22 May 2025

MINERALS COUNCIL
SOUTH AFRICA

CPI Inflation Brief: **April 2025**

SA's annual headline inflation rises to 2.8% in April 2025

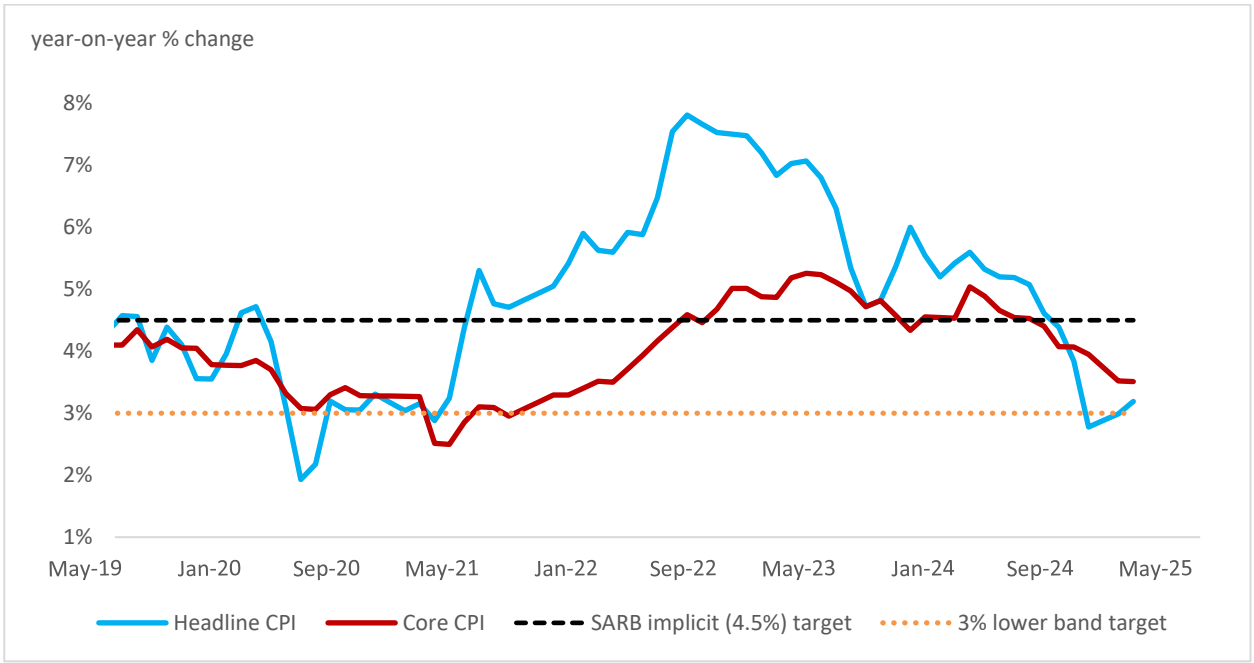
Current (Actual)	**2.8%**	**April 2025 – Statistics SA**	
Previous month	2.7%	March 2025 – Statistics SA	
Medium-term Inflation Forecasts			
Institution	**2025**	**2026**	**2027**
SARB (March MPC)	3.9%	4.5%	4.5%
National Treasury (May Budget)	3.7%	4.2%	4.3%
Repo Rate 7.50%		**Prime Lending Rate** 11.00%	
(Next SARB interest rate decision due: 29 May 2025)			

Headline Inflation Breakdown:

In April, South Africa's **headline** Consumer Price Index (CPI) inflation rate **crept up to 2.8%** year-on-year (y-o-y), from 2.7% in March, slightly surpassing the Bloomberg market consensus of 2.7%.

