momentum group

The macro signal

South African inflation monitor



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November 2026

Inflation heats up, but the SARB is likely to hold rates

Headline inflation accelerated to 5.2% y/y in October 2026 from 4.5% y/y in September.

According to Statistics South Africa's data, the increase was largely driven by higher fuel prices. However, the outcome was in line with the Reuters median consensus.

Core inflation edged higher to 4.2% y/y in October from 4% y/y in September.

Despite the increase, underlying price pressures remain relatively contained, with no clear evidence yet of significant second-round effects.

Recovering global oil supply eases crude price pressures, but diesel remains vulnerable.

The recovery in Gulf oil exports and expectations of a global surplus have eased Brent crude prices. However, disruptions to refining capacity continue to keep diesel prices under pressure.

Domestic grain stocks provide a buffer against sharp food price increases.

Favourable supply conditions should help contain near-term food price pressures, although El Niño, regional water constraints and higher agricultural input costs remain risks.

So What?

1. Headline inflation is likely to remain elevated in the near term, with price pressures still exposed to global energy market developments.
2. We expect inflation to average 4.2% in 2026 and ease to 3.7% in 2027, largely reflecting an anticipated moderation in global energy prices and fuel-related pressures.
3. We expect the South African Reserve Bank (SARB) to keep the repo rate unchanged at 7.25% in November, as a forward-looking assessment of inflation and weaker growth supports a cautious approach.

CONSUMER LENS

Food inflation rose to 1.2% y/y in October from 1% y/y in September.

The average household food basket* cost R5 512.53 in October, increasing by 1.3% y/y, or R71.94 from a year earlier.

Transport inflation accelerated to 15.2% y/y in October from 10.8% y/y in September.

The expected December fuel price adjustments point to notable declines of R3.50/l for petrol (ULP 95) and R1.35/l for diesel (0.05%)**. However, the reduction in temporary fuel levy relief will partly offset these declines.

* 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 17 November 2026. The cost for an average 45-litre petrol tank is R1 360.80 in November 2026, largely unchanged from September 2026, thanks to the fuel levy relief.

Headline inflation rises as fuel pressures bite

SA's headline inflation rate accelerated to5.2% y/y in October from 4.5% y/y in September, marking three consecutive months of acceleration and the highest level in almost two-and-a-half years (since May 2024).

The acceleration was largely driven by a sharp increase in domestic fuel prices, which pushed transport inflation higher. Transport was a major contributor to the rise in headline inflation, with the category recording an inflation rate of 15.2% y/y, compared with 10.8% y/y in September. This reflected the substantial increase in petrol prices at the beginning of October, when the price of petrol (ULP 95) increased by R3.33 per litre and diesel (0.05%) by R2.84 per litre. Fuel inflation surged to 42.9% y/y in October, from 27.9% y/y in September.

Core inflation, which excludes food, non-alcoholic beverages, fuel and energy, ticked up to 4.2% y/y in October, from 4% y/y in September.

Goods inflation spiked to 5.3% y/y in October from 4.1% y/y in September, largely reflecting the higher fuel prices. Services inflation also edged higher to 5% y/y from 4.9% y/y over the same period.

> *The increase across both goods and services, alongside the rise in core inflation, suggests that price pressures may be starting to broaden beyond the direct impact of higher fuel costs. However, the relatively modest increase in services inflation indicates that second-round effects remain contained for now.*

Medical scheme contributions are one area to monitor, with several major open medical schemes announcing average contribution increases of between 7.4% and 8.9% for 2027. While these increases remain well above the inflation target of 3%, the average adjustment is slightly lower than in 2026 (see table 1), suggesting that the medical inflation pressures are likely to remain elevated rather than accelerate further. The impact on measured inflation will also depend on when these increases take effect. Stats SA surveys medical aid contribution increases annually in February, while some medical schemes have previously postponed the implementation of contribution increases. The Council for Medical Schemes' (CMS) 2027 guidance used an inflation assumption of 3.8% as its starting point, highlighting the persistent gap between the regulator's benchmark and the increases announced by schemes.

