20 November 2025

Current (Actual)	**3.6%▲**	**October 2025 – Statistics SA**
Previous month	3.4%	September 2025 – Statistics SA

Medium-term Inflation Forecasts

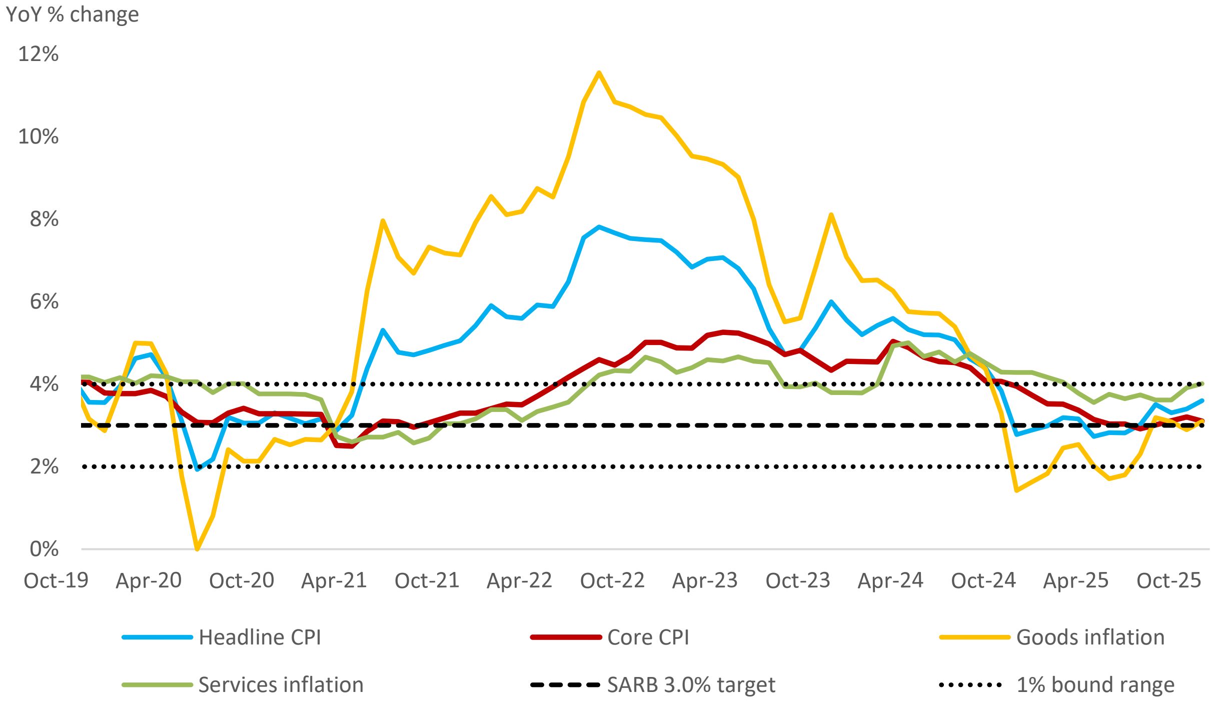
Institution	**2025**	**2026**	**2027**
SARB (September MPC)	3.4%	3.6%	3.1%
National Treasury (November MTBPS)	3.3%	3.7%	3.3%

Repo Rate	**Prime Lending Rate**
7.0%	10.50%

(Next SARB interest rate decision due: 20 November 2025 @ 15:00)

As expected, South Africa's **Consumer Price Index (CPI)** edged up to **3.6% year-on-year** (y-o-y) in October, from 3.4% in September. The increase was largely driven by higher transportation costs and housing and utilities, in line with anticipated inflation for the year. Notably, the outcome was slightly below Bloomberg's market consensus of 3.7%, offering a modest positive surprise. Transport costs reversed after 13 months of deflation, adding upward pressure on prices. However, food prices eased for the third consecutive month. **Core inflation**, which excludes volatile food and energy components, **dipped to 3.1%** from 3.2% in September, again below Bloomberg's market consensus. A closer look shows **goods** inflation rising to **3.1%** y-o-y from 2.9%, while **services** inflation climbed to **4.0%** from 3.9%.

Figure 1: Inflation Stable Within New Target Band Around 3%



Source: Statistics SA & Minerals Council

T +27 11 498 7100 E info@mineralscouncil.org.za W www.mineralscouncil.org.za
7th Floor, Rosebank Towers, 19 Biermann Avenue, Rosebank, 2196

Breakdown:
Headline CPI rose by 0.1% month-on-month (m-o-m). In October, Stats SA conducted surveys on satellite television prices, gym fees, funeral expenses and policies, as well as sports tickets. Below, we outline the main contributors to the increase.

