



## Inflation jumps as war effects start to show

### Headline inflation (CPI) jumped to 4% y/y in April 2026 from 3.1% y/y in March 2026.

This was largely driven by higher transport inflation due to elevated Brent crude oil prices, alongside a rise in insurance and financial services inflation.

### Core inflation rose to 3.6% y/y in April, with a relatively broad-based increase in subcomponents.

Goods and services inflation also rose, with services inflation edging closer to 5% y/y.

### Global oil supply remains unfavourable amid the ongoing war.

Global oil inventories fell sharply in both March and April according to the International Energy Agency (IEA), which is likely to exacerbate supply shortages.

### While food inflation remains contained, the recent localised floods add to upside risks.

Meat inflation nevertheless continued decelerating from double-digit levels to 9.4% y/y in April.



## So what?



The sharp rise in April inflation reflects the impact of the Middle East conflict, particularly through higher fuel prices. Announced fuel price increases in May point to further upside pressure, likely pushing headline inflation above the South African Reserve Bank's (SARB's) upper tolerance band of 4%. As such, we have revised our 2026 inflation forecast up from 4% to 4.3%. The higher headline inflation

trajectory combined with rising core and services inflation, upside risks to food inflation and potentially higher inflation expectations from the first quarter level of 3.6%, given oil price movements since the previous survey, significantly raises the likelihood of an interest rate hike at the May Monetary Policy Committee (MPC) meeting to contain inflation pressures and protect purchasing power.

## Consumer lens

### Food inflation eased from 3.4% y/y in March to 2.8% y/y in April.



The average cost of a household food basket\* in April 2026 was up 0.6% y/y to R5 452.09, or R31.79 more relative to a year ago.

### Transport inflation swung from -1.6 y/y in March to 4.9% y/y in April.



Estimates\*\* point to a 17c/l increase in petrol (ULP 95) prices in June, alongside a potential R4.72/l cut for diesel (0.05%). Government plans to halve fuel levy relief in June.

\* 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, wors and other items.

\*\* According to the Central Energy Fund (CEF) on 19 May 2026. The petrol cost of an average car (45 litres) full tank is R1 198.4 in May 2026, R147.2 more than in April 2026.

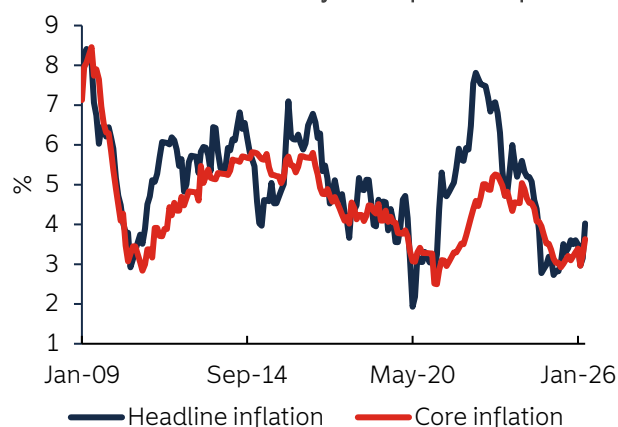
## Headline inflation hit the top of the SARB's tolerance band

Headline inflation, published by Statistics (Stats) SA, accelerated to 4% y/y in April from 3.1% y/y in March.

This print marks the first notable upside move in inflation following months of relatively benign outcomes (see chart 1) and is at the upper end of the SARB's 2% to 4% tolerance band.

This reflects cost pressures stemming from the conflict in the Middle East beginning to enter the basket, particularly through fuel.

Chart 1: Headline and core inflation spiked in April



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

Seven of the 13 main headline inflation categories recorded an acceleration in April, with transport recording the largest increase relative to the previous month. This was followed by insurance and financial services where the increase reflected the postponement of premium increases by some medical aid providers from February to April. Health insurance inflation rose by 8.3% y/y in April from 6.5% y/y in March. This acceleration, in turn, contributed to a rise in core inflation.

Core inflation, which excludes food, non-alcoholic beverages (NAB), fuel and energy accelerated to 3.6% y/y in April from 3.2% y/y in March. In addition to health insurance, the other main contributors included vehicles inflation and passenger transport services inflation. Broader increases across other subcomponents reflect a fairly broad-based uptick in core inflation.

Goods inflation rose to 3.4% y/y in April from 1.8% y/y in March, while services inflation accelerated to 4.6% y/y from 4.2% y/y over the same period.

## Fuel price pressures mounted

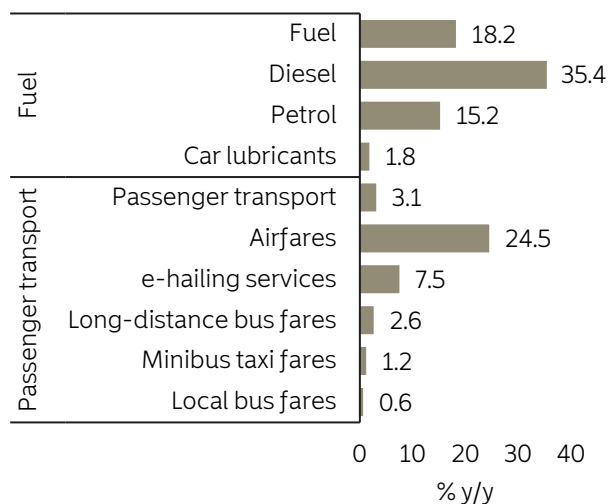
Transport inflation accelerated to 4.9% y/y in April from negative 1.6% y/y in March, mainly reflecting the turn in the fuel price cycle since tensions escalated in the Middle East.

