23 October 2025

Current (Actual)	**3.4%▲**	**September 2025 – Statistics SA**
Previous month	3.3%	August 2025 – Statistics SA

Medium-term Inflation Forecasts

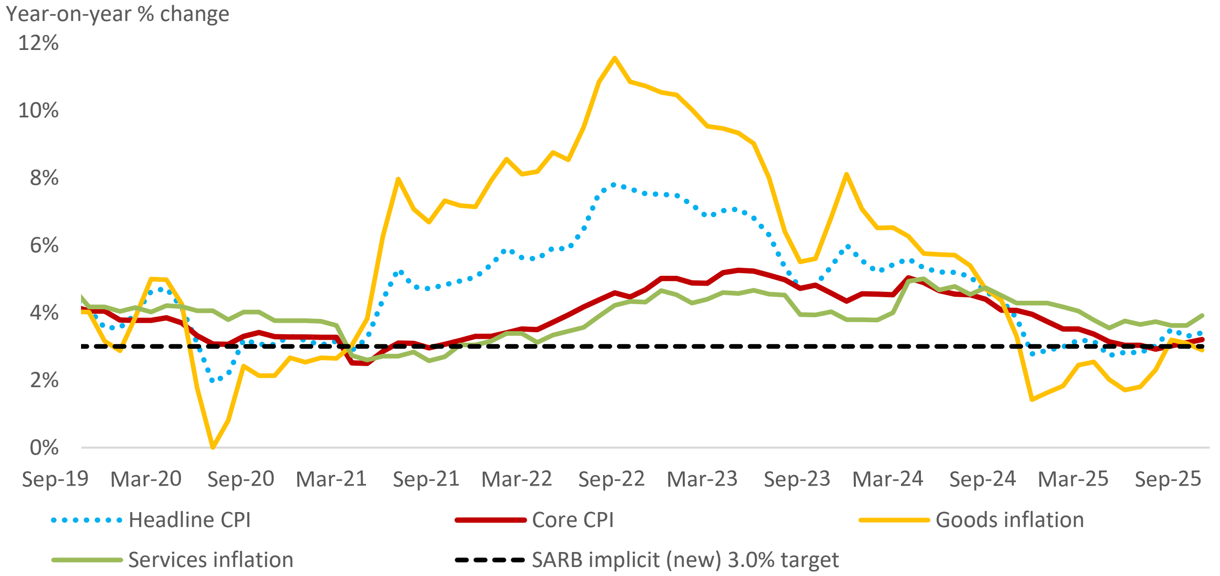
Institution	2025	2026	2027
SARB (September MPC)	3.4%	3.6%	3.1%
National Treasury (May Budget)	3.7%	4.2%	4.3%

Repo Rate	Prime Lending Rate
7.0%	10.50%

(Next SARB interest rate decision due: 20 November 2025)

As anticipated, housing and food remained the primary drivers of headline inflation in September, with South Africa's **Consumer Price Index (CPI)** edging up slightly to **3.4% year-on-year** (y-o-y)—up from 3.3% in August. This outcome was in line with Bloomberg's market consensus of 3.4%. While some food categories saw softer price increases and transport costs (particularly fuel) eased marginally, these were offset by rising housing rental and meat prices, resulting in the modest uptick in inflation. **Core inflation**, which excludes volatile food and energy components, also rose slightly to **3.2%** from 3.1% in August—marking the third consecutive monthly increase and exceeding market expectations. A closer breakdown reveals that **goods inflation** declined to **2.9%** year-on-year from 3.1%, whereas **services inflation** climbed to **3.9%** from 3.6%.

Figure 1: Services inflation at its highest since January 2025



Source: Statistics SA & Minerals Council

Breakdown:

In September, South Africa's headline CPI increased by 0.2% month-on-month (m-o-m). Surveys conducted by Stats SA in September included actual rentals for housing, owners equivalent rent,

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domestic services, taxi, bus and train fares, school transport, motor vehicle insurance and clinic services. These and the main contributors to the 0.2% month-on-month decrease in CPI are outlined in more detail below.

Housing and Utilities: This subcomponent rose by 0.6% m-o-m in September, mainly due to a 1.1% m-o-m increase in housing rentals, which were surveyed during the month. On an annual basis, housing rental prices were 3.2% higher than in September last year. Although gas and other fuels declined by 0.5% m-o-m, the overall impact was a 4.5% y-o-y increase in housing and utility costs. This subcomponent contributed 1.0 percentage point to the y-o-y headline inflation rate.

