

Current (Actual) 3.5% ▼
 Previous month 3.6%
 Inflation target band 3% ± 1%

January 2026 – Statistics SA
 December 2025 – Statistics SA

Medium-term Inflation Forecasts

Institution	2026	2027	2028
SARB (January MPC)	3.3%	3.2%	3.0%
National Treasury (November MTBPS)	3.7%	3.3%	3.2%

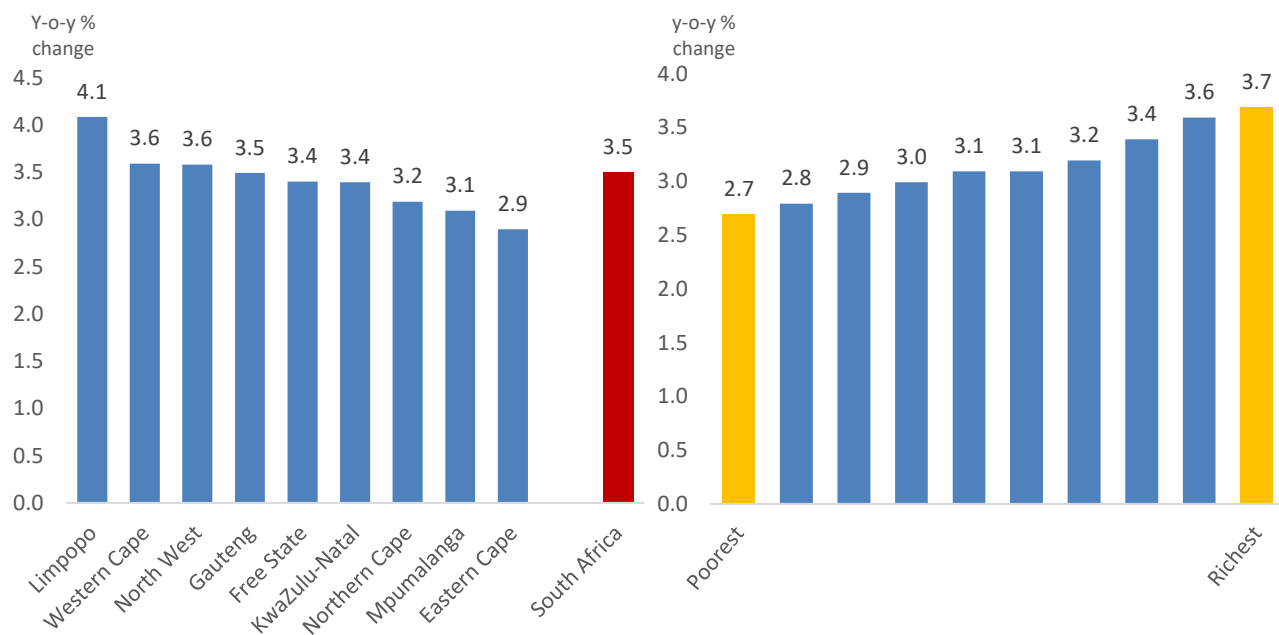
Repo Rate
6.75%

Prime Lending Rate
10.25%

(Next SARB interest rate decision due: 26 March 2026 @ 15:00)

South Africa’s **Consumer Price Index (CPI)** eased marginally, declining from 3.6% year-on-year (y-o-y) in December to **3.5% in January 2026**. At its January meeting, the South African Reserve Bank (SARB) Monetary Policy Committee (MPC) opted to keep interest rates unchanged, although two of the six MPC members voted in favour of a rate cut. January’s CPI outcome of 3.5% came slightly above Bloomberg’s market consensus estimate of 3.4%. Meanwhile, **core inflation**, which excludes volatile food and energy prices, increased to 3.4% from 3.3% in December. This slight persistence in underlying inflation likely explains the split vote, as the SARB continues to assess whether inflationary pressures are sufficiently balanced and on a sustainably declining path toward the new 3% target range. Looking at goods and services inflation, **goods** inflation eased to **2.7%** y-o-y from 3.0%, while **services** inflation remained unchanged at **4.2%** in January.

Figure 1: Headline CPI by Province and Income Group



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:

1. **Housing and utilities** remained the largest contributor to headline inflation in January, accounting for 1.2 percentage points of the overall 3.5% CPI rate. No month-on-month (m-o-m) increases were recorded in this category, as prices for water, electricity and rentals are typically adjusted annually, while rental and actual housing costs are surveyed quarterly. The next survey of actual rentals and housing costs is scheduled for March. Figure 1 illustrates differences in inflation experienced across regions and income groups. Higher-income households tend to allocate a larger share of their expenditure to housing and utilities, which likely explains why this group experiences relatively higher inflation in South Africa. On the other hand, as a share of total income, lower-income households typically spend more on food and transport (given South Africa's spatial dynamics). At a provincial level, Limpopo stands out, recording the highest average inflation rate in the country.

