

Economic data update: Consumer Price Inflation

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Energy shock pushes domestic inflation up markedly to 4% as near-term risks rise

Key highlights:

- The effects of the Middle East war are beginning to show up in domestic inflation pressures. Headline consumer inflation accelerated markedly to 4.0% year on year (y/y) in April, from 3.1% in March. Persistently elevated, war-driven global oil prices pushed domestic transport inflation to an almost two-year high, making it the main contributor to the rise in inflation. This was partly offset by a further moderation in food inflation, while housing and utilities costs were largely stable. The inflation print was above our expected 3.8%, but in line with the Bloomberg consensus estimate of 4.0%. Among the 17 analysts surveyed, the highest forecast was 4.4%, well above the upper end of the tolerance band, while the lowest forecast was still above target at 3.7%.
- Given the roughly one-month lag between global oil prices and domestic pump prices, the surge in Brent crude in March, along with the slight weakening in the rand, drove fuel inflation up by 18.2% month on month (m/m) and 11.4% y/y in April, despite the provided fuel levy relief. As a result, transport inflation accelerated to 4.9% in April, after being in deflation in the first quarter (Q1). Both public transport (following fare increases) and private transport operating costs rose to levels not seen in more than two years, reflecting the immediate or first-round effects of higher fuel costs.
- A partial offset to inflation pressures was once again provided by a further moderation in food inflation of 0.5ppt to 2.9% y/y in April. Within the food inflation basket, deflation persisted in cereal products as well as fruit and vegetable prices, while dairy recorded muted inflation. A further moderation in meat inflation to 9.4%, after peaking at 13.5% in January, also supported the continued easing in food inflation.
- Core inflation, which excludes food and non-alcoholic beverages, fuel and energy, came in at a slightly stronger-than-expected 3.6% y/y in April, compared with the Bloomberg consensus estimate of 3.5%. Firmer services inflation, which rose to 4.6% from 4.2% in March, underpinned the increase in core inflation as insurance services inflation rose by 1.2ppt to 5.8%.
- Looking ahead, the continued blockade of the Strait of Hormuz, despite a ceasefire since 7 April, has severely constrained global oil supply and kept prices elevated—often above USD100 per barrel (bbl)—through April and May, pointing to persistent fuel-driven inflation pressures in the months ahead. The halving of fuel levy relief in June, followed by its full withdrawal in July, will add to these pressures.
- On the food inflation side, risks to the outlook arising from the war are becoming increasingly evident. Grains SA reports that local fertiliser prices surged in April 2026, driven by nitrogen-based products, with urea rising 58.62% m/m and a further 17.86% in May. This increase reflects tighter global ammonia and nitrogen supply. Domestic pressures have been exacerbated by import dependence, shipping disruptions, and higher freight costs. While domestic food inflation has remained contained due to ample agricultural supply, the outlook faces mounting upside risks from a combination of higher fertiliser and fuel costs, as well as adverse weather conditions.
- Overall, we expect inflation to rise to 5% by mid-year and remain above the upper limit of tolerance band for the rest of 2026 to average 4.3% for the year (a 0.3ppt upward revision). The SARB will be worried about the deterioration to the inflation outlook, rising upward risks to food prices and the further drift in services inflation. As a result, we expect the Monetary Policy Committee (MPC) to hike interest rates by 50bps – taking the repo rate to 7.25% and the prime lending rate to 10.75% by year-end. We would not be surprised to see the first hike as early as the 28 May meeting.