Food and Non-Alcoholic Beverages (NAB): Prices in this category declined by 0.2% m-o-m in September, easing to 4.5% y-o-y from 5.2% in August. This marks the second consecutive month of food price declines. The subcomponent contributed 0.8 percentage points to the overall headline inflation rate.

The primary drivers of the deceleration were:

- Fruit and nuts: -0.7% m-o-m
- Vegetables: -5.5% m-o-m
- Oils and fats: unchanged from August
- Milk and other dairy products: -0.4% m-o-m

The Agricultural Business Chamber notes that cereal product inflation remained moderate at +0.4% m-o-m, reflecting the benefits of a strong harvest and easing grain prices at the farm level. Similarly, the decline in prices for fruits, nuts, and vegetables has been attributed to ample supply in recent months.

However, meat prices continued to see substantial increases on an annual basis, increasing 11.7% y-o-y, even as monthly increases continued to slow. For example:

- Beef mince rose 28% y-o-y, and 0.6% m-o-m in September.
- Stewing beef increased 32.2% y-o-y, with no monthly increase recorded.
- Beef steak was up 29% y-o-y, and 0.2% m-o-m.
- Pork climbed 8.5% y-o-y while lamb increased 12.3% y-o-y
- Fresh chicken also climbed 3.2% annually.

According to the Agricultural Business Chamber, consumer demand appears more buoyant than previously expected, with shoppers continuing to purchase at elevated price levels—helping sustain them. Although supply-side pressures have eased, retail prices may be slow to adjust downward. This is likely because the market has seemingly adapted to higher prices without a significant drop in demand, which in turn reduces the incentive to accelerate price reductions—effectively reinforcing the lag in lowering meat prices.

Alcoholic Beverages and Tobacco: In September, the overall price of alcoholic beverages rose by 0.1% m-o-m, with wine showing the largest monthly increase at 0.4%. On a year-on-year basis, red wine prices climbed by 4.8%, white wine by 7.9%, and beer by 3.5%. Cigarette and tobacco prices also edged up, rising by 0.1% and 0.8% m-o-m respectively, and by 4.1% and 7.4% y-o-y.

Other notable changes include:

Transportation: Transportation costs declined by 0.1% m-o-m in September, mainly due to lower fuel prices, although passenger transport services saw increases. Train fares rose by 5.3% y-o-y, local bus fares by 3.4%, and taxi fares by 0.7%.

Fuel price movements in September brought some relief for travellers:

- **95- and 93-octane petrol** both decreased by 4 cents per litre
- **0.005% diesel** dropped by 57 cents per litre
- **0.05% diesel** increased by 56 cents per litre

Overall, fuel prices fell by 0.3% m-o-m.

October presented a mixed picture: petrol prices rose slightly (between 1 and 8 cents per litre), while diesel prices eased by 8 to 10 cents per litre. Looking ahead to **November**, preliminary data from the Central Energy Fund suggests a potential decrease in both petrol and diesel prices, ranging between 30 and 60 cents per litre—likely to ease inflationary pressure from the transport category.

Outlook:

Headline inflation came in at 3.4% y-o-y in September, as expected. With most indicators—aside from services inflation—hovering around the South African Reserve Bank's (SARB) 3% target, monetary policy appears to be having its intended effect. The next inflation expectations survey by the Bureau for Economic Research is scheduled after the Monetary Policy Committee (MPC) meeting in November. As a result, the SARB is likely to maintain interest rates at current levels until its next meeting in January 2026, allowing time to assess whether inflation expectations are aligning with the new target. Importantly, the Medium-Term Budget Policy Statement (MTBPS), set for release on 12 November, is expected to include a formal endorsement by National Treasury of the new 3% inflation target. This move would reinforce market confidence in South Africa's commitment to lower long-term inflation.

Globally, with expectations that the U.S. Federal Reserve may ease interest rates further, there is a possibility that the rand could strengthen, helping reduce import cost pressures. This would, in turn, give the SARB more flexibility to lower interest rates—provided inflation expectations show signs of moderation. However, any signal of rate cuts may be more appropriate in early 2026, once November's inflation expectations data is reviewed. Looking ahead, the SARB forecasts average inflation of 3.4% for 2025. With the current average at 3.1%, headline CPI is expected to rise slightly over the final quarter of the year—unless price movements surprise to the downside.

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