27 July 2026

MINERALS COUNCIL
SOUTH AFRICA

Current (Actual)	**5.0%▲**	**June 2026 – Statistics SA**
Previous month	4.5%	May 2025 – Statistics SA
Inflation target band[1]	3% ± 1%	

Medium-term Inflation Forecasts

Institution	**2026**	**2027**	**2028**
SARB (July MPC)	4.0%	3.8%	3.1%
National Treasury (February '26 Budget)	3.4%	3.3%	3.2%

SARB Policy Rate	**Prime Lending Rate**
7.00%	10.50%

(Next SARB interest rate decision due: 23 September 2026 @ 15:00)

South Africa's **Consumer Price Index (CPI)** surprised to the upside in June 2026, moving above the upper end of the South African Reserve Bank's (SARB) target range. Headline inflation accelerated from 4.5% year-on-year (y-o-y) in May to **5.0%** in **June**, exceeding Bloomberg's consensus forecast of 4.7%.

More concerning was the continued rise in **core inflation**, which excludes food and energy prices. Core inflation increased from 3.8% in May to **4.1%** in **June**, marking its fourth consecutive monthly acceleration. The SARB has also noted that various measures of underlying inflation are pointing to strengthening price pressures[2].

Inflationary pressures became increasingly broad-based during the month. **Goods inflation** accelerated to 4.8% y-o-y from 4.4% in May, while **services inflation** rose to 5.2% from 4.7%. As a result, all major inflation measures are now above 4%, the midpoint of the SARB's target range. We illustrate this in Figure 1.

Against this backdrop, the Monetary Policy Committee (MPC) surprised markets by **keeping interest rates unchanged** at its 23 July 2026 meeting. The decision was not unanimous, with the MPC voting 4–2 in favour of a hold, while two members preferred a 25-basis-point increase. Although the pause may appear inconsistent with the upside inflation surprise, monetary policy is inherently forward-looking. The SARB cannot influence inflation that has already occurred and must instead respond to the expected trajectory of future inflation. The MPC noted that monetary conditions remain relatively restrictive following the 25-basis-point increase in May and argued that maintaining rates at current levels represents a prudent and cautious approach. This suggests that the Committee believes the existing policy stance remains sufficiently tight to return inflation to target over time, while allowing it to evaluate additional data and emerging risks before making further adjustments.

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[1] In November 2025, National Treasury formally adopted a 3% inflation target with a 1-percentage-point tolerance band to allow for temporary shocks. Prior to this shift, South Africa operated within a 3–6% target range, with policy generally guided toward the informal midpoint of 4.5%.

[2] In its July MPC Statement, the SARB notes that the trimmed mean, core, supercore and PCCI (Persistent and Common Component of Inflation) measures are all trending higher and are now all above 3%.

