

South Africa's Middle-Income Inflation Monitor

August 2026

HEADLINE SNAPSHOT	Aug 2026	July 2026	Δ MoM
Middle-Income Inflation Indicator (Deciles 4-7) (% y/y)	3.5%	3.5%	■ stable
National Headline CPI (% y/y)	4.4%	4.3%	▲ +0.1ppt
Middle-Income Premium (Ppt)	-0.8ppt	-0.8ppt	

Core Necessities Indicator CNI 3.7% ~0.0ppt Weight: 66%	Non-Essentials Indicator NEI 2.6% ~0.0ppt Weight: 27%	Semi-Essentials Indicator SEI 5.4% ~0.0ppt Weight: 7%
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SQUEEZE INDICATOR CNI – NEI = 1.1ppt (■ unchanged from July)

Executive Summary

- South Africa's **Middle-Income Inflation Indicator** (Deciles 4-7) held steady at 3.5% y/y in August 2026, while **National Headline CPI** edged up by 0.1ppt to 4.4% - 1.4ppt above the SARB's 3%-point target.
- The **SARB raised its policy rate by 25 basis points to 7.25% unanimously** - a decisive shift from July's 4:2 hold, driven by escalating global supply shocks. This is the most significant policy development in this edition and the most consequential one for middle-income households.
- Transport CPI eased marginally to 8.8%y/y (from 8.9%)**, as a modest decline in petrol pump prices offset the R1.39/l rise in diesel prices. **Food CPI** edged up to 1.1% y/y, but remains near historic lows, even as El Niño drought risks come into focus - a risk expected to materialise in 2027.
- September presents a reacceleration risk**, with the headline CPI print likely to show an uptick. Domestic fuel prices are pushing higher, with average global oil prices up by about 9% from July to August, and levels back above US\$100 per barrel into September. Diesel surged to R29.11/litre, approaching the May 2026 peak level.
- The **Middle-Class Squeeze Indicator (CNI - NEI)** also held steady at 1.1ppt, as both the CNI and NEI stabilised in August.

1. The Headline Numbers

Inflation data from Statistics South Africa (Stats SA) showed that our **Middle-Income Inflation Indicator** (Deciles 4-7)¹ stabilised at 3.5% y/y in August 2026, with underlying pressures moving sideways. Meanwhile, National Headline CPI edged up by 0.1ppt to 4.4% y/y - 1.4ppt above the ceiling of the SARB's 3%±1% inflation target.

The **Middle-Income Premium** (Middle-Income Inflation Indicator minus National headline CPI) held steady at -0.8ppt for the third consecutive month. Inflation pressures were also stable for upper-income (Deciles 8-10) and lower-income (Deciles 1-3) households, at 4.6% and 3.2%, respectively. This pattern of an inverted inflation inequality has remained intact each month since the surge in domestic fuel prices in April, as elevated pump prices have disproportionately affected more affluent households. We expect the structural Middle-Income Premium to re-emerge once the fuel price shock recedes.

The **Middle-Class Squeeze Indicator** (Core Necessities Indicator - Non-Essentials Indicator) was unchanged at 1.1ppt, as both subindices stabilised. Still, the structural squeeze on middle-income essentials relative to discretionary spending remains positive. We expect the pressure to intensify in upcoming inflation prints, as the measure widens back towards its peak levels to reflect September's fuel price surge.

