



October 2026



Inflation rose less than expected

Headline inflation rose to 4.5% y/y in September from 4.4% y/y in August.

Although inflation came in below the Reuters consensus forecast of 4.7% y/y, the direction of travel remains unfavourable, with higher fuel prices acting as the primary cost driver.

Core inflation moderated to 4% y/y in September from 4.1% y/y in August.

The moderation was supported by slower price increases for housing rentals, restaurants and accommodation, suggesting that broader underlying cost trends remain relatively contained.

Fuel prices reached record highs in October, although fuel levy relief will help in November.

Petrol prices exceeding R30/l will add to inflationary pressures. The announced November fuel levy reductions of R1.50/l for petrol and R3.00/l for diesel will cushion some of the increase.

Meat inflation at an 18-month low helped by progress on foot-and-mouth vaccination.

The Department of Agriculture reported that all commercial dairy cattle in South Africa have received their first vaccine dose, with the second-round booster distribution also progressing.



So What?

- 1 Renewed price pressures emerged in September according to Stats SA's data. However, easing core and services inflation suggests that underlying inflationary pressures remain relatively contained.
- 2 We expect inflation to average 4.2% in 2026 and 3.7% in 2027. The outlook assumes that fuel-related pressures gradually faded, although a prolonged Middle Eastern conflict remains a worry.
- 3 We expect the South African Reserve Bank (SARB) to keep interest rates unchanged in November. However, sustained oil price increases, a weaker rand or rising inflation expectations could open the door to a further hike.



CONSUMER LENS



Food inflation rose to 1% y/y in September from 0.7% y/y in August.

The average household food basket* cost R5 488.06 in September, increasing by 2% y/y, or R108.64 from a year earlier.



Transport inflation accelerated to 10.8% y/y in September from 8.8% y/y in August.

The November fuel levy relief is expected to cushion the impact of higher fuel costs, offsetting the estimated increases of R1.37/l for petrol (ULP 95) and R1.27/l for diesel (0.05%).

* 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 21 October 2026. The cost for an average 45-litre petrol tank is R1 361.30 in October 2026, R149.90 more than in September 2026.

Headline inflation edged higher

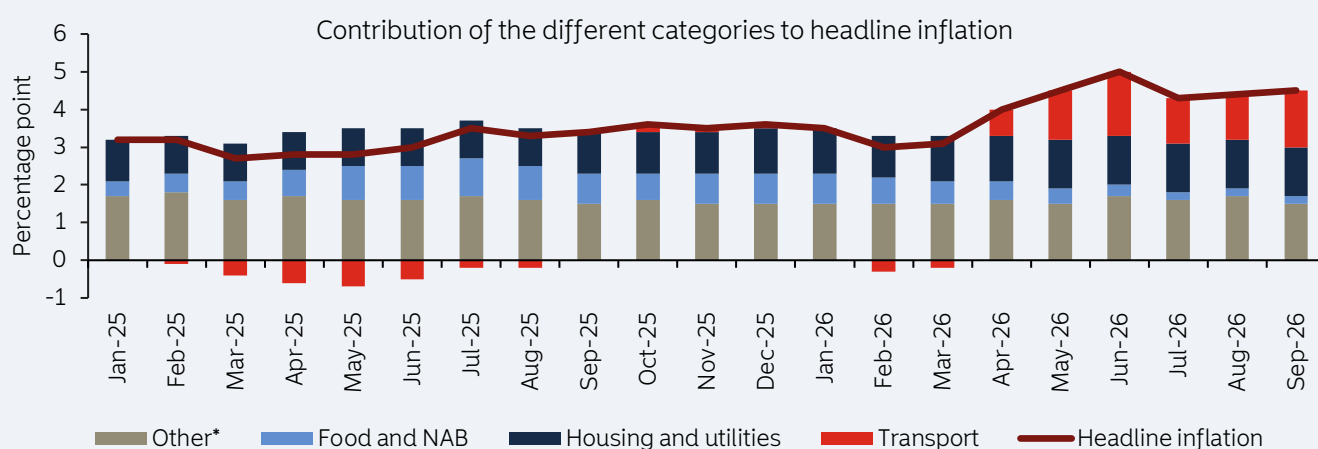
According to Stats SA's data, headline inflation rose for a second consecutive month in September, while core inflation moderated for a second month in a row, suggesting that broader underlying price pressures remained relatively contained.

