

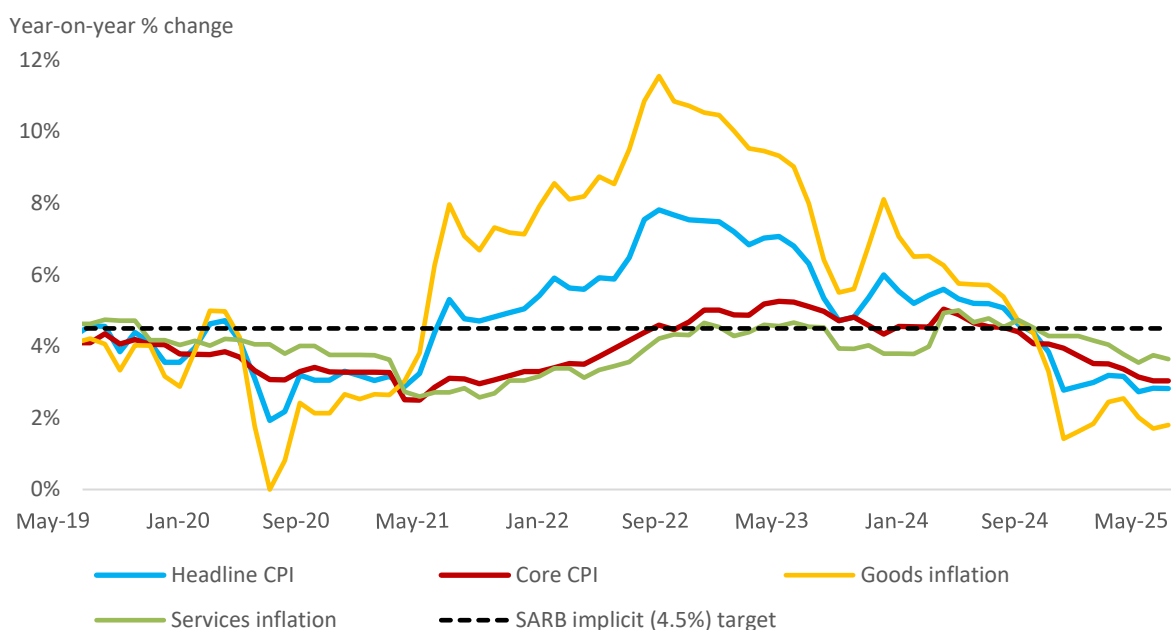
CPI Inflation Brief: **May 2025****SA's annual headline inflation unchanged at 2.8% in May 2025**

Current (Actual)	2.8%	May 2025 – Statistics SA	
Previous month	2.8%	April 2025 – Statistics SA	
Medium-term Inflation Forecasts			
Institution	2025	2026	2027
SARB (May MPC)	3.2%	4.2%	4.4%
National Treasury (May Budget)	3.7%	4.2%	4.3%
Minerals Council SA (June)	3.4%	4.5%	n/a
Repo Rate 7.25%		Prime Lending Rate 10.75%	
(Next SARB interest rate decision due: 31 July 2025)			

Headline Inflation Breakdown:

In May, South Africa's **headline** Consumer Price Index (CPI) inflation rate held steady at 2.8% year-on-year (y-o-y), matching the Bloomberg market consensus.

At 3.0% y-o-y, **core inflation**, which excludes volatile food and energy prices, also remained unchanged in May. This surprised slightly to the downside, coming in below the consensus forecast of 3.1%. Breaking it down further: **goods inflation** edged up to 1.8% y-o-y in May from 1.7% in April, while **services inflation** eased to 3.6% from 3.8% in the previous month.

Figure 1: All Key Inflation Measures Remain Comfortably Below Target

Source: Statistics SA & Minerals Council SA.

In May, the headline CPI rose by 0.2% month-on-month (m-o-m) compared to April. As was the case in April, this increase was largely driven by higher prices for food and non-alcoholic beverages, particularly meat. Prices of stewing beef were up by 2.5% m-o-m, beef mince +1.7%, and steak rising by 4.5%. Stats SA noted that a widespread outbreak of foot-and-mouth disease, along with higher feed costs, contributed to the rise in beef prices.