2. **Food and Non-Alcoholic Beverages (NAB)**: Prices in this category edged up 0.4% m-o-m in January, making it the second-largest contributor to the 3.5% headline CPI, accounting for 0.8 percentage points. Households spend around 18.23% of their income on this subcategory.
 - **Beef prices** continued to rise, reflecting ongoing pressures from the foot-and-mouth disease outbreak, which has led the President to declare the situation a national disaster. According to Statistics South Africa, three beef products recorded the highest annual inflation rates among all 391 items in the CPI basket: beef **steak** (+31.2% y-o-y), **stewing** beef (+30.3% y-o-y) and beef **mince** (+28.0% y-o-y).
 - **Pork prices** also rose sharply, accelerating to 19.5% y-o-y from 11.5% y-o-y previously. Renewed concerns around outbreaks of African swine fever (ASF) have raised the risk of supply constraints in the pork industry, placing additional upward pressure on prices.
 - On a positive note, **cereal product** prices declined by 0.9% m-o-m. As highlighted in earlier notes, South Africa has recorded an abundant harvest, with the 2024-25 **summer grains and oilseeds** crop estimated at 20.1 million tonnes, up 30% y-o-y. The outlook for the new season also remains favourable. The Agricultural Business Chamber notes that farmers have planted a sizeable area, with preliminary plantings for the 2025–26 summer grains and oilseeds season estimated at 4.5 million hectares, up 2% y-o-y.

Overall, the Agricultural Business Chamber notes that South Africa's consumer food price inflation is likely to moderate in 2026, supported by lower grain, fruit and vegetable prices amid ample domestic and global supplies, as well as easing vegetable oil prices. **Meat inflation** is also expected to pose **limited upside risk**. While the pace of cattle slaughter has slowed marginally, the decline has not been significant, and overall meat supplies remain ample. In fact, cattle slaughter in 2025 was around 5% lower than in 2024 as foot-and-mouth disease intensified, yet this has not resulted in supply constraints.

Moreover, outbreaks of foot-and-mouth disease typically lead to temporary closures of certain export markets, increasing domestic meat availability and helping to contain price pressures. Against this backdrop, base effects in meat prices, together with sufficient supply conditions, should continue to

support a moderation in food inflation. As such, the food price inflation data released by Statistics South Africa on Wednesday is likely the upper end of where food inflation will average this year.

3. **Insurance and Financial Services:** Prices in this subcategory increased by 6.8% 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.
 - Several **banks** implemented **annual fee increases** in January, leading to an average month-on-month (m-o-m) rise of 4.1% in the financial services index compared with December. This increase contributed to an annual inflation rate of 4.9% for the category.
4. **Transportation costs** decreased by 1.1% m-o-m in January, driven largely by lower **fuel prices**. During the month, the price of 95-octane petrol fell by 66 cents per litre to R20.75/litre, while 93-octane petrol declined by 62 cents per litre to R20.64/litre. Diesel prices also eased sharply, with 0.005% sulphur diesel down by 150 cents per litre to R18.52/litre and 0.05% sulphur diesel down by 137 cents per litre to R18.42/litre. These fuel price reductions helped to lower transportation costs across the economy. Passenger transport costs also declined by 1.7% m-o-m. Following the peak December travel period, long-distance **bus fares** fell by 30.1% m-o-m in January, while **airfares** were nearly 12% cheaper than in December.

Fuel prices declined further in **February**, while preliminary data from the Central Energy Fund point to a mixed outlook for **March**. Petrol prices are expected to remain broadly unchanged, with the possibility of only marginal increases of a few cents per litre. By contrast, diesel prices are likely to rise more sharply, with increases of around 40-50 cents per litre currently indicated.

Outlook:

January's inflation outcome came in slightly above expectations. Nonetheless, in line with most market commentators, we continue to expect the South African Reserve Bank (SARB) to proceed with its interest-rate easing cycle this year. The likelihood of a further three 25-basis-point rate cuts remains intact, broadly consistent with the SARB's own modelling, although this outlook is contingent on global and domestic risks remaining contained.

Some upside risks to inflation persist. Oil prices have been trending higher, with crude prices in January almost 5% above December 2025 levels, and price pressures have yet to ease meaningfully in February. Offsetting this, however, is the strength of the rand, which has traded firmer against South Africa's major trading partners through January and into February, helping to contain imported inflation.

Looking ahead, electricity tariffs are set to rise by 8.76% in April for industrial customers, while households are likely to face higher electricity costs from July, when municipalities implement their annual tariff increases. This will place upward pressure on headline inflation later in the year. However, if the rand remains resilient, food price inflation has indeed peaked and moderates over the course of the year, and crude oil prices remain relatively contained, headline inflation should average around 3.3% in 2026, in line with the SARB's current forecast.

-End-

André Lourens
Economist
Email: alourens@mineralscouncil.org.za