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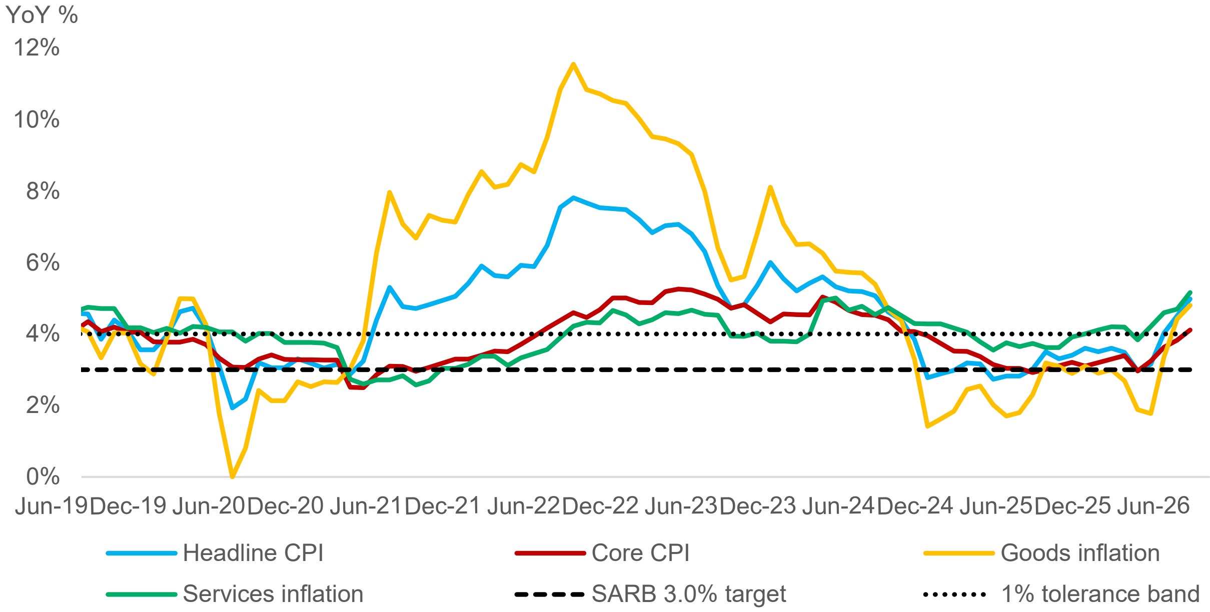
Figure 1: All Major Inflation Indicators beyond the 4% upper band range in June 2026



Source: Statistics SA & Minerals Council

The table below shows the main categories that contributed to headline inflation in June. We discuss transport, housing and utilities, insurance, and food and non-alcoholic beverages in more detail below, as these categories were the primary drivers of headline inflation during the month.

Group	Contribution (% point)
	June 2026
Transport	1.7
Housing and utilities	1.3
Insurance and financial services	0.6
Food and non-alcoholic beverages	0.3
Restaurants and accommodation services	0.3
Alcoholic beverages and tobacco	0.2
Health	0.1
Recreation, sport and culture	0.1
Education services	0.1
Personal care and miscellaneous services	0.1
Residual	0.1
All items	**5.0**

Breakdown:

1. **Transport** inflation was the largest contributor to headline inflation in June, rising by 2.9% month-on-month (m-o-m) and 12.7% y-o-y. **Fuel** prices remained the primary source of pressure. Although international oil prices moderated from US$103.8 per barrel in May to around US$84.5 per barrel in June following a temporary ceasefire in the Middle East, fuel prices remained substantially higher than a year ago. Overall, fuel prices were 34.3% higher y-o-y in June.

   At the pump, in June, 95-octane petrol remained unchanged at R26.63 per litre, while 93-**octane** petrol increased by R1.43 per litre. **Diesel** prices, by contrast, declined by R2.62 per litre (0.005%) and R3.25 per litre (0.05%). Despite recent volatility in international oil markets and domestic fuel prices, the elevated level of fuel costs relative to a year ago continues to place significant upward pressure on transport costs and headline inflation.

Looking ahead, the Central Energy Fund's latest estimates suggest a mixed outlook for August. Petrol prices are expected to decline by around 30 cents per litre for both 93- and 95-octane grades, while diesel prices are projected to increase by approximately R1.10 per litre (0.005%) and R1.30 per litre (0.05%), reversing some of the relief experienced in July. While fuel prices have fluctuated in recent months, it is the elevated level of prices relative to a year ago that continues to drive transport inflation and headline CPI higher.

2. **Housing and utilities** remained a key driver of inflation in June, contributing 1.3 percentage points to the overall 5.0% CPI rate. June is one of the months in which Stats SA surveys rental and owner-equivalent rent prices, providing a useful indication of broader price pressures in the housing market. The survey showed widespread increases across housing-related categories. **Rental** inflation accelerated to 4.1% y-o-y, **owner-equivalent rent** increased by 4.0%, and **maintenance and repair costs** were 4.9% higher than a year ago.

