21 August 2026

Current (Actual)	**4.3%▼**	**July 2026 – Statistics SA**
Previous month	5.0%	June 2026 – 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%

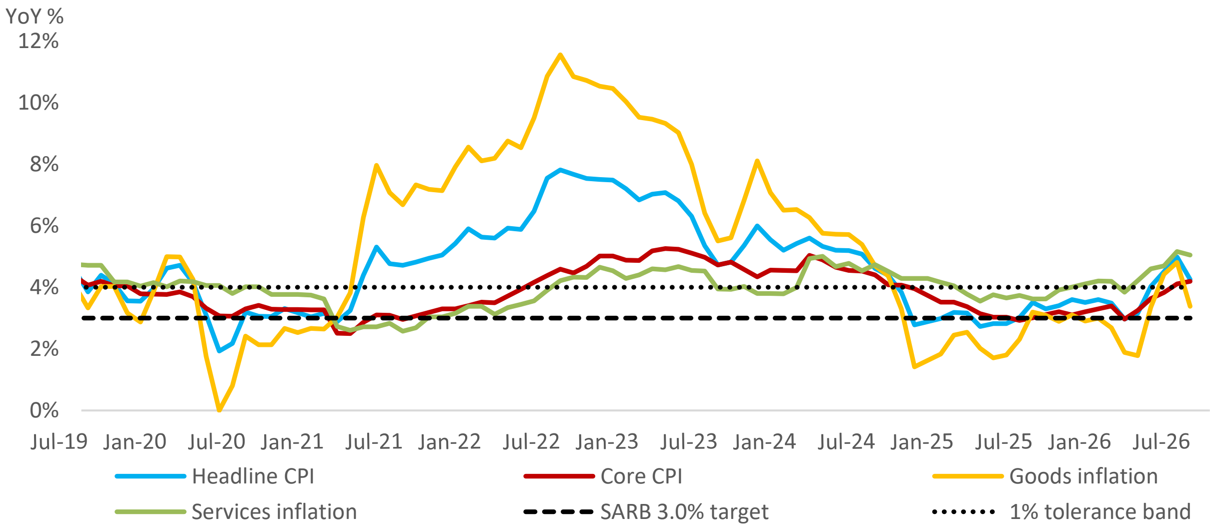
SARB Policy Rate	**Prime Lending Rate**
7.00%	10.50%

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

South Africa's **Consumer Price Index (CPI)** decelerated to **4.3% year-on-year (y-o-y)** in July, down from a recent peak of **5.0%** in June. Inflation came in below Bloomberg's market consensus of **4.5%**, surprising on the downside and (positively) exceeding expectations. While this is a welcome development, headline inflation remains above the South African Reserve Bank's (SARB) preferred upper target range of **4.0%**.

A key concern, however, is the continued rise in **core inflation**, which excludes food and energy prices. Core inflation increased from **4.1% in June to 4.2% in July**, marking a **fifth consecutive monthly acceleration**. This suggests underlying price pressures remain entrenched despite lower food inflation and declining fuel-related pressures, which is likely to concern the SARB ahead of its September Monetary Policy Committee (MPC) meeting. **Goods inflation** slowed to **3.4% y-o-y** from **4.8%** in June, while **services inflation** moderated to **5.0%** from **5.2%**.

Figure 1: Headline and core inflation remain above 4% in July



Source: Statistics SA & Minerals Council

[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%.

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The table below shows the main categories that contributed to headline inflation in July. The main drivers in July were housing and utilities, transport and insurance and financial services.

Group	Contribution (% point)
	July 2026
Housing and utilities	1.3
Transport	1.2
Insurance and financial services	0.6
Restaurants and accommodation services	0.3
Food and non-alcoholic beverages	0.2
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
Information and communication	0.1
Residual	0
All items	**4.3**

Breakdown:

1. **Housing and utilities** remained the largest contributor to inflation in July, adding 1.3 percentage points to the overall CPI rate of 4.3%. The July inflation data reflects the annual adjustment of municipal tariffs for electricity, water, and refuse services. **Electricity** prices increased by **8.1%** y-o-y, lower than the 9.01% increase approved for Eskom's municipal tariffs, indicating that municipalities absorbed part of the increase rather than passing it fully on to consumers. **Water** tariffs rose by **10.2%** y-o-y, while **refuse** removal and **sewage** collection charges increased by **4.7%** and **7.8%**, respectively. Overall, housing and utility costs increased by 5.2% y-o-y, underscoring the continued pressure that administered prices exert on household budgets. Mining companies are major users of electricity and water, which directly feed into their inputs costs.