In April, the price of petrol increased by R3.06/l (ULP 95) and diesel (0.05%) spiked up by R7.37/l. Further upward pressure is expected following steep fuel price increases in May of R3.27/l for petrol and R5.27/l for diesel, pushing the diesel price over R30/l. Current CEF

data points to a potential increase of 17c/l for petrol in June while diesel prices are currently projected to decline by around R4.72/l.

The recent fuel price pressure mainly reflects firmer global oil prices. Brent crude oil averaged US\$103.3/bbl in March, compared with US\$70.9/bbl in February, representing a sharp 45.5% month-on-month (m/m) increase. Oil prices rose by a further 13.7% m/m in April to an average of US\$117.3 amid tightening supply conditions and heightened geopolitical risk premia.

**Chart 2: Fuel costs rising faster than public transport**  
 Price increases for fuel and passenger transport  
 (April 2026 vs March 2026)



Source: Stats SA, Momentum Group

“ According to the IEA, global oil supply declined by a further 1.8 million barrels per day in April, taking cumulative supply losses since February 2026 to 12.8 million barrels per day, largely due to disruptions linked to the Strait of Hormuz closure. ”

At the same time, global oil inventories fell sharply in both March and April, with the Organisation for Economic Co-operation and Development (OECD) countries’ on-land inventories recording particularly steep declines. Refinery activity has also weakened amid infrastructure damage, export restrictions and lower feedstock availability. This is an unfavourable

environment for global oil prices and domestic transport inflation.

While the United Arab Emirates’ (UAE) decision to leave the Organisation of the Petroleum Exporting Countries (OPEC) and OPEC+ has had a limited short-term impact as the focus is on the Iran war and disruptions through the Strait of Hormuz, it does point to potential downward pressure on oil prices once the conflict subsides. This is due to the possibility of higher UAE oil production as shipping normalises.

There were two presidential visits to China during May, the one between United States (US) President Donald Trump and Chinese President Xi Jinping and the other between Russian President Vladimir Putin and President Xi Jinping. According to the *Financial Times*, the conflict featured in both discussions where China’s foreign minister reiterated Beijing’s position that the war “should never have happened”, called for a lasting ceasefire and urged the reopening of the Strait of Hormuz. Separately, Xi told Putin that the Gulf crisis was at a “critical juncture” and reiterated calls for an end to the war to help stabilise energy supplies and global trade. While China has maintained this diplomatic stance, its engagement has fallen short of direct military support, although reports suggest it has provided Iran with dual-use components, including for drones and satellite-related systems.

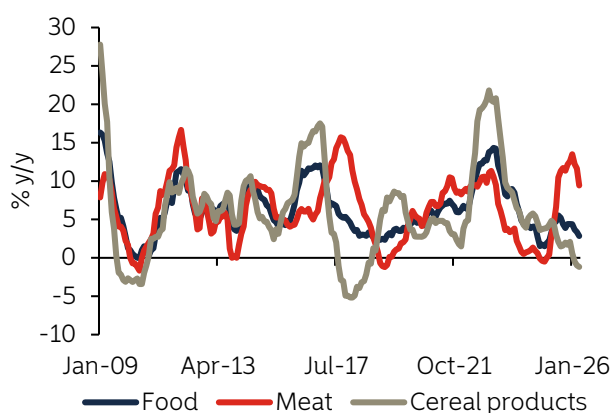
“ Neither summit produced any concrete commitment toward ending the conflict. ”

### Easing meat inflation drove food disinflation

Food and NAB inflation decelerated for the third consecutive month from 3.6% y/y in March to 2.9% y/y in April. This was mainly due a deceleration in meat inflation from 11.6% y/y to 9.4% y/y over the same period, though it remains elevated. The second biggest food category, cereal products, dipped further into deflation helping drive the deceleration in food prices.

“ Domestic agricultural conditions remain relatively favourable with SA’s 2026 summer crops estimated to be higher than the previous season. However, risks are building. ”

**Chart 3: Meat inflation showing signs of having turned the corner**



Source: Global Insights, Stats SA, Momentum Group

The Agriculture Business Chamber of SA highlights recent floods could add pressure on the fruit industry and winter crops in the Eastern and Western Cape, where infrastructure damage and harvest disruptions may weigh on output and logistics in the near term. This is compounded by ongoing animal disease pressures and the weather anticipated shift from La Niña conditions to El Niño which could have an impact toward the end of 2026 or early 2027. The impact of higher fertiliser prices is expected to only materialise when SA’s planting season begins in October 2026, provided fertiliser prices remain elevated.

### Data pointing to a May interest rate hike

Headline inflation rose sharply to 4% in April. Looking ahead, the sharp fuel price increases in May are expected to drive a further rise in transport inflation, which will result in headline inflation breaching the upper end of the SARB’s tolerance band (2% to 4%). Together with persistently higher oil prices, we have revised our 2026 inflation forecast up from 4% to 4.3%.

The increase in core and services inflation suggest tentative signs of broader inflationary pressure.

While food inflation has continued to moderate and domestic agricultural conditions remain relatively favourable, upside risks remain elevated from recent

floods, broader weather conditions, ongoing animal disease outbreak and the war impact.

Furthermore, all these developments are likely to negatively affect inflation expectations, which had decelerated to 3.6% in the first quarter of 2026.

“ Against this backdrop, our view is that the balance of risks has shifted to the upside, increasing the likelihood of a 25-basis point interest rate hike at the May MPC meeting. ”

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