

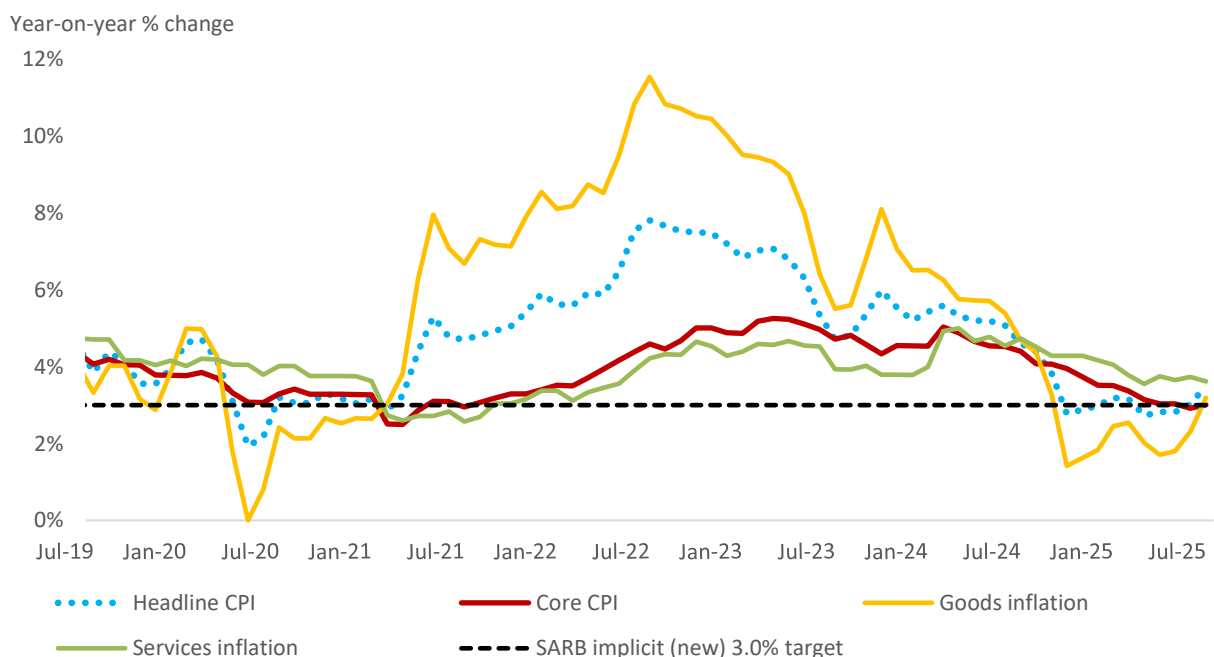
## CPI Inflation Brief: July 2025

## SA's annual headline inflation increased to 3.5% in July 2025

Current (Actual)	3.5%	July 2025 – Statistics SA	
Previous month	3.0%	June 2024 – Statistics SA	
Average year-to-July	3.0%		
Medium-term Inflation Forecasts			
Institution	2025	2026	2027
SARB (July MPC)	3.3%	3.3%	3.0%
National Treasury (May Budget)	3.7%	4.2%	4.3%
Repo Rate 7.0%		Prime Lending Rate 10.50%	
(Next SARB interest rate decision due: 18 September 2025)			

Food, non-alcoholic beverages, and housing and utilities were the primary drivers of **headline** inflation in July, with South Africa's Consumer Price Index (CPI) rising to **3.5%** year-on-year (y-o-y) - the highest level since September 2024 and in line with Bloomberg's market consensus. The July increase coincided with municipal tariff adjustments, which added upward pressure to headline inflation. **Core inflation**, which excludes volatile food and energy components, edged up slightly from 2.9% in June to **3.0%** in July, also matching consensus expectations. A closer look reveals that **goods inflation** rose to **3.2%** y-o-y in July from 2.3% in June, while **services inflation** eased marginally to **3.6%** from 3.7% in the previous month.

Figure 1: Key Inflation Indicators Aligned with SARB's New Preferred Target



Source: Statistics SA &amp; Minerals Council

### Breakdown:

In July, South Africa's headline Consumer Price Index rose by 0.9% month-on-month, marking a notable increase from June. This uptick coincided with a particularly comprehensive survey period by Stats SA, which included municipal tariff adjustments—covering water supply, property rates, electricity, sewage and refuse collection—as well as building and household content insurance, satellite TV, gym fees, and funeral expenses and policies. The municipal tariff adjustments, in particular, placed upward pressure on headline inflation. The main contributors to the 0.9% month-on-month increase in CPI are outlined in more detail below.

