

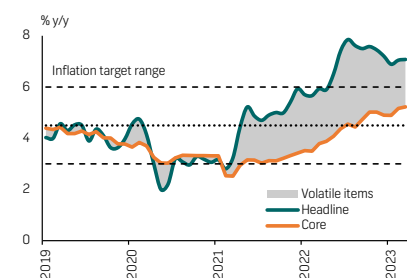


# Flash Note: CPI

April 2023

## Consumer inflation edged higher, recording 7.1% in March

Figure 1: Headline vs core CPI

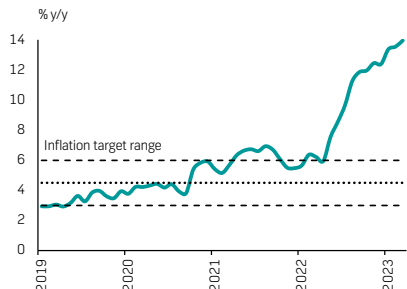


Source: Stats SA, FNB Economics

Headline inflation was 7.1% y/y in March, up from 7.0% in February. On a month-on-month basis, headline inflation lifted by 1.0%. This outcome was slightly above our and the consensus expectation of 7.0% and 6.9%, respectively. Core contributed 0.6ppt to monthly headline inflation, while fuel as well as food and non-alcoholic beverages (NAB) added 0.2ppt each.

Core inflation was flat at 5.2% y/y and had monthly pressure of 0.8%. Major contributions were made by education (0.2ppt) as well as alcoholic beverages and tobacco (0.2ppt). Public transport, personal care products, household contents, as well as recreation and culture each added about 0.1ppt to the monthly pressure on core inflation.

Figure 2: Food and NAB CPI



Source: Stats SA, FNB Economics

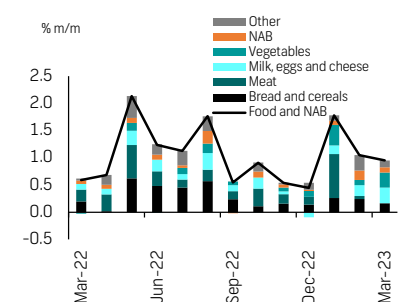
Fuel inflation was 4.5% m/m, reflecting the rise in both petrol and diesel prices in March. However, compared to March 2022, fuel inflation fell to 8.1% from 10.9% previously.

Food and NAB inflation recorded 1.0% m/m and 14.0% y/y, from 13.6% previously. Monthly pressure was from vegetables (0.3ppt) dairy and eggs (0.3ppt), cereals (0.2ppt), miscellaneous foods (0.1ppt), as well as NAB (0.1ppt). As a result, decile one inflation, for households that allocate over 50% of their spending to food and NAB, was 11.3%.

### Outlook

An update of today's data points to headline inflation slowing to 7.0% in April, with monthly pressure of 0.5%. The upward monthly pressure will be driven by survey outcomes on insurance inflation and food inflation but mitigated by lower fuel inflation. Relative to last year, fuel inflation should continue to soften, but the support to oil prices from OPEC member production cuts and China's recovery should keep prices fluid. While global food prices have continued to fall, 2.1% m/m and 20.5% y/y in March, local food inflation appears to be exacerbated by idiosyncratic factors - mostly related to energy supply constraints. Core inflation should continue to lift, supported by a weaker rand-dollar exchange rate and continued passthrough of producer price pressures. On average for this year, headline inflation should settle around the upper band of the inflation target range.

Figure 3: Food and NAB



Source: Stats SA, FNB Economics

## Economist

Koketso Mano

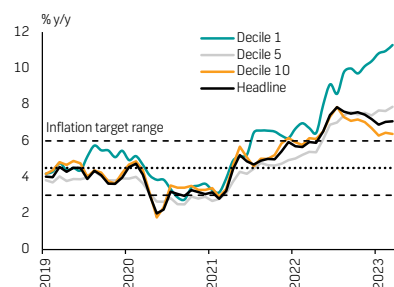
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Figure 4: CPI by deciles



Source: Stats SA, FNB Economics

The IMF predicts that global consumer inflation will fall from 8.7% in 2022 to 7.0% in 2023 and 4.9% in 2024, before moving closer to the pre-pandemic average of around 3.5% in 2025. This is in line with weaker global economic activity and easing supply chain pressures. However, the stickiness reflects the impact of frictions related to escalated geopolitical tensions and strides to decarbonise economies. Unfortunately, this should spill over to SA, and will likely be exacerbated by a weaker exchange rate, energy, and logistical issues, as well as adverse weather patterns.

The April inflation print is scheduled for release on 24 May. Major periodical surveys conducted in April include medical insurance (7.11% weight in CPI) as well as funeral expenses and insurance (2.28%).

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