Headline inflation edged up to 4.5% y/y in September from 4.4% y/y in August, while core inflation eased from 4.1% y/y to 4% y/y over the same period.

Transport was the largest contributor to headline inflation, with its contribution increasing from 1.2 percentage points (pp) in August to 1.5pp in September, accounting for a third of overall inflation (see chart 1).

In contrast, food and non-alcoholic beverages (NAB) contributed just 4.4% to the headline rate in September, reflecting relatively subdued inflationary pressures in food.

Chart 1: Transport accounted for a third of headline inflation in September



Source: Stats SA, Momentum Group

* Other includes alcoholic beverages and tobacco; clothing and footwear; furnishings, household equipment; health; information and communication; recreation and culture; education; restaurants and hotels; insurance and financial services as well as personal care and miscellaneous services

September is a high-survey month, with one-fifth of the inflation basket surveyed over and above the usual monthly items. One of the largest additional components is owners' equivalent rent, which accounts for 11.2% of the CPI basket. Together with actual rentals for housing, it makes up rental inflation, which accounts for 15.5% of the basket.

Both components moderated in September. Owners' equivalent rent inflation eased to 3.8% y/y from 4% y/y in

August, while actual rental inflation slowed to 3.9% y/y from 4.1% y/y. Restaurant and accommodation services inflation also moderated notably, declining from 5.7% y/y to 4.4% y/y over the same period.

The moderation in rental, restaurant and accommodation services inflation helped cool core inflation. Services inflation similarly eased from 5.1% y/y in August to 4.9% y/y in September. However, goods inflation climbed from 3.3% y/y to 4.1% y/y, reflecting a stronger contribution from fuel prices.

Fuel prices pushed transport inflation higher

After easing to 8.8% y/y in August, transport inflation accelerated to 10.8% y/y in September, largely reflecting higher fuel prices. Petrol (ULP 95) prices increased by R1.34/l and diesel (0.05%) by R2.94/l during September, as the Middle Eastern conflict continued to push global oil prices higher. Brent crude averaged US\$91.1/bbl in August, up from US\$83.8/bbl in July. Domestic fuel

prices are determined partly by international oil prices in the preceding month.

Brent crude prices surged further to an average of US\$114.2/bbl in September as renewed hostilities in the Middle East disrupted supply and Asian refiners accelerated purchases.

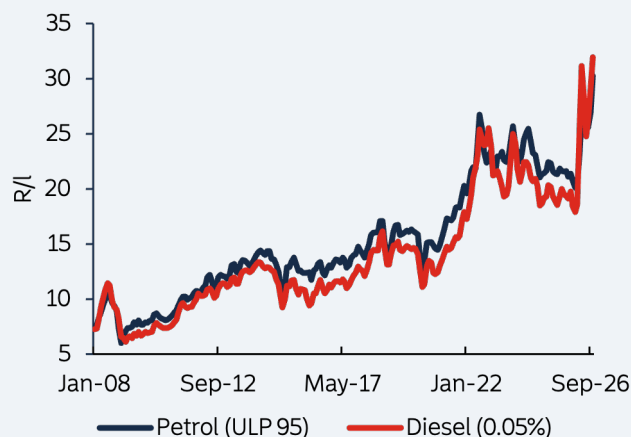
The 11 September bombing of Saudi Arabia's East-West Pipeline and a sharp increase in freight rates added to the upward pressure. Meanwhile, diesel markets remained particularly tight as prolonged supply disruptions forced stock withdrawals ahead of refinery maintenance and peak winter demand, according to the International Energy Agency (IEA).

Consequently, petrol (ULP 95) prices reached a record R30.25/l and diesel (0.05%) R31.95/l in October, as shown in chart 2. These increases point to further upward pressure on headline inflation in October, with the CPI release scheduled for November.