2. **Transport inflation**, which directly affects mining input costs through the diesel use channel, remained the second-largest contributor to headline inflation in July. While transport prices declined by **2.7% month-on-month (m-o-m)**, they remained **8.9% higher than a year earlier**. The primary driver of the monthly moderation was a sharp decline in **fuel prices**, which fell by **7.8% m-o-m**. At the pump, 95-octane **petrol** decreased by **52 cents per litre** in July to R26.10/litre, while 93-octane petrol declined by **R2.01/litre**. **Diesel** prices also moderated, falling by **R3.59/litre** (0.005% sulphur) and **R3.14/litre** (0.05% sulphur). Despite this easing, fuel prices remained **20.6% higher than a year earlier**, continuing to exert significant upward pressure on transport costs and headline inflation. Fuel price movements were mixed in **August**. Petrol prices declined by a further **52 cents per litre** for both 93- and 95-octane grades, while diesel prices increased by **R1.23/litre (0.005% sulphur)** and **R1.38/litre (0.05% sulphur)**.

   Looking ahead, the Central Energy Fund's latest estimates point to broad-based fuel price increases in **September**. Petrol prices are expected to rise by approximately **70-90 cents per litre**, while diesel prices could increase by around **R2.80-R3.10 per litre**. As a result, the recent disinflationary impact from fuel is likely to prove temporary, with transport inflation expected to place renewed upward pressure on headline CPI in both August and September.

3. **Insurance and financial services** were the third-largest contributor to headline inflation in July, increasing by **5.7% (y-o-y)**. During the month, Statistics South Africa surveyed prices for household contents and building insurance, both of which recorded declines. Household contents insurance fell by **6.5% (m-o-m)** and was **6.8% lower than a year earlier**, while building insurance decreased by **1.0% m-o-m** and was **0.3% lower on an annual basis**. However, there were increases in financial services, particularly banking fees. Bank charges increased by **0.7% m-o-m**, bringing annual growth in banking fees to **4.8%**. As a result, inflation within the broader insurance and financial services category remained elevated, making it the third-largest contributor to headline CPI in July.

4. **Food and non-alcoholic beverage inflation** continued to ease in July, with prices declining by **0.2% m-o-m**. The largest monthly decreases were recorded in **fruit and nuts (-2.2%)**, **oils and fats (-0.8%)**, **cereal products (-0.7%)** and **processed foods (-0.4%)**. According to the Agricultural Business Chamber, the continued moderation in food inflation reflects the exceptionally strong 2025/26 agricultural season, supported by favourable La Niña rainfall and record crop production. Stats SA shows that consumer food inflation slowed to just **0.6% y-o-y in July**, the lowest level since 2010, with abundant supplies of grains, fruit and vegetables keeping prices under pressure. Meat price inflation has also moderated as domestic supplies recover, despite ongoing animal disease challenges. The Agricultural Business Chamber expects favourable harvest conditions to keep food inflation subdued for the remainder of 2026, although higher fuel prices remain a near-term risk given the sector's reliance on road transport while a forecast El Niño event could pose upside risks to food inflation in 2027.

Outlook:

July's inflation data suggests that the recent acceleration in headline CPI may have peaked. Lower food and fuel prices helped moderate inflation, with abundant agricultural supplies expected to keep food inflation subdued for the remainder of 2026. However, inflation remains above the SARB's preferred upper target range of 4.0%, while rising core inflation and continued increases in administered prices, particularly municipal tariffs, indicate that underlying price pressures remain persistent.

Looking ahead, the inflation outlook remains uncertain. Select fuel price increases in August and expected increases across the board in September, combined with ongoing geopolitical tensions in the Middle East and the risk of further volatility in global energy markets, could place renewed upward pressure on transport costs and headline inflation. While July's outcome was better than expected, the combination of inflation remaining above 4.0% and accelerating core inflation is likely to reinforce the SARB's cautious approach to further monetary policy easing.

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