



September 2026



Inflation slightly higher in August

Headline inflation ticked up to 4.4% y/y in August from 4.3% y/y in July.

This was driven primarily by higher, but still contained, food and non-alcoholic beverages (NAB) inflation. On the other hand, lower transport inflation provided some offset.

Core inflation eased marginally to 4.1% y/y in August from 4.2% y/y in July.

Goods inflation also eased though services inflation accelerated to 5.1% y/y in August from 5% y/y in July. The latter remains a concern for the South African Reserve Bank (SARB).

International food price pressures are increasing.

However, SA is insulated by a good harvest and a resilient rand. Nevertheless, food inflation risks from higher fuel prices and weather-related conditions remain.

Refined product and liquefied natural gas (LPG) exports remain 60% below pre-war levels.

The pressure on global refining capacity, particularly for diesel, is a key concern for SA's fuel price outlook, given the country's diminished local refining capacity.



So What?

- Overall, the August inflation data point to a modest reversal in headline disinflation seen in July, rather than a material deterioration in underlying inflation dynamics.
- We maintain our view that inflation will average 4.2% in 2026 before moderating to 3.7% in 2027.
- Nevertheless, inflation risks remain tilted to the upside given the ongoing conflict in the Middle East and El Niño-related weather conditions.



CONSUMER LENS



Food inflation accelerated to 0.7% y/y in August from 0.6% y/y in July.

The average household food basket* cost R5 479.80 in August, increasing by 1.8% y/y, or R99.18 from a year ago.



Transport inflation eased to 8.8% y/y in August from 8.9% y/y in July.

Estimates** point to petrol (ULP 95) prices increasing by R2.88/l and diesel (0.05%) prices by R2.60/l in October 2026.

* According to the Pietermaritzburg Household Affordability Index. The average food basket includes bread, frozen chicken portions, maize meal, sugar, beef, rice, cooking oil, potatoes, tinned pilchards, boerewors and other items.

** According to the Central Energy Fund (CEF) on 22 September 2026. The cost for an average car full tank of petrol (45 litres) is R1 211.40 in September 2026, R60.30 more than in August 2026.

No evidence of broad-based underlying pressures yet

According to Statistics (Stats) SA, headline inflation ticked up to 4.4% y/y in August from 4.3% y/y in July, following the moderation recorded in the previous month. Upward pressure came from food and NAB, information and communication, as well as restaurants and accommodation services. This was partly offset by lower inflation in alcoholic beverages and tobacco; clothing and footwear; health; transport; recreation, sport and culture; and personal care and miscellaneous services. Inflation in housing and utilities, furnishings, education as well as insurance and financial services was unchanged from July.

The modest increase in headline inflation masks a more favourable outcome in underlying price pressures during the month. Core inflation, which excludes food and NAB, fuel and energy, moderated to 4.1% y/y in August from 4.2% y/y in July. Goods inflation also eased, declining to 3.3% y/y from 3.4% y/y, while services inflation edged higher to 5.1% y/y from 5% y/y.

The divergence between headline and core inflation suggests that the August increase was narrowly based and concentrated in more volatile components.

The slight increase in services inflation nevertheless

warrants attention. At 5.1%, services inflation remains materially above the 3% target and continues to be stickier than goods inflation (see chart 1). With domestic demand remaining subdued, the persistence of services inflation will be important in determining whether the recent increase in headline inflation proves temporary or becomes more entrenched.

We will also be watching developments in housing inflation closely. Actual rentals for housing and owners' equivalent rent which will be surveyed in September and published in October will provide an important update on one of the largest components of services inflation.

Chart 1: Sticky services inflation a concern for the SARB



Source: Global Insight, Stats SA, Momentum Group
Data until August 2026

Food inflation edges higher but remains subdued

After reaching a 16-year low of 0.9% y/y in July, food and NAB inflation accelerated slightly to 1.1% y/y in August. Despite the increase, food and NAB inflation remained well below the 3% inflation target.

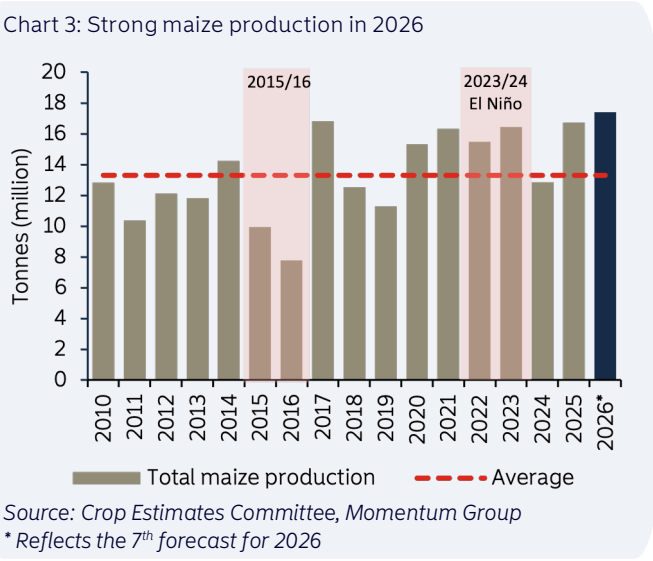
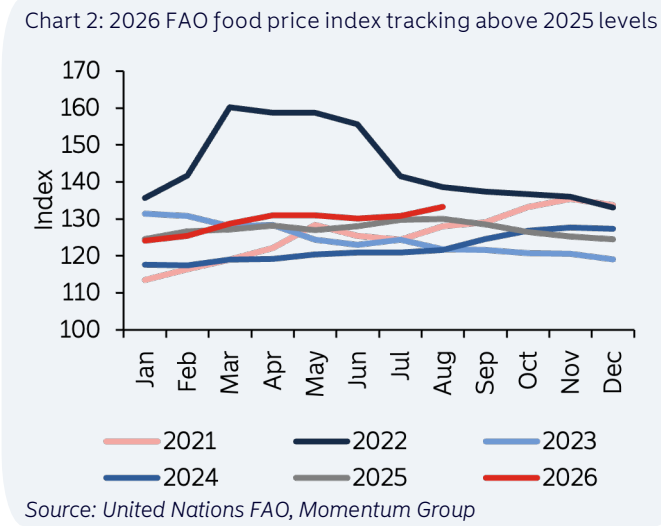
The increase was relatively broad-based across several categories. Deflation in cereal products, fruits and nuts, and vegetables became less pronounced, while inflation in fish and other seafood, as well as milk and other dairy products, accelerated. Meat inflation remained unchanged at 1.5% y/y, while inflation in oils and fats, sugar and confectionery, and other food products increased marginally.