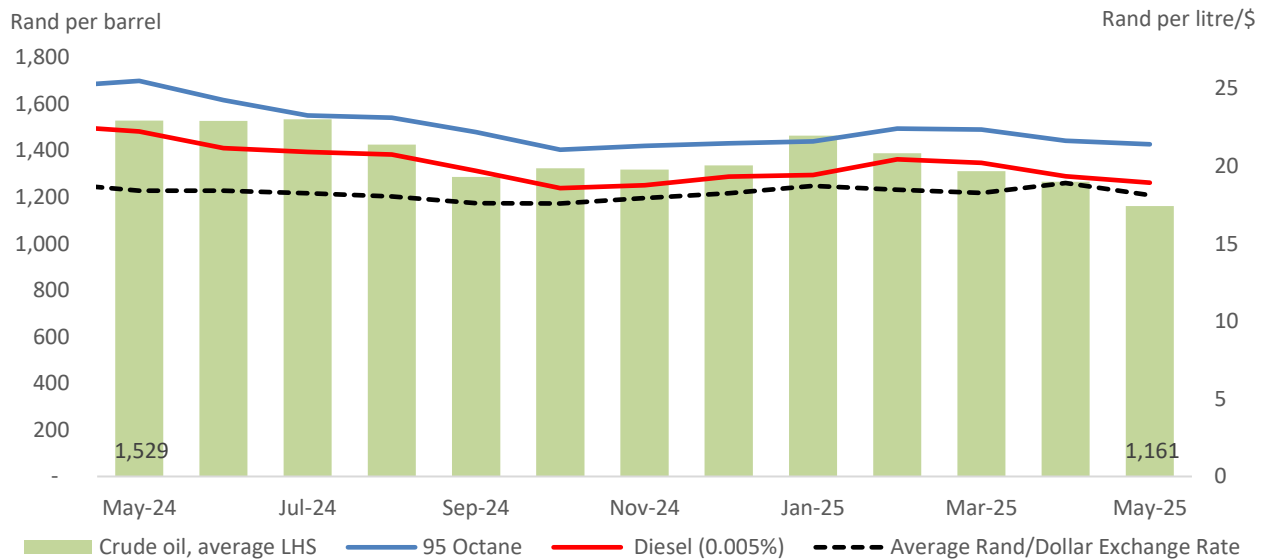
The other main contributors to the 0.2% m-o-m increase in the overall CPI were as follows:

1. **Housing and Utilities:** There was a 0.1% increase in this subcomponent on a m-o-m basis, with a y-o-y increase of 4.5%, contributing 1.0 percentage point to the headline increase. The main driver was a 2.4% m-o-m increase in maintenance and repair costs. In May, Stats SA surveyed the costs of electricians and plumbers: services by electricians rose by 7.9% y-o-y, while those by plumbers declined by 5.6% over the same period.
2. **Food and Non-Alcoholic Beverages (NAB):** Prices in this category rose by 1.1% m-o-m, with an annual 4.4% increase. The latter contributed 0.9 percentage points to the headline rate. Vegetables recorded the largest monthly increase (+5.9%), followed by processed foods (+1.7%) and meat (+1.2%). Vegetable prices are typically volatile due to seasonal factors.
3. **Alcoholic Beverages and Tobacco:** Overall, alcoholic beverage prices rose by 0.2% m-o-m and 4.4% y-o-y, while tobacco prices increased by 0.6% m-o-m and 4.5% annually. Wine recorded the largest monthly increase among alcoholic drinks (+0.5%), while prices for spirits and liqueurs declined by 0.3%. Beer prices edged up by 0.1% m-o-m.

Other notable changes include:

- **Transportation:** Transportation costs fell by 0.2% m-o-m, driven largely by a 1.1% decrease in fuel prices. In May, fuel prices declined notably: 95-octane petrol fell to R21.40 per litre (down 22 cents from April), 93-octane to R21.29 per litre (also down 22 cents), and 0.005% diesel dropped by 41 cents per litre. June saw a further, albeit modest, decline in fuel prices — just a few cents per litre — which is expected to have only a marginal positive impact on the June inflation reading. Looking ahead, preliminary data from the Central Energy Fund indicates that further fuel price cuts are unlikely in July. With the escalating conflict in the Middle East and the resultant higher oil prices, there is a likelihood that fuel prices will increase in July.
- Lastly, the **recreation, sports, and culture** category showed no overall monthly increase in May. Notably, the cost of attending sporting events dropped by 14.2% annually, while ticket prices rose slightly by 0.6% compared to April. Meanwhile, holiday packages and newspapers, books, and stationery recorded monthly declines of 1.3% and 1.0%, respectively, having made May a good month for travel, reading, and live sports.

Figure 2: Fuel-, Brent Crude Oil Prices and R/\$ Exchange Rate



Source: Statistics SA & Minerals Council SA.

Outlook:

Headline inflation remained subdued in May, holding below 3%. At its Monetary Policy Committee (MPC) meeting on 29 May 2025, the South African Reserve Bank (SARB) reiterated that it is in discussions with National Treasury about lowering the inflation target. The SARB emphasised that the current target range is “too high and too wide.” With inflation at historically low levels, this presents a rare opportunity to lock in lower long-term inflation expectations at relatively low cost to the economy. But this window may close quickly if inflationary pressures return, and it remains to be seen whether National Treasury will support the proposal.

Meanwhile, both global and domestic growth forecasts have been revised downward, as geopolitical risks continue to weigh on markets. Renewed conflict in the Middle East has rattled oil prices, while the war in Ukraine continues. At the same time, the U.S. remains active in trade negotiations and tariff adjustments.

For South Africa, this is a moment of policy opportunity. A lower inflation target, if carefully implemented, could help reduce long-term interest rates, easing the burden on consumers, supporting higher growth, and enabling the fiscus to borrow more cheaply over time. The current low-inflation environment offers a unique chance to strengthen macroeconomic foundations and unlock long-term economic benefits. However, given the global uncertainties and rising risks, this opportunity may not remain open for long.

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Yours sincerely,

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