

Current (Actual)	4.5% ▲	May 2026 – Statistics SA
Previous month	4.0%	April 2025 – Statistics SA
Inflation target band ¹	3% ± 1%	

Medium-term Inflation Forecasts

Institution	2026	2027	2028
SARB (May MPC)	4.4%	3.7%	3.0%
National Treasury (February '26 Budget)	3.4%	3.3%	3.2%

SARB Policy Rate

7.00%

Prime Lending Rate

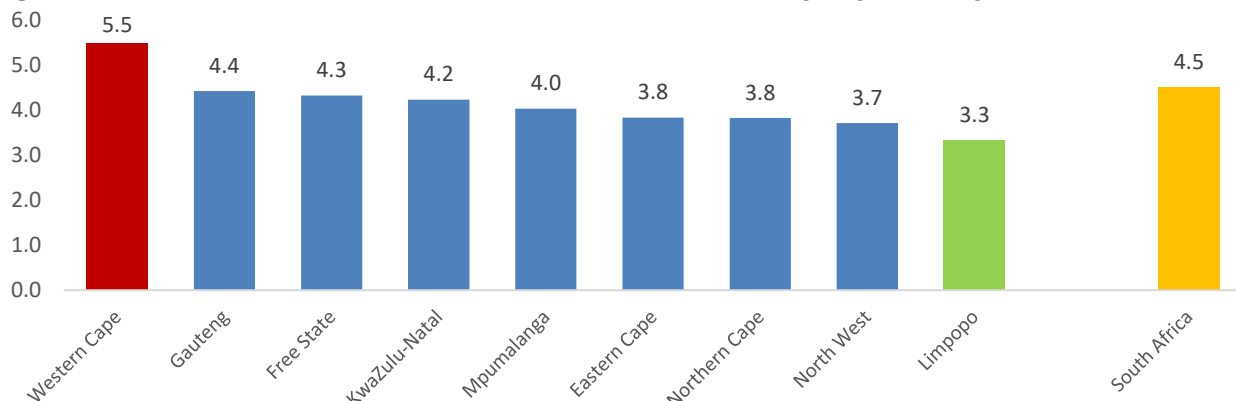
10.50%

(Next SARB interest rate decision due: 23 July 2026 @ 15:00)

South Africa’s **Consumer Price Index (CPI)** continued to rise, moving above the upper end of the South African Reserve Bank’s (SARB) target band, increasing from 4.0% year-on-year (y-o-y) in April to **4.5%** in **May 2026**. Interestingly, the outcome came in below Bloomberg’s market consensus of 4.7%. However, this offers limited comfort, as inflationary pressures have likely not yet peaked.

Core inflation, which excludes food and energy, continued to edge higher, **rising to 3.8%** from 3.6% in April and marking a third consecutive increase. This points to a gradual firming in underlying inflationary pressures, which is likely to remain a concern for the SARB and supports its precautionary 25 basis point increase in the policy rate in May. **Food** inflation, however, remained benign, with prices unchanged month-on-month (m-o-m). Therefore, the increase in headline inflation was driven primarily by **fuel** prices, which **surged by 14.3%** m-o-m. The sharp rise in fuel costs, reflecting the impact of conflict in the Middle East and heavily constrained shipping through the Strait of Hormuz, also began to feed through into broader price dynamics. In particular, **goods** inflation accelerated noticeably to 4.4% y-o-y from 3.4%, while **services** inflation edged up marginally to 4.7% from 4.6%.

Figure 1: Provincial Comparison of Headline CPI Inflation (y-o-y %), May 2026



Source: Statistics SA & Minerals Council

¹ In November 2025, National Treasury formally adopted a 3% inflation target with a 1-percentage-point tolerance band to allow for temporary shocks. Prior to this shift, South Africa operated within a 3–6% target range, with policy generally guided toward the informal midpoint of 4.5%.

Figure 1 compares headline inflation across provinces. In May, the Western Cape recorded the highest inflation at 5.5% y-o-y— one percentage point above the national rate of 4.5%. At the other end of the spectrum, Limpopo experienced the lowest price growth at 3.3% y-o-y.

Below, we discuss housing and utilities, transport, insurance and financial services, and food and non-alcoholic beverages, the categories that drove headline inflation in May.

