28 September 2026

MINERALS COUNCIL SOUTH AFRICA

Current (Actual)	**4.4%▲**	**August 2026 – Statistics SA**
Previous month	4.3%	July 2026 – Statistics SA
Inflation target band[1]	3% ± 1%	

Medium-term Inflation Forecasts

Institution	**2026**	**2027**	**2028**
SARB (September MPC)	4.4%	4.0%	3.2%
National Treasury (February '26 Budget)	3.4%	3.3%	3.2%

SARB Policy Rate	**Prime Lending Rate**
7.25%	10.75%

(Next SARB interest rate decision due: 19 November 2026 @ 15:00)

Data released by Statistics South Africa (Stats SA) showed that South Africa's Consumer Price Index (CPI) accelerated marginally to **4.4% year-on-year (y-o-y)** in August, up from **4.3%** in July. Despite the increase, inflation came in slightly below Bloomberg's market consensus forecast of **4.5%**, providing a modest upside surprise.

While the August reading was broadly encouraging, monetary policy remains firmly focused on the inflation outlook rather than past data. Against a backdrop of heightened domestic and global risks, the South African Reserve Bank (SARB) raised the repo rate by **25 basis points** to 7.25% on 23 September. The decision reflected concerns over rising fuel prices, the anticipated impact of El Niño on food inflation, and inflation expectations that remain above the midpoint of the SARB's target range. As a result, the Bank opted for a pre-emptive tightening of monetary policy to safeguard price stability.

Encouragingly, **core inflation**, which excludes food and energy prices, eased from **4.2%** in July to **4.1%** in August, marking the first moderation in six months. **Goods inflation** also continued to soften, slowing to **3.3% y-o-y** from **3.4%** previously. In contrast, **services inflation** edged higher to **5.1%** from **5.0%**, highlighting ongoing price pressures in the services sector despite broader signs of moderation in underlying inflation.

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

Group	**Contribution (% point)**
	August 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

[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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Recreation, sport and culture	0.1
Education services	0.1
Personal care and miscellaneous services	0.1
Information and communication	0.1
Residual	0.1
All items	**4.4**

Breakdown:

1. **Housing and utilities** remained the largest contributor to inflation, adding 1.3 percentage points to the overall CPI rate of 4.4%. The housing and utilities category recorded no month-on-month (m-o-m) change in August, although this masked some movement within the component. Assessment rates for properties increased by 1.8% m-o-m, while the price of gas in cylinders declined by 6.0% m-o-m. On an annual basis, housing and utility costs were 5.2% higher than a year ago.

   Given that South African households allocate, on average, nearly a quarter of their expenditure to housing and utilities, persistent inflation in this category is likely to place upward pressure on wage demands in the coming year. When combined with transportation costs, these two categories account for almost **40% of household spending**, underscoring the extent to which cost-of-living pressures continue to affect consumers. As a result, these rising costs are likely to feature prominently in future mining sector wage negotiations.

2. **Transport inflation**, which directly affects mining input costs through diesel use, remained the second-largest contributor to headline inflation in August. A decline in fuel prices during August helped **transport costs fall by 1.3% m-o-m**. However, the broader trend remains one of elevated fuel costs. Despite the monthly decline, fuel prices were still **20% higher than a year earlier**. In August, both 95 and 93 octane petrol prices decreased by 52 cents per litre, bringing pump prices to **R25.58/litre and R25.42/litre**, respectively. Diesel prices, by contrast, increased by approximately **R1.20 to R1.40 per litre**. Given the larger weighting of petrol relative to diesel in the consumer price basket, the decline in petrol prices outweighed the increase in diesel costs, resulting in lower transport inflation for the month.

   The respite proved short-lived. Fuel prices rose sharply in September, with both 95 and 93 octane petrol increasing by **134 cents per litre** to **R26.92/litre** and **R26.76/litre**, respectively. Diesel prices also increased significantly, rising by **R3.15 per litre** for 0.005% sulphur diesel and **R2.94 per litre** for 0.05% sulphur diesel.