Figure 1: Headline and core inflation

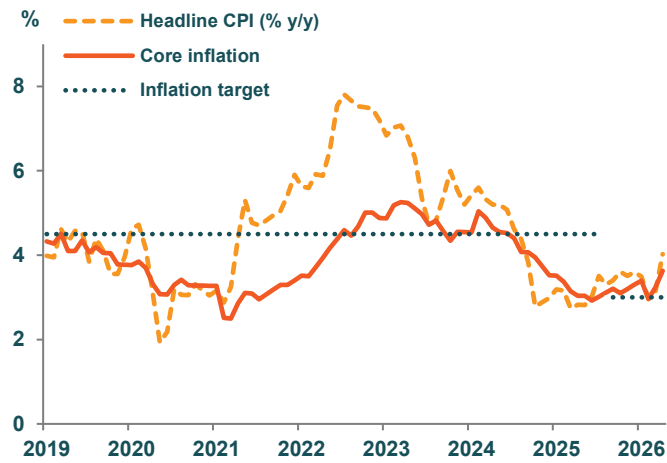


Figure 2: Contributions to headline inflation

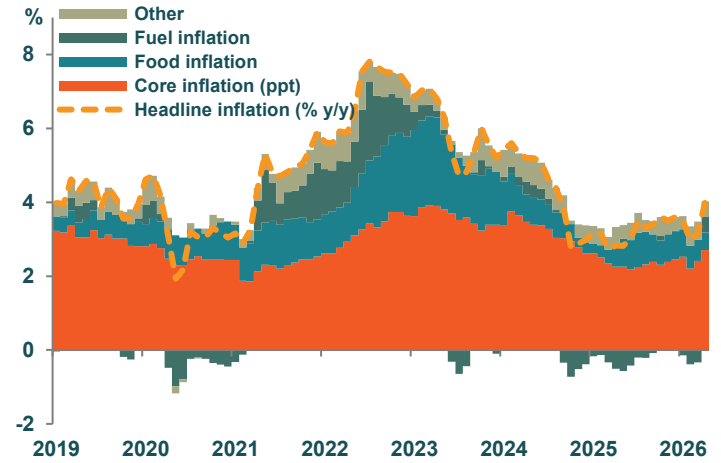


Figure 3: Core inflation

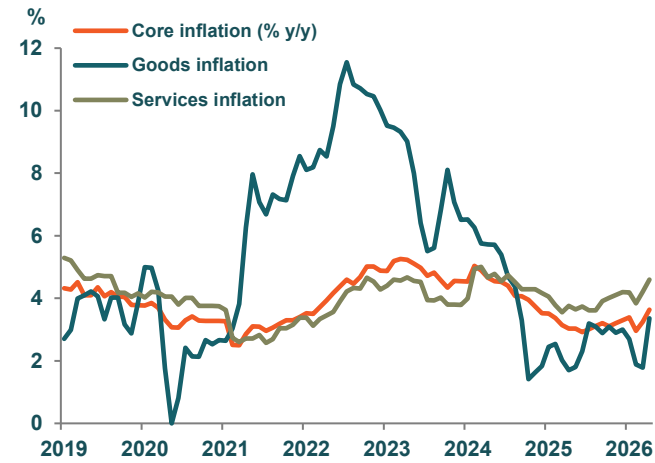


Figure 4: Fuel and transport inflation

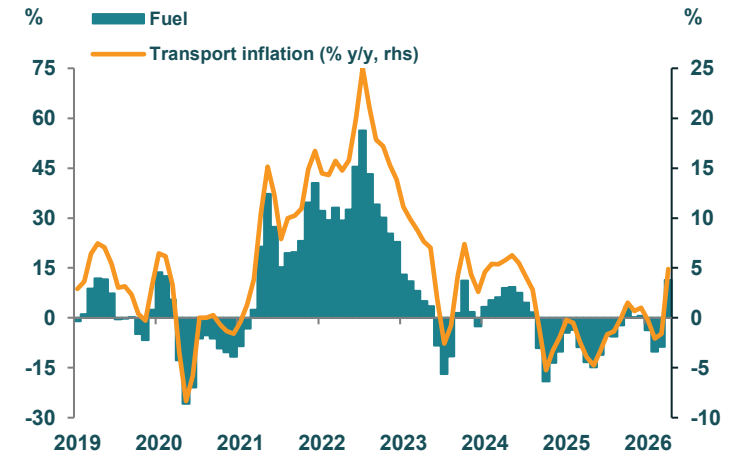


Figure 5: Contributions to food inflation

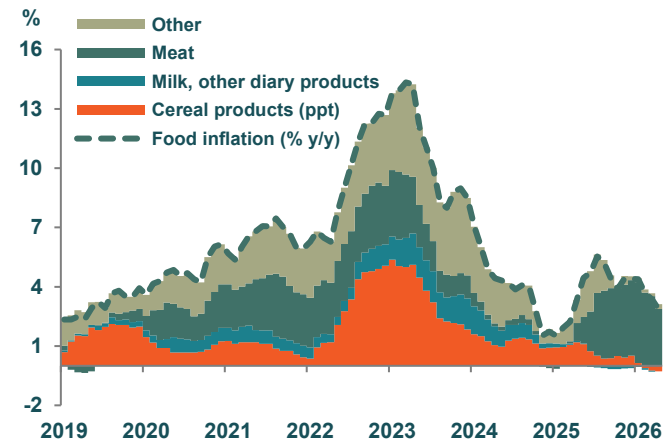
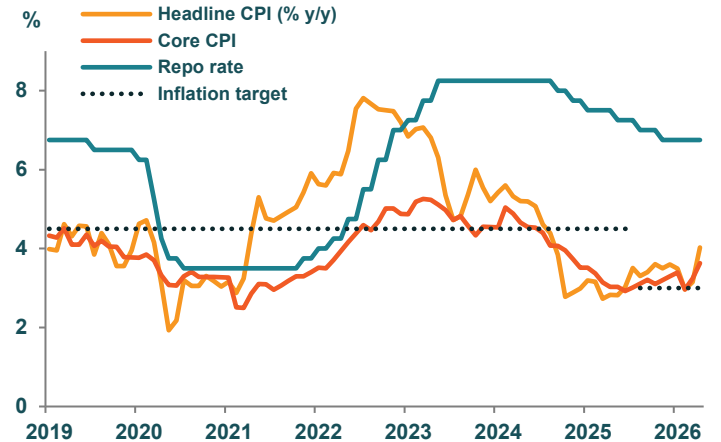


Figure 6: Consumer inflation and repo rate



Sources: Stats SA, Bloomberg and Alexander Forbes Investments

Table 1: Components of consumer price inflation

	Weight (%)	% y/y			Period average			% m/m	
		Apr-26	Mar-26	Apr-25	12-month average	3-year average	5-year average	Apr-26	Mar-26
Headline CPI	100	4.0%	3.1%	2.8%	3.4%	4.1%	5.0%	1.1%	0.6%
Core CPI	74.5	3.6%	3.2%	3.0%	3.2%	3.9%	4.0%	0.5%	0.8%
Food and non-alcoholic beverages	18.23	2.9%	3.6%	4.0%	4.4%	5.4%	6.8%	0.7%	0.0%