Table 1: 2027 Average weighted medical aid contribution increases slightly lower than in 2026

Medical aid scheme	2026	2027*
Bestmed	6.80%	7.35%
Bonitas	8.80%	8.70%
Discovery	7.20%	8.20%
Fedhealth	9.60%	8.90%
MediHelp	8.46%	7.50%
Medshield	7.50%	7.90%
Momentum	9.90%	7.90%

Source: BusinessTech; Hippo; Momentum Group

** 2027 figures are announced but still subject to CMS approval*

Although the pace of medical aid contribution increases appears to have moderated, the impact on household budgets will remain significant. According to a *BusinessTech* article, medical aid contributions rising by around 8% could absorb a substantial portion of additional income for consumers receiving salary increases which are broadly in line with inflation. This will leave less room for other expenses which are increasing such as electricity.

Oil markets show signs of recovery, but refined fuel supply remains constrained

The Middle East conflict continues to shape the global energy outlook, although the recovery in oil production and exports is providing some relief. According to the International Energy Agency (IEA), global oil supply exceeded demand again in October for the first time since the outbreak of the war in Iran, signalling a gradual improvement in market conditions.

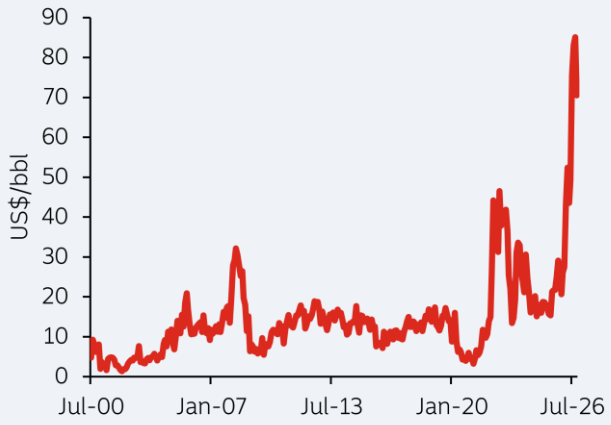
Gulf crude oil exports recovered to approximately 15 million barrels per day in October, equivalent to 82% of pre-conflict levels. However, the improvement in supply was not sufficient to ease market pressures during the month. Brent crude averaged US$123.9 per barrel in October, up from US$114.2 per barrel in September, as continued attacks on energy infrastructure and shipping, depleted global inventories and China's crude oil

restocking activity supported prices.

Brent crude subsequently declined to around US$93 per barrel by mid-November, as the recovery in Gulf exports eased concerns about immediate supply shortages and expectations of a global oil surplus strengthened. Furthermore, the outcome of the United States (US) midterm elections held on 3 November, in which Democrats secured control of both chambers of Congress, reduced expectations of further escalation. However, geopolitical risks remain elevated.

> *The outlook for refined fuel supplies is considerably less favourable. Disruptions to refined-product exports from the Middle East, combined with attacks on Russian energy infrastructure that have affected refinery operations and diesel exports, have kept diesel prices under pressure.*

Chart 1: Diesel crack spreads* remain elevated



Source: Bloomberg; Nedbank; Momentum Group
** Price difference between the cost of crude oil and the market value of the diesel fuel produced from it*
Data until October 2026

The IEA expects diesel markets to remain under pressure into 2027, as refinery output and exports take time to recover. This highlights an important distinction: the improvement in crude oil supply has not yet translated into a similar recovery in the availability of refined fuels, particularly diesel.

SA's temporary fuel levy relief, implemented from 4 November 2026, helped cushion consumers against higher international energy costs. The fuel levy relief of R1.50 per litre for petrol and R3.00 per litre for diesel contributed to petrol (ULP 95) prices remaining largely unchanged at R30.24 per litre in November, while diesel (0.05%) declined by R1.10 to R30.85 per litre.

Mid-month CEF data indicate possible reductions in December of approximately R3.50 per litre for petrol (ULP 95) and R1.35 per litre for diesel (0.05%). However, these potential reductions will be partly offset by the scaling back of the fuel levy relief from December. The petrol levy reduction will narrow from R1.50 to R1.00 per litre, while the diesel reduction will fall from R3.00 to R1.50 per litre, adding 50 cents and R1.50 per litre, respectively, to the estimated December fuel price adjustment. The estimates remain preliminary and could still change in response to international petroleum product prices, the exchange rate and other price adjustments.

The rand has also come under pressure against the US dollar, weakening past R17/US$, largely due to expectations of higher interest rates in the US. This could offset some of the benefit from lower international oil prices if the currency weakness persists. While a reduction in petrol prices would provide some relief to motorists and help moderate transport inflation, continued tightness in global diesel markets remains a concern.