   Housing rental inflation was broad-based, with *house* rentals increasing by 3.7% y-o-y, *townhouse* rentals by 5.4%, and *flat* rentals by 4.6%. Similarly, owner-equivalent rent rose by 3.9% for *houses*, 6.1% for *townhouses*, and 3.6% for *flats*. At the same time, electricity prices increased by 9.9% y-o-y, while water supply and miscellaneous services rose by 6.9%.

   Overall, the cost of renting or owning a home, together with associated utility costs, increased by 5.5% over the past year, highlighting the persistent and broad-based nature of housing-related inflationary pressures.

3. **Insurance and financial services** were the third-largest contributor to headline inflation in June. Prices in this category increased by 0.2% m-o-m, driven primarily by **higher motor vehicle insurance premiums**. As part of its June price survey, Stats SA recorded a 2.4% m-o-m increase in motor vehicle insurance premiums. Despite this monthly increase, motor vehicle insurance costs remained 3.8% lower than a year ago. In contrast, building insurance, household contents insurance, and health insurance premiums were unchanged on a monthly basis.

4. **Food and non-alcoholic beverages** continued to moderate, slowing to 1.4% (y-o-y) in June 2026 from 1.6% in May. Food prices continue to moderate across the board from grains and **cereal products** (-1.5% y-o-y), **fruit and nuts** (-10% y-o-y), **vegetables** (-3.5%) and **meat** (+5.1%, down from highs of 13.5% in January), driven by ample supply.

   The Agricultural Business Chamber expects food price inflation to remain relatively subdued through 2026, supported by strong agricultural production and ample domestic supplies. A record summer grains and oilseeds harvest, favourable fruit and vegetable production, and improved meat and poultry supply conditions are all helping to keep food price increases subdued. The main near-term risk stems from higher fuel costs linked to geopolitical tensions in the Middle East, as transport accounts for a significant share of food distribution costs. Looking further ahead, a potential El Niño-induced drought poses a medium-term risk to food inflation, although any impact would likely only materialise in 2027.

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Outlook:

The global economy continues to face a series of external shocks that are contributing to heightened uncertainty. Most visible is the ongoing conflict in the Middle East. Following a temporary ceasefire in mid-June, oil prices moderated and maritime traffic through the Strait of Hormuz resumed, easing concerns about global energy supplies. However, the ceasefire proved short-lived, and renewed hostilities have once again placed upward pressure on oil prices.

At the same time, the United States has reintroduced tariffs on approximately 60 countries, including South Africa, under a new Section 301 process initiated in March 2026 after the US Supreme Court struck down the earlier International Emergency Economic Powers Act (IEEPA) tariff regime. These measures have added further uncertainty to global trade and could place pressure on South Africa's export sector, exchange rate, and inflation outlook. Meanwhile, the Russia-Ukraine conflict continues unabated, with recent attacks on grain shipments in the Black Sea region contributing to volatility in global agricultural markets and higher wheat prices.

As a result, uncertainty has become a defining feature of the global economy. Far from returning to the stability that characterised much of the pre-pandemic period, the global economy appears to have entered a new era in which geopolitical tensions, trade disruptions, and supply-side shocks are a persistent feature of the economic landscape.

Against this backdrop, the South African Reserve Bank's Monetary Policy Committee (MPC) elected to keep interest rates unchanged at its meeting on 23 July 2026. While this provides some relief to households and interest-rate-sensitive sectors such as mining, there is no guarantee that rates will remain unchanged for the rest of the year. Inflation is expected to ease gradually over the longer term, reaching around 3.1% in 2028, but it is likely to remain elevated and close to 4% over the next 18 months. All of this depends on what happens in the Middle East, of course.

Perhaps more concerning is the Bureau for Economic Research's latest inflation expectations survey, which shows that all surveyed groups expect higher inflation going forward, with the sharpest increase recorded among trade unions. For the mining industry, this raises the risk of higher wage demands and more persistent cost pressures. Unless the SARB is able to anchor inflation expectations more firmly around its target, inflation could prove more difficult to contain. Achieving this may ultimately require a tighter monetary policy stance, which would help curb inflation but at the cost of higher borrowing costs and additional pressures on an already constrained mining sector.

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