   Looking ahead, fuel prices are expected to increase further in October. The latest estimates from the Central Energy Fund (CEF) point to additional increases of approximately **R2.60 to R3.00 per litre** across petrol and diesel grades. Consequently, transport inflation is likely to accelerate in September and October, placing renewed upward pressure on headline CPI and reinforcing concerns around the cost of living.

3. **Insurance and financial services** were the third-largest contributor to headline inflation in August, increasing by **5.7% y-o-y**. There were no monthly changes to prices in this category.

4. **Restaurants and accommodation services** were the fourth-largest contributor to headline inflation, adding 0.3 percentage points to the overall CPI rate. Within this category, restaurant prices increased by 0.2% m-o-m and were 5.7% higher than a year earlier, reflecting continued pressure on the cost of dining out. Accommodation prices rose by 1.8% m-o-m and were 5.8% higher year-on-year (y-o-y), indicating sustained inflationary pressures across the hospitality sector.

5. **Food and non-alcoholic beverage** (NAB) inflation rose for the first time since November 2025, increasing to **1.1% y-o-y** in August from **0.9%** in July. Despite the uptick, food inflation remains exceptionally low by historical standards, supported by strong domestic agricultural production and continued price deflation in key categories such as **cereals (-1.9% y-o-y)**, **fruits and nuts (-5.5%)**, and **vegetables (-0.6%)**. The increase in food inflation was driven by higher price growth for **fish and seafood (+7.5% y-o-y)**, **milk, dairy products and eggs (+2.1%)**, and selected cereal products, while meat price trends remained mixed, with **pork prices up 6.6% y-o-y** and **ham and bacon up 8.6%**, but beef prices remaining lower than a year ago. Looking ahead, food inflation is expected to remain relatively contained in the near term, although rising fuel costs and the risk of an El Niño-induced drought present upside risks to the outlook for 2027.

<u>Outlook:</u>

August's inflation outcome was largely in line with expectations. However, the ongoing conflict in the Middle East continues to place upward pressure on global oil prices, with implications that extend well beyond fuel costs. For the mining sector, higher oil prices are feeding through to increased diesel, explosives, chemicals, plastics and transportation costs, all of which are critical inputs to mining operations. These pressures are also filtering through broader supply chains, raising operating costs across the economy. The SARB expects inflation to average 4.4% in 2026, suggesting that headline inflation could approach or temporarily exceed 5% in the coming months. Given continued oil market volatility and South Africa's limited domestic refining capacity, further fuel-related inflationary pressures remain a significant risk.

Looking ahead, the expected impact of El Niño could add another layer of inflationary pressure towards the end of 2026 and into 2027, which is the rain season across much of South Africa’s agriculture provinces. While South Africa has benefited from strong agricultural production and favourable harvests this year, adverse weather conditions could reduce crop yields and place upward pressure on food prices. For mining companies, this could contribute to broader wage pressures as household living costs increase. These risks would be amplified if elevated oil prices continue to raise fuel, fertiliser and transportation costs throughout the agricultural value chain.

Against this backdrop, the SARB has opted for a pre-emptive increase in interest rates to contain the inflationary effects of the oil price shock. The primary concern is the emergence of second-round inflationary impacts. As fuel and transportation costs rise, businesses face higher operating expenses, and workers seek compensation for rising living costs through higher wages. For the mining sector, this can translate into higher procurement, logistics and labour costs, placing additional pressure on already elevated input costs. By tightening monetary policy, the SARB aims to prevent these inflationary pressures from becoming embedded in wage-setting and pricing behaviour. However, with interest rates already in restrictive territory, higher borrowing costs may also weigh on investment decisions across the economy, including capital-intensive sectors such as mining, where access to affordable financing is critical for sustaining growth and competitiveness.

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