The United States (US) and Russia reportedly reached an arrangement for Russia to supply 300 000 tonnes of diesel immediately to the US and international markets, followed by a further 500 000 tonnes in November. However, the *Financial Times* reported that the agreement is unlikely to materially ease diesel prices, given Russia's constrained refining capacity and

Ukraine's continued targeting of Russian refineries. The scale of the additional supply is also relatively small, with 500 000 tonnes representing less than 4% of global demand. The IEA expects tightness in diesel markets to persist into 2027, suggesting that fuel-related inflation risks could remain elevated for some time.

Chart 2: Petrol up R10.15/l and diesel R14.04/l since the Middle East conflict to date



Source: Iress, CEF, Momentum Group
Data until October 2026

Food inflation remains contained

Food inflation accelerated for a third consecutive month in September, rising to 1% y/y from 0.7% y/y in August and 0.6% y/y in July. Nevertheless, food inflation remains relatively subdued and well below the SARB's 3% inflation target.

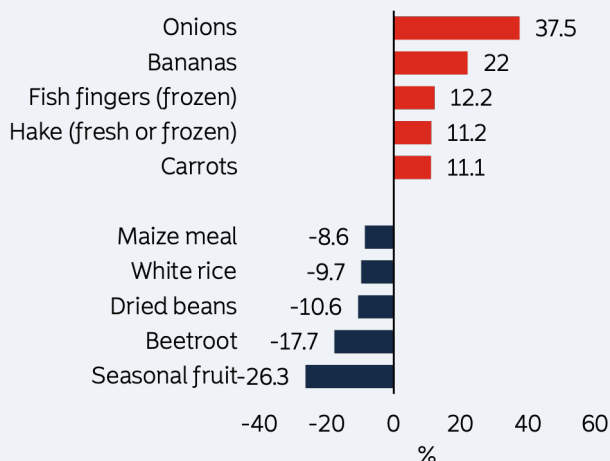
The acceleration was driven mainly by higher prices for fish and other seafood, oils and fats as well as vegetables.

Fish and other seafood inflation increased to 8% y/y in September from 7.5% y/y in August, while oils and fats inflation rose to 3% y/y from 2.6% y/y. Vegetable prices also moved into positive territory, increasing by 3.5% y/y following a 0.6% y/y decline in August.

According to the Agricultural Business Chamber of SA (Agbiz), the price increases in fish and other seafood,

as well as oils and fats, reflect international price trends, while the acceleration in vegetable inflation was largely attributable to base effects.

Chart 3: The biggest changes in food and beverage prices (September 2026 vs September 2025)



Source: Stats SA, Momentum Group

Meanwhile, meat inflation eased to 0.7% y/y in September, its lowest level in 18 months, as slaughtering activity continued and efforts to contain foot-and-mouth disease (FMD) progressed. The Department of Agriculture reported that more than 23 million vaccine

doses had been imported, with all commercial dairy cattle in SA having received their first dose. Distribution of second-round booster doses is also progressing. Encouragingly, the North West province recorded no new FMD cases in September 2026 for the first time since December 2025.

SARB unlikely to raise interest rates in November

The September CPI outcome reinforces the challenge facing the SARB as it seeks to return inflation sustainably to its 3% target. Headline inflation remains above the 2% to 4% tolerance band, while higher fuel prices increase the risk of second-round effects feeding into broader price-setting behaviour and inflation expectations.

At its September meeting, the Monetary Policy Committee raised the repo rate by 25 basis points to 7.25%, citing the

deteriorating global inflation environment and upside risks to the domestic inflation outlook. While the latest data highlight persistent inflation risks, relatively contained food inflation and moderating services inflation provide some reassurance. We expect headline inflation to average 4.2% in 2026 before easing to 3.7% in 2027, as the impact of higher fuel prices gradually fades.



We maintain our view that the SARB is unlikely to raise interest rates again at its final meeting of 2026 in November. However, the outlook remains highly uncertain, and a prolonged Middle East conflict that sustains elevated oil prices, weakens the rand or pushes inflation expectations higher could open the door to a further rate hike. The extent to which the fuel price shocks feed through to broader inflation will be key to the SARB's decision.

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