

# Consumer price inflation for July 2023

By [Reza Hendrickse](#)

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Consumer price inflation moderated further in July, to 4.7% year-on-year, compared to 5.4% in June. Inflation peaked at 7.8% in July last year and is now comfortably back inside the South African Reserve Bank's (SARB) 3-6% target range.



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Food and non-alcoholic beverages, housing and utilities, and miscellaneous goods and services were the main categories contributing to year-on-year inflation, which is expected to now remain within the SARB's target band. External price pressures have eased somewhat, however, local factors such as the price of electricity, as well as the weaker rand should continue to exert upward pressure.

The steady pace of disinflation in SA is consistent with the trend globally. This is partly explained by base effects given last year's very high base, but also through the easing of supply chain bottlenecks globally, and lower commodity prices, particularly energy.



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In contrast to falling inflation, however, central banks including the SARB have maintained tight monetary policy settings. The US Fed hiked rates in July after a pause in June, which gave the SARB leeway to also keep rates unchanged in July. The SARB would be justified in once again keeping rates unchanged at the September meeting, given this month's inflation print.

Although the current high interest rate environment is undesirable for borrowers, investors have been able to capitalise on the high yield available from low-risk asset classes such as cash.

PPS Investments is currently overweight SA cash in multi-asset portfolios and are positioned to take advantage of the current interest rate climate. We prefer cash to long-dated government bonds, given the fiscal outlook, while the foreign fixed interest opportunity set is also much broader than it has been for many years.

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