The international food-price environment has become less supportive (see chart 2) for contained food inflation.

The Food and Agriculture Organisation (FAO) Food Price Index increased in August, reflecting broad-based increases across several major food categories, led by sugar. Sugar prices rose on concerns over the 2026/27 global supply outlook, with El Niño-related weather conditions weighing on production prospects in Asia. Firmer international food prices increase the risk of renewed upward pressure on domestic food prices. However, SA's favourable domestic supply position has continued to provide a buffer.

Strong maize harvest (see chart 3) has kept local grain prices relatively contained, while the resilient rand has reduced the extent to which higher international food prices have translated into domestic prices.

These factors have helped insulate South African consumers from some of the increase in global food prices.



Fuel inflation moderates but price pressures continue to build

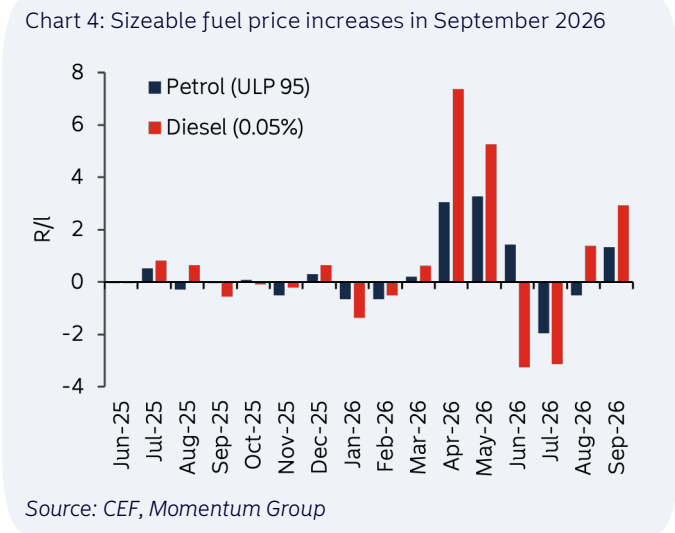
Transport inflation eased for a second consecutive month to 8.8% y/y in August from 8.9% in July. The moderation was broad-based across private transport, public transport and transport services of goods. Lower private transport inflation reflected the 52c/l decline in ULP 95 petrol prices in August, which offset the R1.38/l increase in diesel (0.05%) prices over the same period.

The continued moderation in public transport inflation is notable, given the typically sticky nature of this component. Public transport prices tend to adjust with a lag, making a second consecutive monthly decline relatively uncommon.

The sizeable September fuel-price increases of R1.34/l for petrol and R2.94/l for diesel (see chart 4) will place renewed upward pressure on transport inflation in September.

September price increases brought the cumulative increase in fuel prices since February to R6.82/l for

petrol and R11.19/l for diesel. Moreover, the CEF’s under-recovery points to further increases of more than R2/l for both petrol and diesel in October, suggesting that transport price pressures are likely to extend into the coming months.



The renewed pressure on domestic fuel prices reflects a deterioration in global oil market conditions. After averaging US\$80s/bbl in June and July, Brent crude increased to an average of US\$91.1/bbl in August as negotiations between the

United States (US) and Iran remained deadlocked amid renewed hostilities in the Middle East. According to the International Energy Agency, the oil market has shifted from an initial supply disruption towards a broader refined fuel squeeze. Production and exports from the Middle East have been disrupted, while Russian refining exports have also been affected and inventories have been drawn down to cushion the shock.

This has placed pressure on refined products, with diesel prices rising more sharply than crude as the refining and transportation system has struggled to replace lost product flows.

While crude supply losses have narrowed to just below 45% as flows increasingly bypass the Strait of Hormuz and US military escorts support shipping through the strait, refined-product and LPG exports remain around 60% below February levels.

The imbalance between crude availability and the supply of refined product therefore remains a key source of upward pressure on fuel prices.

Interest rates hiked reflecting higher inflation risks

The August inflation print points to a modest re-acceleration in headline inflation, but does not yet signal a broad-based deterioration in underlying price pressures.

However, inflation risks remain, mainly stemming from higher international oil and refined-product prices, as well as more adverse weather conditions.



We maintain our view that inflation will average 4.2% in 2026 before moderating to 3.7% in 2027. From a monetary policy perspective, the repo rate was increased by 25 basis points at the September 2026 meeting to help anchor inflation expectations and contain the risk that these inflation pressures result in inflation remaining above target for an extended period.

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