**Housing and Utilities:** This subcomponent recorded a 2.5% m-o-m increase and a 4.3% y-o-y rise, contributing 1.0 percentage point to the overall headline inflation. The most significant contributors were the cost of water supply, which rose by 12.1% y-o-y, and electricity, which increased by 10.6%. Notably, refuse collection and sewage removal tariffs were added to the inflation basket for the first time this year, with respective increases of 6.6% and 6.5% y-o-y. July marks the start of the municipal financial year, when tariff adjustments are typically implemented. It is worth highlighting that the 10.6% electricity increase is lower than the 11.3% hike approved earlier this year by the National Energy Regulator of South Africa (NERSA) for Eskom's municipal sales, suggesting that municipalities may be absorbing part of the cost rather than passing the full increase on to consumers.

**Food and Non-Alcoholic Beverages (NAB):** Prices in this category rose by 0.6% m-o-m and 5.7% y-o-y, contributing 0.9 percentage points to the headline inflation rate. We note that food price inflation rose to its highest level in 18 months. Within the food category, meat remained the primary driver of food inflation, increasing by 3.3% m-o-m and 10.5% y-o-y. Beef prices increased by 28.8% over the past 12 months and by 7.6% between June and July. The average price for stewing beef was R94,80 in July 2024, climbing to R123,87 per kilogram in July 2025. Beef mince rose from R102,95 to R126,79 over the same period.

The Agricultural Business Chamber notes that the recent increase in meat price inflation was driven by two temporary disruptions: the outbreak of avian influenza in Brazil, which led to a short-lived restriction on poultry imports into South Africa, causing market panic, and a domestic outbreak of foot-and-mouth disease, which raised concerns over red meat supply and triggered panic buying. With poultry imports now resuming and slaughtering activities back underway at major feedlots, these pressures have eased, and red meat and poultry prices are expected to moderate in the coming months.

Processed food prices rose by 0.8% m-o-m in July, while unprocessed food increased by 0.7%. As anticipated in our June CPI commentary, cost pressures for vegetables, fruit and nuts, and oils and fats have eased - declining by 0.8%, 4.9%, and 1.3% m-o-m, respectively. This moderation is largely attributed to ample domestic grain supplies, a promising fruit harvest, and improved weather conditions that have supported vegetable harvests.

**Alcoholic Beverages and Tobacco:** Overall, alcoholic beverage prices rose by 0.2% m-o-m and 4.5% y-o-y, while tobacco prices increased by an identical 0.2% m-o-m and 4.6% y-o-y. Among alcoholic drinks, spirits recorded the largest monthly increase at 0.4%, with gin rising by 0.9% and spirit coolers and ciders by 0.4%. Red wine saw a modest increase of 0.3%, while white wine remained unchanged. Beer prices edged up slightly by 0.2% month-on-month.

Other notable changes include:

**Transportation:** Transportation costs rose by 0.7% month-on-month in July, primarily driven by a sharp increase in fuel prices. Specifically, 95-octane petrol rose by 52 cents, 93-octane by 55 cents, 0.005% diesel by 47 cents, and 0.05% diesel by 82 cents in July. Fortunately, this trend saw a partial reversal in August, with both 95-octane and 93-octane petrol prices declining by 28 cents per litre. However, diesel prices rose by approximately 65 cents per litre. As a result, transportation costs are expected to continue exerting upward pressure on inflation for the month of August.

Looking ahead, preliminary data from the Central Energy Fund suggests a more favorable outlook for September. Fuel prices are projected to decrease, with petrol expected to drop between 5 and 20 cents per litre, and diesel by around 50 cents per litre. These reductions should help ease the inflationary pressures stemming from transportation costs.

#### Outlook:

South Africa's July inflation print was largely expected, driven by the annual increases in municipal service costs and food prices. Notably, during its July Monetary Policy Committee (MPC) meeting, the South African Reserve Bank (SARB) announced a significant shift in its inflation stance, stating a preference for inflation to settle at 3%. In line with this, the SARB declared its intention to target the lower bound of its 3-6% inflation range—marking a departure from the previously informal midpoint target of 4.5%. This change is reflected in the SARB's updated forecasts, which now project headline inflation to average 3.3% in both 2025 and 2026. With the year-to-July average currently at 3.0%, a near-term uptick in inflation is anticipated.

While the SARB has signalled its preferred target, formal endorsement from the National Treasury is still pending. Discussions between the SARB and Treasury regarding a single inflation target are ongoing. However, in a recent press release, the Minister of Finance indicated that no announcement will be made in the upcoming Medium Term Budget Policy Statement (MTBPS) in October, leaving the timeline for formal confirmation uncertain.

Nonetheless, the SARB's announcement plays a crucial role in anchoring inflation expectations. It communicates a clear commitment to maintaining low inflation levels, which could pave the way for a lower long-term terminal interest rate, potentially falling below 6%, down from the current level above 7%. Inflation expectations are likely to begin adjusting in response to this new signal and may be reflected in the third-quarter survey released by the Bureau for Economic Research in September. Looking ahead, two more MPC meetings are scheduled for the year. Given the favourable inflation outlook and the overall balance of risks, we anticipate the SARB will lower the policy rate by 25 basis points at each meeting.

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