

<b>Current (Actual)</b>	<b>3.6% ▲</b>	<b>December 2025 – Statistics SA</b>
Previous month	3.5%	November 2025 – Statistics SA
Average for 2025	3.2%	

**Medium-term Inflation Forecasts**

<b>Institution</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
SARB (November MPC)	3.3%	3.5%	3.1%
National Treasury (November MTBPS)	3.3%	3.7%	3.3%

**Repo Rate**  
6.75%

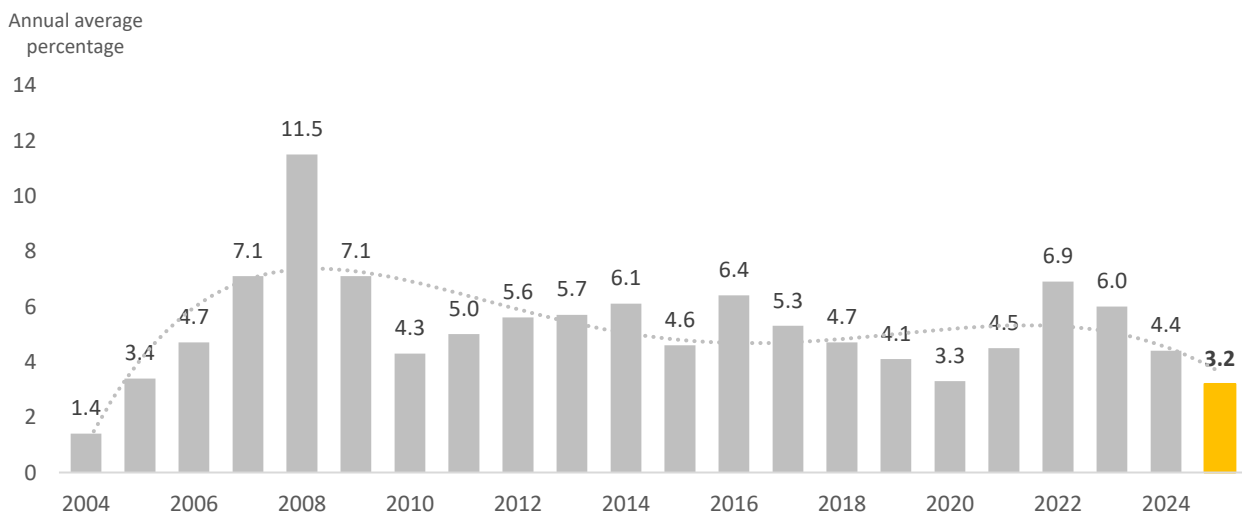
**Prime Lending Rate**  
10.25%

(Next SARB interest rate decision due: 29 January 2026 @ 15:00)

South Africa’s **Consumer Price Index (CPI)** rose in line with expectations from Bloomberg economists, increasing to **3.6% year-on-year (y-o-y)** in December from 3.5% in November. With December completing the 2025 calendar-year data, **annual inflation averaged 3.2%** - the **lowest rate in two decades**, last matched in 2004. Comparable lows were also recorded in 2005 (3.4%) and again in 2020 (3.3%). The key takeaway is that, while inflation has been at record lows, the risks are now tilted firmly to the upside. Against a backdrop of renewed global economic uncertainties, the South African Reserve Bank (SARB) is likely to remain cautious when setting interest rates in 2026.

**Core inflation**, which excludes volatile food and energy prices, edged higher to **3.3%** from 3.2% in November. Looking at the split between goods and services inflation, **goods** inflation edged up to **3.0% y-o-y** from 2.9%, while **services** inflation rose for the fourth consecutive month, increasing to **4.2% in December** from 4.1% in November.

**Figure 1: Annual Inflation Reaches Lowest Level in 21 Years**



Source: Statistics SA & Minerals Council

### Breakdown:

In December, the CPI index declined by 0.2% month-on-month (m-o-m). This release also coincided with Stats SA's quarterly survey of housing rents. Other items surveyed in December included domestic services, taxi, bus and train fares, motor insurance, and clinic and inpatient services. Sports event tickets were also surveyed in December. Below, we discuss in detail the biggest contributors to the headline CPI rate.

