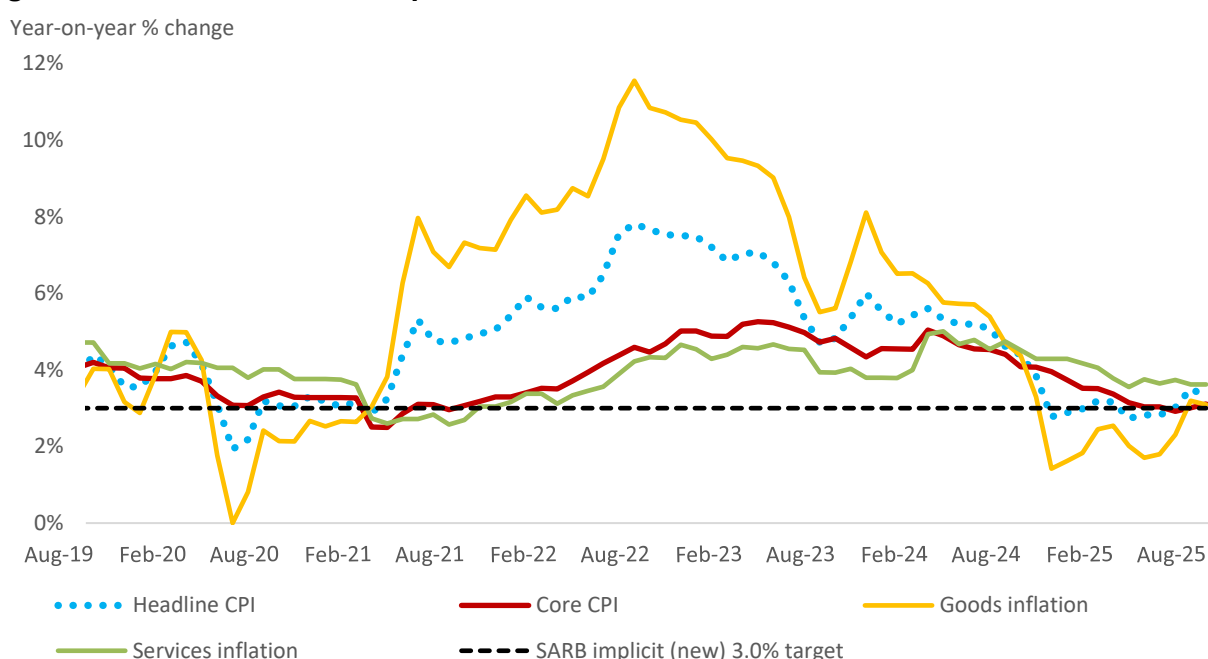


CPI Inflation Brief: **August 2025****SA's annual headline inflation drops to 3.3% in August 2025**

Current (Actual)	3.3%	August 2025 – Statistics SA	
Previous month	3.5%	July 2024 – Statistics SA	
Average year-to-August	3.1%		
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)			

Housing, utilities, food, and non-alcoholic beverages remained the key contributors to headline inflation in August, as South Africa's **Consumer Price Index (CPI)** eased to **3.3%** year-on-year (y-o-y)—down from 3.5% in July. This figure aligns with the lower bound of Bloomberg's market consensus (3.3%) and falls below the expected 3.6%, offering a welcome surprise. Softer food and transport costs (particularly fuel) helped ease inflationary pressure. Meanwhile, **core inflation**, which excludes volatile food and energy prices, edged up slightly to **3.1% from 3.0%** in July, in line with expectations. A closer look shows **goods inflation dipped to 3.1% year-on-year** from 3.2%, while **services inflation held steady at 3.6%**.

Figure 1: Headline inflation surprises to the downside

Source: Statistics SA & Minerals Council

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Breakdown:

In August, South Africa's headline CPI decreased by 0.1% month-on-month (m-o-m). Surveys conducted by Stats SA in August included hospitals and sports tickets. The main contributors to the 0.1% month-on-month decrease in CPI are outlined in more detail below.

Housing and Utilities: This subcomponent showed no m-o-m increase in August, a notable shift from the 2.5% m-o-m rise recorded in July. As a result, it did not contribute additional inflationary pressure and maintained its 1.0 percentage point contribution to the y-o-y headline inflation rate. All indicators within this subcomponent were flat, with no monthly deviations, except for maintenance and repair services, which registered a modest 0.2% m-o-m increase. Overall, the annual change remained steady at 4.3% y-o-y.

Food and Non-Alcoholic Beverages (NAB): Prices in this category declined by 0.1% m-o-m in August, easing to 5.2% y-o-y from 5.7% in July. This subcomponent contributed 0.9 percentage points to the overall headline inflation rate. Notably, vegetable prices fell by 3.1% m-o-m, while cereal products and processed foods declined by 0.3% and 0.6%, respectively. Milk, dairy products, and eggs remained flat, and fish, seafood, fruit, and nuts saw smaller monthly increases—indicating an overall softening in food price pressures.

