miscellaneous services	2.78	0.3	1.1	0.0	5.9	8.4

yoy %	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25
All goods	3.3	1.4	1.6	1.8	2.4	2.5
Durable goods	1.8	1.2	1.2	0.9	0.8	0.8
Semi-durable goods	1.6	1.7	1.5	1.5	1.2	1.2
Non-durable goods	3.5	1.1	1.4	2.0	2.9	3.1
Services	4.3	4.3	4.3	4.2	4.0	3.8

Core CPI	4.1	4.0	3.7	3.5	3.5	3.4
-----------------	------------	------------	------------	------------	------------	------------

GROUP ECONOMIC UNIT

Johannes (Matimba) Khosa
Nicky Weimar

+27 10 234 8359
+27 10 234 8357

johanneskh@nedbank.co.za
nickywe@nedbank.co.za

DISCLAIMER

The information furnished in this report (the "report"), which information may include opinions, estimates, indicative rates, terms, price quotations and projections, reflects the existing judgment of the author(s) and the prevailing market conditions as at the date of this report, which judgment and conditions are subject to change without notice, modification or amendment. This report does not necessarily reflect the opinion of Nedbank Limited ("Nedbank"). The information herein has been obtained from various sources, the accuracy and/or completeness of which Nedbank does not guarantee and for which Nedbank accepts no liability.

Any prices or levels contained herein are preliminary and indicative only and do not represent bids or offers. These indications are provided solely for your information and consideration. The information contained in this publication may include results of analyses from a quantitative model which represent potential future events that may or may not be realised, and is not a complete analysis of every material fact representing any product. Any estimates included herein constitute Nedbank's judgment as of the date hereof and are subject to change without any notice. Nedbank and/or its affiliates may make a market in these instruments for our customers and for our own account. Accordingly, Nedbank's may have a position in any such instrument at any time.

Nedbank recommends that independent tax, accounting, legal and financial advice be sought should any party seek to place any reliance on the information contained herein. This report is intended for use by professional and business investors only. It may not be considered as advice, recommendation or an offer to enter into or conclude any transactions. This report has been prepared for general dissemination and information purposes only and may not be construed as an offer to buy or sell or a solicitation of an offer to buy or sell any financial instruments or to participate in any particular trading strategy in any jurisdiction. Any additional information relative to any financial instruments and/or financial products reviewed in this report is available upon request.

All rights reserved. Any unauthorised use or disclosure of this report is prohibited. This report may not be reproduced without the prior written consent of Nedbank. The information contained in this note is intended solely for the recipient and may not be distributed by the recipient.

All trademarks, service marks and logos used in this report are trademarks or service marks or registered trademarks or service marks of Nedbank or its affiliates.