

Consumer inflation

ECONOMICS | SOUTH AFRICA

Lower food and fuel prices subdued inflation

- **Headline consumer inflation** moderated from 3.5% in July to 3.3% in August. The outcome was in line with our forecast, but below the market consensus of 3.6%. The easing was primarily driven by food and non-alcoholic beverages and continued deflation in transport.

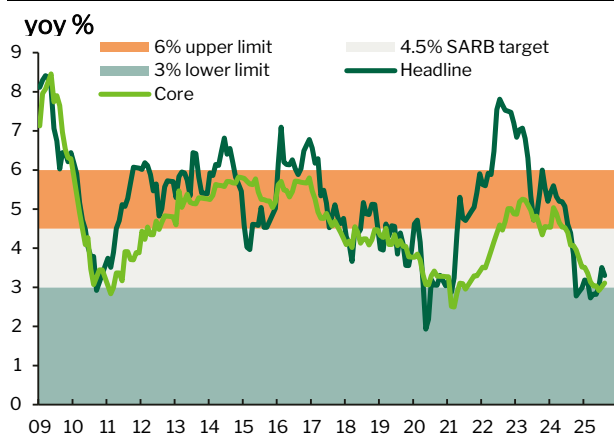
Table 1: Key Inflation Outcomes

	Aug-25		July 25	Forecasts (yoy %)	
	yoy %	mom %	yoy %	Nedbank	Reuters
Headline	3.3	-0.1	3.5	3.3	3.6
Core	3.1	0.1	3	3.1	3.1

Source: Stats SA, Nedbank GEU, Refinitiv

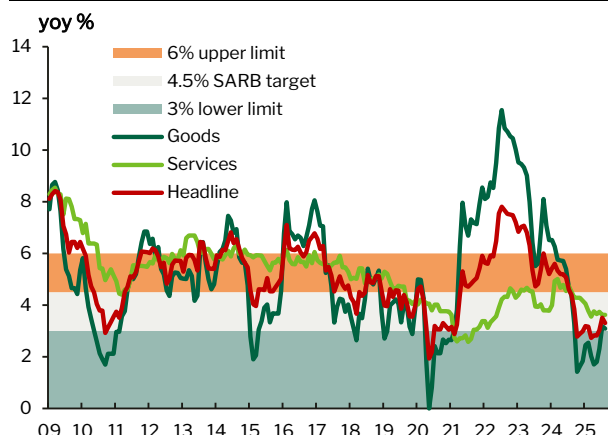
- **Food and non-alcoholic beverages prices** slowed and fell from 5.7% yoy to 5.2% after food moderated from 5.5% to 5.2%, outweighing an acceleration in non-alcoholic beverages from 4.4% to 4.9%. Despite a slowdown in food inflation, meat prices continued to climb from 10.3% to 11.3%, its highest since February 2023, reflecting the impact of the foot-and-mouth outbreak. Oils and fats prices also increased slightly from 4.6% to 4.8%. However, fruit (8.6% from 9.5%) and vegetables (9.3% from 14.6%) slowed. At the same time, milk, dairy, and eggs declined for the third consecutive month, with the rate of decline deepening from -0.8% to -1.1%.
- **Housing and utilities inflation** held steady at 4.3%, with most subcategories unchanged. However, electricity and other fuels eased from 8.9% to 8.7%.
- **Alcoholic beverages and tobacco inflation** edged down from 4.6% to 4.3% following a slowdown in the prices of both alcoholic beverages and tobacco.
- The **deflation in transport** continued, albeit at a slower pace. The decline was led by a further drop in fuel prices, which fell by a deeper 5.7% as global oil prices remained low and the rand firmed. Public transport prices also declined. These outweighed an increase in vehicle prices.
- Meanwhile, **core inflation**, which excludes food and energy prices, rose slightly from 3% to 3.1%.

Chart 1: Headline eased and core edged up slightly



Source: Stats SA

Chart 2: Services slowed while goods inflation rose.



Source: Stats SA

- **Goods inflation** inched lower from 3.2% to 3.1% driven by softer non-durable goods inflation (4.2% from 4.5%) and shallower deflation in durable goods (-0.4% from -0.6%). Services was unchanged at 3.6%.
- We still expect inflation to trend moderately higher in the months ahead, ending the year at around 4%, with food remaining the primary driver. The upward pressure on food will continue to come from a low base, rising global food prices and elevated domestic meat prices. On meat prices, delays in the vaccination of animals for foot-and-mouth disease will keep

meat prices higher for longer. Even with vaccination efforts, it will take time for farmers to restore their herds to pre-outbreak levels. However, the upward pressure will be contained by favourable weather conditions, which have boosted this season's field crop harvests. Higher electricity prices are also a concern. NERSA approved a 12.7% tariff hike for 2025/26 and 8% for the next two years. These hikes will gradually filter through to services inflation. Nonetheless, lower fuel prices will help offset the inflationary effects of rising food and electricity costs. We expect fuel prices to be kept in check by ample global supply and subdued demand. Also, the rand will hold onto its recent gains, supported by a range-bound US dollar. Although inflation will increase, it will remain relatively muted, averaging around 3.3% in 2025. Thereafter, we expect inflation to rise to an average of 4.3% in 2026, before gradually moderating towards 3% during 2027. Given the mild inflation outlook, tomorrow's MPC decision will be a close call. With inflation rising from the SARB's preferred 3% anchor, we base view is that the MPC will leave interest rates unchanged. However, the rand's recent rally and the likely further easing in US monetary policy have improved the odds of another rate cut.

Table 2: CPI Breakdown

CPI Basket	Weight Base 2022	Aug-25			Jul-25	Aug-24
		Mom%	Yoy%	Contribution (PPTS)	Yoy%	Yoy%
CPI for all urban areas: Headline	100.00	-0.1	3.3	3.3	3.5	4.4
Food & non-alcoholic beverages	18.23	-0.1	5.2	1.0	5.7	4.7
Food	16.84	-0.1	5.2	0.9	5.5	4.1
Non-alcoholic beverages	1.39	0.8	4.9	0.1	4.4	9.9
Alcoholic beverages & tobacco	4.64	0.0	4.3	0.2	8.9	4.4
Clothing & footwear	3.90	0.1	1.2	0.0	2.1	1.9
Housing & Utilities	24.10	0.0	4.3	1.0	4.6	4.7
Household content & maintenance	3.33	-0.1	0.8	0.0	4.3	1.9
Health	1.78	0.2	4.7	0.1	8.9	5.0
Transport	13.89	-0.2	-1.4	-0.2	0.8	2.8
Communication	5.47	-0.2	0.9	0.0	3.9	-0.3
Recreation & culture	2.94	0.4	2.8	0.1	5.4	1.8
Education	2.41	0.0	4.5	0.1	-1.7	6.4
Restaurants & hotels	6.12	0.1	2.6	0.2	1.5	6.6
Insurance	8.41	0.0	7.7	0.6	-3.9	8.2
Financial Services	2.00	0.0	5.2	0.1	-5.5	5.8
Personal care & miscellaneous services	2.78	0.4	2.6	0.1	2.4	7.0

yoy %	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25
All goods	2.0	1.7	1.8	2.3	3.2	3.1
Durable goods	0.7	0.3	0.1	0.0	-0.6	-0.4
Semi-durable goods	1.2	0.7	0.7	0.5	0.9	0.9
Non-durable goods	2.2	2.1	2.3	3.1	4.5	4.2
Services	3.5	3.8	3.6	3.7	3.6	3.6

Core CPI	3.1	3.0	3.0	2.9	3.0	3.1
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Source: Stats SA

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