Core inflation, which excludes the more volatile food and energy prices, eased to **3.0%** y-o-y in April, down from 3.1% in March. This outcome surprised to the downside, as it came in below the consensus forecast of 3.1%. When broken down by category, **goods inflation** showed a marked slowdown, rising by **1.7%** y-o-y in April, compared to 2.0% in March. On the other hand, **services inflation** picked up, increasing to **3.8%** y-o-y from 3.5% the previous month.

Figure 1: Headline CPI and Its Relation to the Lower 3% End of the Inflation Target Band



Source: Statistics SA & Minerals Council SA.

T +27 11 498 7100 E info@mineralscouncil.org.za W www.mineralscouncil.org.za
7th Floor, Rosebank Towers, 19 Biermann Avenue, Rosebank, 2196

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In April, the headline CPI rose by 0.3% month-on-month (m-o-m) compared to March. This increase was largely driven by higher prices for food and non-alcoholic beverages, particularly meat and coffee. The main contributors to the 0.3% m-o-m increase in the overall CPI were as follows:

1. **Housing and Utilities**: There was no change in this subcomponent on a m-o-m basis, but it increased by 4.4% year-on-year (y-o-y), contributing 1.0 percentage point to the headline increase.
2. **Food and Non-Alcoholic Beverages (NAB)**: Prices in this category rose by 1.3% m-o-m, contributing 0.7 percentage points to the headline rate, making it the second-largest driver of headline inflation. Stats SA indicated that meat prices, particularly for beef products like mince (+6.9%), steak (+6.2%), and stewing beef (+11.9%), were the primary drivers behind this m-o-m rise. On average, meat prices increased by 2.3% m-o-m, marking the highest monthly increase since October 2023. Additionally, instant coffee saw a notable price increase of 2.1% m-o-m. Over the past 12 months, however, coffee prices have risen by 20.2%.

Other notable changes include:

- **Health**: Medicines and health products saw a 0.7% m-o-m increase.
- **Transportation**: Transportation costs fell by 1.0% m-o-m, mainly due to lower fuel prices. In April, 95-octane petrol dropped to R21.62 per litre (72 cents less than in March), 93-octane to R21.51 per litre (58 cents lower), and 0.005% diesel to R19.34 per litre (85.8 cents less). Fuel prices continued to decline in May, which is expected to have a positive impact on May's inflation print, due next month. Preliminary data from the Central Energy Fund suggests further fuel price cuts are likely in June.
- **Alcoholic Beverages and Tobacco**: This category rose by 1.3% m-o-m, mainly due to the new sin taxes introduced in March, which are now reflected in the April figures as the new government fiscal year begins.
- Lastly, **information and communication services** saw a notable 2.4% m-o-m increase in April, driven primarily by higher costs for mobile data (+3.1%), subscription satellite TV (+4.2%), and wired internet (+2.1%).

Outlook:

In April, South Africa's inflationary pressures remained subdued, with headline CPI rising modestly, primarily driven by higher food and non-alcoholic beverage prices, particularly coffee and beef. However, core inflation softened, suggesting easing underlying cost pressures for consumers. The continued decline in transportation costs, driven primarily by lower fuel prices, points to further easing in the months ahead, which bodes well for both consumers and the mining industry.

On the global front, the rollback of high tariffs between the US and China has bolstered sentiment around global growth, alleviating recession fears in the US – opening the potential for the Federal Reserve to cut interest rates. Domestically, the Deputy Minister of Finance announced that the inflation target is under review, with broad consensus that the current 3-6% target range is too wide. This has heightened expectations for a lower inflation target and lower inflation in the long term, with an announcement regarding the review expected this year. In light of these developments, the South African Reserve Bank (SARB) is expected to reduce interest rates by 0.25 basis points at their next

meeting on Thursday (29 May 2025). However, the potential for higher interest rates in the medium term is challenging, as the SARB must balance the goal of a possible lower inflation target over the long term with the reality of weak economic growth.

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Yours sincerely,

André Lourens
Economist
Cell: **+27 (0)73-614-6161**
Email: **alourens@mineralscouncil.org.za**