However, meat prices remained elevated on an annual basis, even as monthly increases slowed to their lowest levels since April. For example:

- Beef mince rose 27.2% y-o-y, but only 0.2% m-o-m.
- Stewing beef increased 32.3% y-o-y, with a 0.6% m-o-m rise.
- Beef steak was up 28.6% y-o-y, yet declined 1.2% m-o-m.

These subdued monthly changes follow a factory-gate inflation rate of -7.8% in July for beef carcasses, suggesting upstream price relief is beginning to filter through.

In general, the Agricultural Business Chamber notes that South Africa's 2024-25 summer grains and oilseed harvest is estimated at 19.55 million tonnes, marking a 26% y-o-y increase. This broad uptick across all crop categories is largely attributed to favourable summer rains and decent area plantings. While the harvest was abundant, some white maize regions experienced quality issues. In addition to grains and oilseeds, various fruits and vegetables also saw ample harvests, contributing to the overall easing in food price pressures observed in August.

Alcoholic Beverages and Tobacco: In August, the overall price of alcoholic beverages remained unchanged m-o-m. However, wine prices saw a slight decline of 0.3% m-o-m, driven by a 1% drop in red wine prices, a 0.2% decrease in white wine, and a 0.5% fall in rosé prices. Tobacco prices were flat on a monthly basis, but rose by 4.2% year-on-year.

Other notable changes include:

Transportation: Transportation costs declined by 0.2% m-o-m in August, primarily due to lower fuel prices. Fuel price movements in August presented a mixed picture: 95-octane petrol dropped by 28 cents per litre, with 93-octane petrol seeing a similar decline, while 0.005% diesel rose by 63 cents and 0.05% diesel increased by 65 cents per litre. The overall fuel price dropped by 0.8% m-o-m,

aided by a decrease in the price of illuminating paraffin. Compared to August last year, fuel prices were 5.7% lower y-o-y.

Looking ahead, petrol and diesel prices have eased in September, which is expected to support a softer CPI print for the month. Preliminary data from the Central Energy Fund points to a mixed but generally favourable outlook for October: petrol prices are projected to increase by 7–16 cents per litre, while diesel prices may decline by around 10 cents per litre.

Outlook:

South Africa's August inflation print surprised to the downside, easing to 3.3% from 3.5% in July, and falling below market expectations. This unexpected moderation will weigh on the Monetary Policy Committee (MPC) when it convenes later today, 18 September, to decide on the repo rate. While the consensus view is that the South African Reserve Bank (SARB) will hold the repo rate steady at 7% (prime at 10.5%), the decision is now more finely balanced than previously thought.

The SARB's recent pivot toward targeting the lower end of the 3-6% inflation band—specifically 3%—marks a significant shift in its policy stance. This move, although not formally adopted by the National Treasury (yet), signals a more aggressive approach to anchoring inflation expectations. By aiming lower, the SARB is effectively tightening its grip on inflation, which in the short term implies higher nominal interest rates to reinforce policy credibility and guide wage and price-setting behaviour downward. Over the longer term, however, lower inflation should translate into a lower terminal interest rate, creating a more stable macroeconomic environment. Encouragingly, the strategy appears to be gaining traction. The Bureau for Economic Research's (BER's) Q3 Inflation Expectations Survey shows a decline in average headline inflation expectations over the next five years—from 4.4% in Q2 to 4.2% in Q3 2025. While still above the SARB's preferred level, this moderation suggests a shift in sentiment is underway. This evolving inflation landscape gives the SARB greater flexibility, especially in the context of global monetary easing—highlighted by the US Federal Reserve's 25bps rate cut yesterday, and its indication of further cuts ahead. Together, these developments support a more accommodative stance.

Still, domestic risks remain. The R54 billion out-of-court settlement between National Energy Regulator of South Africa (NERSA) and Eskom, which will result in electricity tariffs rising by an additional 2% each over the next two years, poses a threat to inflation from administered prices. Moreover, the 30% US tariffs on South African exports are exerting pressure on the current account and the rand, complicating the inflation outlook. Additionally, lower expected inflation directly translates into reduced short-term revenue estimates for National Treasury, as its projections are partly based on inflation-driven growth. This underscores the short-term trade-off: while lower inflation supports long-term stability, it can temporarily constrain fiscal inflows.

We remain cautiously optimistic about the possibility of one more 25 basis point rate cut before year-end, although we recognise this is a minority view. According to the latest analyst poll by Bloomberg, 13 out of 19 analysts expect the repo rate to remain on hold, while 6 anticipate a 25bps cut to 6.75%. This divergence reflects the complex interplay of domestic and global factors—from easing inflation and shifting expectations to administered price pressures and international policy dynamics. Our outlook leans toward further easing, but we acknowledge the SARB's decision will be finely balanced.

-End-

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