Housing and Utilities: This subcomponent remained flat on a month-on-month basis. Year-on-year, housing and utility prices were 4.5% higher than in October last year. It continues to be the largest contributor to headline inflation, accounting for 1.1 percentage points of the overall headline figure.

Food and Non-Alcoholic Beverages (NAB): Prices in this category again declined by 0.2% m-o-m in October, the third consecutive monthly decline. On an annual basis, prices eased to 3.9% y-o-y from 4.4% in September. The subcomponent contributed 0.7 percentage points to the overall headline inflation rate.

The primary drivers of the deceleration were:

- Vegetables: -3.0% m-o-m
- Processed food: -0.6% m-o-m
- Cereal products: -0.1% m-o-m

The Agricultural Business Chamber notes that cereal product inflation remains moderate, reflecting South Africa's abundant grain harvest. The 2024-25 summer grains and oilseed crop is estimated at 20.08 million tonnes—up 30% year-on-year. Fruit and vegetable harvests have also been plentiful, contributing to continued price easing in these categories. Meat prices remained unchanged month-on-month in October but continued to reflect significant annual increases, albeit at a slower pace. Year-on-year **meat inflation** eased slightly to **11.4%** in October, down from 11.7% in September. Double-digit annual increases were recorded across several categories though:

- Stewing beef (30,9%)
- Beef mince (27,1%)
- Boerewors (15,6%)
- Beef steak (27,9%)
- Sausages (17,3%)
- Mutton (13,4%)

While these elevated prices are expected to gradually moderate in the coming months, they remain sticky and are adjusting downward only slowly.

Alcoholic Beverages and Tobacco: In October, alcoholic beverages recorded a notable month-on-month increase of 0.6%, driven primarily by beer (+1.2%) and spirits and liqueurs (+0.4%). Within spirits, gin prices rose by 0.5%, while vodka climbed 0.6%. On a year-on-year basis, red wine prices advanced 5.0%, white wine 6.8%, and beer 4.6%.

Cigarette and tobacco prices also edged higher, up 0.2% and 0.8% m-o-m respectively, and by 4.1% and 7.7% y-o-y.

Transportation: As noted earlier, transportation costs slipped out of deflationary territory for the first time in 13 months, adding slight upward pressure on headline inflation. Prices rose 0.1% m-o-m in **October**, driven mainly by petrol price increases and a 0.3% rise in passenger transport services. Domestic airfares recorded the sharpest increase ahead of the festive season, surging 6.1% m-o-m.

Fuel prices eased significantly in **November**, providing welcome relief for consumers and travellers. The changes were as follows:

- **95- and 93-octane** petrol: ↓ 51 cents per litre
- **Diesel (0.005%)**: ↓ 19 cents per litre
- **Diesel (0.05%)**: ↓ 21 cents per litre

Looking ahead to **December**, when holiday travel peaks, preliminary data from the Central Energy Fund points to a potential reversal. Early estimates suggest:

- **Petrol**: ↑ 20–30 cents per litre
- **Diesel**: ↑ 70–90 cents per litre

If these increases materialise, they will coincide with the festive season, adding renewed inflationary pressure from the transport category in the final month of the year.

<u>Outlook:</u>

Headline inflation rose to 3.6% year-on-year in October, slightly below Bloomberg's market consensus of 3.7%. Year-to-date inflation is averaging 3.2%, which suggests that November and December headline inflation would need to come in around 3.8% to meet National Treasury and SARB's annual projection of 3.3–4%. However, given that inflation has surprised to the downside on multiple occasions, there is a strong possibility that it will remain subdued, offering a positive surprise for consumers and markets.

On 12 November, the Minister of Finance delivered the Medium-Term Budget Policy Statement for 2025, marking the most significant shift in South African monetary policy in decades. National Treasury has officially endorsed a 3% inflation target with a 1% tolerance band to accommodate transitional shocks. This move aligns with the SARB's decision in July and signals a structural shift toward lower inflation. A lower target will allow for more interest rate cuts than under the previous 4.5% target, improve South Africa's competitiveness, and reduce long-term borrowing costs. The SARB plans to guide inflation and expectations toward the new target over the next two years, with the repo rate likely settling near 6% by 2027. This could bode well for sectors such as mining, which could benefit from lower inflation through reduced wage escalations and borrowing costs over time.

The SARB meets today for its final Monetary Policy Committee meeting of the year to decide whether to adjust the repo rate. Our view is that there is sufficient room for a 25 basis point cut, a position shared by several analysts. The timing, however, remains a challenge as the SARB awaits the fourth-quarter inflation expectations survey from the BER and continues steering inflation toward the new 3% target. However, with National Treasury's formal endorsement of the 3% target, inflation expectations should trend lower, strengthening the case for a cut today.

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André Lourens
Economist
Email: **<u>alourens@mineralscouncil.org.za</u>**