- 1. Housing and Utilities:** Housing and utilities continued to be the largest contributor to headline inflation in December, accounting for 1.2 percentage points of the overall 3.6% CPI rate. In terms of weighting, this subcategory accounts for 24.1% of total household expenditure as measured by the CPI.
  - Overall, housing and utility prices were 4.9% higher in December 2025 compared to December 2024, and 0.6% higher m-o-m. As noted, actual rentals and owners' equivalent rent were surveyed in December. On a quarterly basis, rental costs in Q4 2025 rose by 0.8% compared with Q3 2025. The annual increases were more pronounced: overall rentals were up 3.7% annually, with **townhouse** rentals rising by 4.6%, **flat** rentals by 4.2%, and **house** rentals by 3.3% compared with 2024.
  - The annual cost of housing, which accounts for nearly a quarter of the CPI basket, rose at a rate above the overall annual inflation average recorded in 2025.
- 2. Food and Non-Alcoholic Beverages (NAB):** Prices in this category edged up 0.2% m-o-m in December, making it the second-largest contributor to the 3.6% headline CPI, accounting for 0.8 percentage points. Households spend around 18.23% of their income on this subcategory.
  - On an annual basis, food inflation accelerated to 4.4% y-o-y, unchanged from November. There was, however, some relief for consumers in specific categories: prices for **fruits and nuts** fell by 1.5% m-o-m, **vegetables** by 1.0%, and **milk, dairy and eggs** by 0.1%, while **fish and seafood** prices were unchanged in December. On the other hand, meat prices continued to rise, increasing 0.9% m-o-m and reaching 12.6% y-o-y. **Beef prices** in particular saw substantial increases, with beef mince **up 28.4% y-o-y**, **stewing beef** up 29.4%, and **beef steak** also up 29.4%. **Pork** prices climbed 11.5% y-o-y, while **lamb** and mutton rose 15%.
  - Lastly, **hot beverages** recorded a 0.4% m-o-m increase, driven largely by a sharp rise in instant coffee prices, which are now 12.7% higher than a year ago. **Cold beverages** also rose by 0.5% m-o-m, with soft drink prices up 2.8% y-o-y.
- 3. Insurance and Financial Services:** Prices in this subcategory increased by 7% y-o-y, contributing 0.7 percentage points to the headline figure. On average, households spend around 10.4% of their income on this category.
  - The largest contributor to cost increases in this subcategory was a 10.6% rise in **health insurance** (medical aid contributions), which drove the overall increase in annual insurance costs. **Bank charges** also increased by 5.2% y-o-y, adding upward pressure to financial services costs.

4. **Transportation:** Transportation costs increased in December by 0.7% m-o-m, contributing 0.1 percentage points to the 3.6% headline CPI. This was expected and mainly driven by two factors. The first is the increase in fuel prices: 95- and 93-octane petrol increased by 29 cents per litre, while diesel increased 82.48 cents (0.005%) and 65.48 cents (0.05%). Second, passenger transportation costs increased, consistent with peak festive-season travel in December. **Long-distance bus fares** surged by 28.6% m-o-m, although they remained 5.6% cheaper than a year earlier. **Mini-bus taxi fares** also rose, increasing by 0.2% m-o-m and 0.6% y-o-y.

For January, the sharp decline in fuel prices should help ease inflationary pressures from the transport component. Petrol fell by 66 cents per litre for 95 octane and by 62 cents per litre for 93 octane. Diesel prices dropped even more sharply—by 150 cents per litre (0.005%) and 137 cents per litre (0.05%), depending on the grade. Looking ahead to February, prices are expected to decline further. As a result of the stronger rand and lower petroleum product prices, preliminary data from the Central Energy Fund indicate that fuel prices across the board could fall by a further 60–80 cents per litre.

#### Outlook:

Headline inflation remains benign, coming in slightly below the expectations of both the SARB and National Treasury. This likely means the SARB will revise its inflation forecast modestly downward when the Monetary Policy Committee meets next week to set interest rates. Although inflation reached a multi-decade low in 2025, developments in early 2026 highlight that risks to the global economy, trade flows, and—by extension—the exchange rate remain elevated. While the rand has performed strongly in the first weeks of January, vulnerabilities persist, particularly in light of renewed concerns about tariffs on South Africa and the possibility of a broader global trade war. Such developments would weigh heavily on the domestic economy.

That said, several positive factors support the case for monetary easing. Inflationary pressures have been successfully contained and surging precious-metal prices are strengthening the trade balance and supporting the rand. These dynamics suggest that the SARB's Monetary Policy Committee is likely to lower interest rates in the first quarter of 2026. The key question is one of timing. Given the risks outlined above—and considering the newly lowered inflation target announced in November last year from a 3-6% range to a point target of 3%, with a 1% tolerance band (2% to 4%)—the MPC may adopt a more cautious approach and opt to cut rates only in March. Regardless of the exact timing, further relief in borrowing costs appears likely. However, the medium- to long-term outlook will continue to be shaped primarily by global developments and South Africa's exposure to them.

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**André Lourens**  
**Economist**

Email: [alourens@mineralscouncil.org.za](mailto:alourens@mineralscouncil.org.za)