Subdued meat and cereal inflation keep food inflation contained

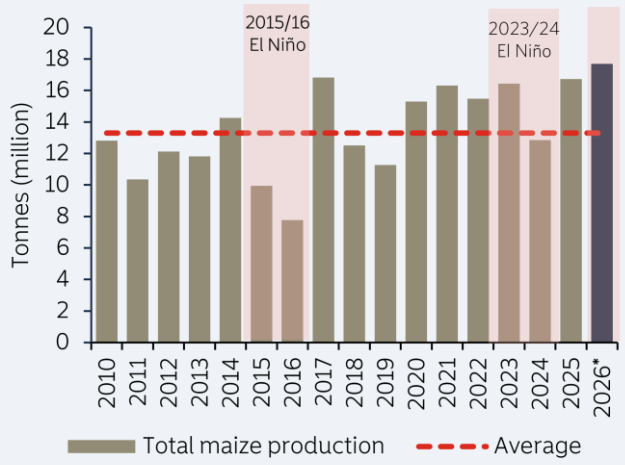
Food and non-alcoholic beverage inflation accelerated for a third consecutive month to 1.4% y/y in October from 1.2% y/y in September. The increase was driven by higher inflation in fish and other seafood; vegetables as well as sugar, confectionary and desserts. However, price pressures eased across the remaining six food categories.

Notably, meat inflation slowed to 0.2% y/y while cereal products recorded their ninth consecutive month of deflation in October.

> *Given that meat and cereal account for the largest share of the food inflation basket (55%), subdued price pressures in these categories continue to help contain overall food inflation.*

Domestic agricultural supply has provided an important buffer against food price pressures. SA's 2026 commercial maize crop is estimated at approximately 17.7 million tonnes, 5.8% higher than the previous season and the largest crop on record (see chart 2). The relatively comfortable domestic maize supply position should help cushion the impact of adverse weather conditions on the upcoming summer grain production season.

Chart 2: Record maize production in 2026



Source: Crop Estimates Committee, Momentum Group
** Reflects the ninth forecast for 2026*

However, water availability is becoming a concern, especially in the Western Cape. Combined storage in the Western Cape Water Supply System stood at 72.5% on 2 November, compared with 84.4% during the same period last year. Although water resources remain above the levels experienced during the 2016/17 drought, the reductions highlight the growing pressure on agricultural water availability. On 16 November, the Department of Water and Sanitation announced precautionary reductions in water allocations, including a 15% cut to irrigation allocations and a 7% reduction for domestic and industrial users.

International food markets have provided a more mixed picture. The Food and Agriculture Organisation's Food Price Index declined by 1.2% month-on-month (m/m) in October, although it remained 5.9% higher than a year earlier. Global cereal prices declined by 4.5% m/m in October, supported by improved production prospects and weaker import demand. However, sugar prices increased by 6.6% m/m and were 28.8% higher than a year earlier, while vegetable oil prices also remained elevated. These developments suggest that global food price pressures are not uniform, with lower grain prices providing some relief, while sugar and vegetable oils remain potential sources of imported inflation.

> *The combination of strong domestic grain stocks and softer international cereal prices provides some protection against sharp food price increases in the near term. However, El Niño, regional water constraints and higher agricultural input costs remain important risks.*

Interest rate hold likely as SARB weighs inflation risks

October headline inflation of 5.2% y/y was in line with market expectations. Importantly, the data suggest that there is not yet clear evidence of significant second-round effects feeding through into broader price pressures.

The SARB's October Monetary Policy Review indicated that inflation would remain above 5% until the second quarter of 2027, before easing towards the 3% target from the fourth quarter of 2027. This reflects the anticipated moderation in fuel-related pressures and the continued adjustment of inflation expectations towards the lower inflation target.

Our inflation forecasts remain unchanged at 4.2% for 2026 and 3.7% for 2027. While upside risks remain, the broader disinflation process remains intact.

Given the forward-looking nature of monetary policy, we expect the SARB to keep the repo rate unchanged at 7.25% at its November interest rate setting meeting. The weaker domestic growth environment also supports a cautious approach to further tightening. Nevertheless, the SARB will continue to assess the persistence of higher fuel prices, potential pass-through to other goods and services, food price pressures and any upward adjustment in inflation expectations.

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