Group	Contribution (% point)
	May 2026
Housing and utilities	1.3
Transport	1.3
Insurance and financial services	0.6
Food and non-alcoholic beverages	0.4
Restaurants and accommodation services	0.3
Alcoholic beverages and tobacco	0.2
Health	0.1
Recreation, sport and culture	0.1
Education services	0.1
Personal care and miscellaneous services	0.1
Residual	-0.1
All items	4.5

Breakdown:

- Housing and utilities** remained the primary driver of inflation, contributing 1.3 percentage points to the overall 4.5% CPI rate. In May, Stats SA surveyed prices for electricians and plumbers. The cost of electricians rose by 4.0% m-o-m, with prices up 6.0% compared to a year earlier. Similarly, plumber costs increased by 4.1% m-o-m, also reflecting a 6.0% y-o-y rise. Other maintenance costs also showed increases, including paint (+1.7% m-o-m), cement (+2.0%), and varnish (+0.9%). As a result, maintenance and repair costs for housing and utilities rose by 2.4% m-o-m, with annual inflation at 4.3%.
- Transport** match inflationary pressure from housing and utilities in May, driven primarily by a sharp **14.3% m-o-m surge in fuel** prices. This was much expected and followed the fuel price increases in April. On an annual basis, fuel prices are 28.7% higher than a year earlier. May also saw transport services of goods increase by 2.2% m-o-m. This is as a result of increased postal and courier costs, no doubt passing along the higher fuel costs.

Fuel price pressures in May were significant, with both 95 and 93 octane petrol increasing by R3.27 per litre, while 0.05% and 0.005% diesel rose even more sharply by R5.27 per litre. June brought some emerging relief. Petrol prices stabilised somewhat, with 95 octane unchanged and 93 octane increasing by a more modest R1.43 per litre. Diesel prices declined meaningfully, falling by R2.62 per litre (0.005%) and R3.25 per litre (0.05%). At the same time, National Treasury began gradually unwinding the temporary fuel levy relief introduced at the onset of the crisis. In June, R1.50 of the original R3.00 per litre relief was reinstated, with the remaining R1.50 scheduled for July. Despite this partial rollback, current indications from the Central Energy Fund suggest a broad-based easing in fuel prices in July. Petrol prices (95 and 93 octane) are expected to decline by around R2.80 per litre, while diesel prices are projected to fall by approximately R4–R5 per litre. Even after accounting for the remaining R1.50 fuel levy increase, fuel prices are likely to decline across the board.

- 3. Insurance and financial services** were the third-largest contributor to headline inflation. Prices were unchanged on a month-on-month basis; however, upward pressure reflects annual increases in items such as health insurance (+8.3% y-o-y), life insurance (+0.6%), and building insurance (+0.7%).
- 4. Food and non-alcoholic beverages** continued to moderate, slowing to 1.6% (y-o-y) in May 2026 from 2.8% in March, its lowest level in 17 months. The deceleration has been broad-based, driven by lower prices for grains and oilseeds, fruit, and vegetables, supported by ample domestic and global supplies.

The Agricultural Business Chamber notes that meat prices have posed limited inflationary risk, with slower growth reflecting base effects and continued slaughter, while poultry production conditions remain favourable. A strong grain harvest is also underpinning the disinflationary trend, with summer grains and oilseeds production forecast at a record 21.1 million tonnes, adding to already elevated stock levels and keeping prices under pressure. Globally, large harvests have further reinforced this downward momentum. Despite localised weather-related disruptions in South Africa, fruit supply remains strong, with robust exports of citrus, table grapes, and stone fruits, while domestic availability remains adequate. Vegetable production conditions are also broadly favourable, supporting supply.

Overall, agricultural fundamentals point to continued moderation in food price inflation through 2026. Lower fuel costs, supported in part by easing global supply risks, should further reduce distribution costs, which are significant given that more than 80% of staple foods are transported by road.

Outlook:

There are early signs that inflationary pressures could start easing. When the SARB raised the policy rate by 25 basis points in May, the conflict in Iran remained unresolved, driving up oil and fuel prices and heightening global uncertainty. In this context, the SARB acted pre-emptively, signalling its commitment to anchoring inflation expectations around its new 3% target. Since then, conditions have improved. June saw an extended ceasefire and a memorandum of understanding between the United States and Iran, effectively pausing the conflict. Markets have responded positively, with oil prices easing and global supply chains expected to normalise over time, developments that support a more favourable inflation outlook. Importantly, the SARB's latest forecasts, projecting inflation to moderate from 4.4% in 2026 to 3.7% in 2027, before returning to the 3% target in 2028, were formulated before these recent developments. As such, the inflation trajectory could improve further if current conditions persist.

For the mining sector, this inflation shock is significant. In January 2026, the SARB projected inflation of 3.3% for the year; this has since been revised up to 4.4%. This upward shift materially affects wage expectations and will likely place increased pressure on the sector's wage bill in upcoming negotiations. In addition, higher fuel prices have directly raised input costs, particularly for operations that are more diesel-intensive. While the extent of the impact varies across commodities, the combined effect of higher wage pressures and elevated input costs ultimately weighs on profitability.

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