

Consumer inflation continues to slow in June

Stats SA reports an annual consumer price inflation of 5.4% in June 2023, down from 6.3% in May 2023.



Image source: Kampus Production from [Pexels](#)

"This marks the first entry back into the 3-6% target band since the 5.9% year-on-year increase in April 2022. Inflation now averages 6.6% for the year to date and needs further moderation in the remainder of the year to average below the top end of the target band by year-end," commented Luigi Marinus, portfolio manager at PPS Investments.

The CPI increased by 0.2% month-on-month in June 2023 - the same increase as seen in May.

The main contributors to the 5.4% annual inflation rate were food and non-alcoholic beverages (increased by 11.0% year-on-year and contributed 1.9 percentage points); housing and utilities (increased by 4.2% year-on-year and contributed 1.0 percentage point); and miscellaneous goods and services (increased by 6.4% year-on-year and contributed 0.9 of a percentage point).



Consumer inflation slows down for second straight month in May

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"Transport saw a significant moderation in price resulting in a 0.3% contribution to inflation, compared to the 1.0% contribution in May," Marinus pointed out. "Due to the base case effect of the initial increase in the oil price, post the Russian invasion of Ukraine falling out of the one-year price increase, the price of fuel has declined 3.1% for the month and 8.3% year-on-year."

In June the annual inflation rate of goods was 6.3%, down from 8.0% in May; and for services it was 4.5%, down from 4.6% in May.

"The slowdown in the inflation rate will be viewed positively and is likely to have a positive influence on local bonds. PPS Investments maintains a neutral exposure to domestic bonds across all portfolios but remains somewhat cautiously positioned as the monetary stance of the South African Reserve Bank could remain hawkish. South Africans will be hoping for some respite in interest rate hikes when the Monetary Policy Committee meets later this week and with inflation moving back within the target band it may set the precedent for a pause," Marinus concluded.

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