Alcoholic beverages and tobacco	4.64	4.0%	4.2%	4.7%	4.4%	4.7%	5.1%	1.0%	0.9%
Clothing and footwear	3.90	1.2%	1.2%	1.2%	1.2%	1.8%	2.0%	0.1%	0.2%
Housing and utilities	24.10	5.2%	5.1%	4.4%	4.7%	4.9%	4.6%	0.1%	0.8%
Household contents and equipment	3.33	0.3%	0.0%	1.7%	0.5%	2.0%	2.7%	0.1%	0.4%
Health	1.78	3.7%	3.9%	4.2%	4.6%	5.2%	4.8%	0.2%	0.3%
Transport	13.89	4.9%	-1.6%	-3.9%	-0.6%	1.1%	6.3%	5.5%	0.6%
Communication	5.47	0.9%	0.7%	0.7%	0.7%	0.0%	-0.2%	2.1%	0.1%
Recreation and culture	2.94	2.7%	2.6%	1.7%	2.6%	2.6%	2.5%	0.2%	0.6%
Education	2.41	5.4%	5.4%	4.5%	4.6%	5.5%	5.0%	0.0%	5.4%
Restaurants and hotels	6.12	5.2%	5.9%	3.0%	3.2%	5.0%	5.2%	-1.1%	1.6%
Insurance and financial services*	10.41	5.7%	4.6%	#N/A	#N/A	#N/A	#N/A	1.2%	-0.1%
Personal care and miscellaneous services	2.78	3.3%	2.8%	1.6%	2.6%	4.8%	4.6%	0.7%	0.7%

Sources: Stats SA and Alexander Forbes Investments (as of 20 May 2026), Note: * As this is a new index, there is no value for April 2025 and therefore no annual percentage change.