2. Policy Implications: A Unanimous SARB Rate Hike

- The **SARB raised the policy rate by 25bp to 7.25%** at its September 2026 MPC meeting, with all MPC members voting in favour of the increase, following a 4:2 split vote in favour of a hold in July. This signals a notable shift in the committee's risk assessment and reflects a collective view that the balance of risks for the inflation outlook has shifted decisively to the upside. Since the last interest rate decision, **global supply shocks have escalated**, amid (1) persistent disruptions at the Strait of Hormuz; (2) interruptions to Saudi oil exports; and (3) the significant destruction of Russia's oil refinery capacity by Ukraine. Additionally, the US Fed's decision to raise its policy rate for the first time in three years, alongside elevated longer-term borrowing costs, spell renewed pressure for the rand exchange rate which feeds into SA inflation pressures. These conditions have set the stage for the SARB to adopt a stricter approach to bring inflation under control.
- In its **previous decision** to keep the policy rate on hold, the **SARB looked through the initial effects of the oil price shocks**. However, the magnitude and persistence of the global supply shocks point to an increasing likelihood of inflation being entrenched at above-target levels. Hence the SARB's decision to raise the policy rate pre-emptively to guard against second-round effects that manifest through higher inflation expectations and wage increases.
- The **SARB has raised its inflation forecast above 5% for later this year** and early next year to reflect higher fuel prices. Once pressures begin to moderate on the back of a fuel shock that recedes, inflation is expected to fall back to 3% towards end-2027. This outlook also incorporates inflation developments in food and core goods inflation, which has been more benign, even as drought pressures from El Niño are expected to manifest next year. Services inflation is elevated at 5.1% y/y, with many underlying categories currently sitting well above the 3% inflation target.
- At the next SARB meeting **in November, a follow-on rate hike cannot be ruled out**, as the oil price shock persists, and if the committee's adverse scenarios of (1) higher global interest rates and (2) increases in both inflation expectations and wages materialise. These would beget a tighter policy stance than the current baseline, where the hikes would be followed by slower subsequent cuts, or rates staying higher for longer.
- The **global shocks are also having a negative impact on economic growth**, evidenced by the 0.2% q/q contraction in real GDP during Q2 of this year and the fall in consumer confidence. For **Middle-Income Households**, rate hikes compound supply-side pain and worsen debt-service costs, especially where debt-to-income ratios are elevated, adding further pressure on demand.

¹ Statistics South Africa reports monthly inflation on ten (10) expenditure decile groups.

3. Fuel Prices: Partial Relief in August, Sharp Reversal in September

August's fuel price movements were mixed, with diesel rising by R1.39/l to R26.17, reflecting renewed global oil price pressure linked to Middle East supply disruptions. Meanwhile, petrol prices eased by a modest R0.52/l. The net effect on **transport CPI** was a marginal 0.1ppt deceleration to 8.8% y/y.

Pump Price (R/litre, inland)	1-Jul-2026	4-Aug-2026	MoM Change (% y/y move)	2-Sep-2026	MoM Change (% y/y move)
Diesel (500ppm)	R24.78	R26.17	▲ +R1.39 (+30.9%)	R29.11	▲ +R2.94 (+49.7%)
Petrol 93 (unleaded)	R25.94	R25.42	▼ -R0.52 (+18.2%)	R26.76	▲ +R1.34 (+24.6%)
Petrol 95 (unleaded)	R26.10	R25.58	▼ -R0.52 (+18.5%)	R26.92	▲ +R1.34 (+24.9%)

Source: Automobile Association of South Africa <https://aa.co.za/fuel-pricing/>, PBC Calculations

The August print, however, contrasts with a far more concerning September picture, with diesel pump prices surging by R2.94/l to R29.11 – approaching the May 2026 peak of R31.17/l. On a y/y basis, diesel prices are 49.7% higher, approaching June's 50.7% increase. During the month, petrol prices also rose by nearly 25.0% y/y.

The SARB's MPC statement referenced an average petrol under-recovery of R2.83/l in the days preceding 25 September, which is likely to add upside pressure to the next inflation print. The timing of the rate hike suggests that the decision was partly pre-emptive, with the MPC responding to the expected impact of September's fuel price increase, before its full impact is reflected in the inflation data.

4. Structural Pressures Unchanged

Our **Core Necessities Indicator (CNI)**² was essentially flat at 3.7% y/y. While housing and utilities inflation stabilised at 5.2% y/y, the slight easing in Transport CPI by 0.1ppt to 8.8% y/y was offset by food CPI, which edged up to 1.1% y/y in August from 0.9% previously. Food inflation remained near historic lows, sustained by abundant grain supplies. Fish, dairy products, and egg inflation nudged higher during the month, while fruit and vegetable CPI and meat price inflation continued to moderate.

The ongoing conflict in the Middle East remains the major near-term risk for SA's food inflation outlook, through the channel of higher fuel and food distribution costs. Over the medium term, extreme weather-related risks associated with the developing El Niño present an upside risk to food inflation from mid-2027 onwards.

Our **Semi-Essentials Indicator (SEI)**³ also moved sideways in August at 5.4% y/y, even as health CPI eased to 3.4% y/y (from 3.7%), alongside education (5.4%) and insurance (5.9%) inflation which remained unchanged. The SEI has remained relatively sticky despite changes in the interest rate cycle, reflecting structural insurance market failures, public-sector service delivery gaps, and persistent medical and educational cost inflation.

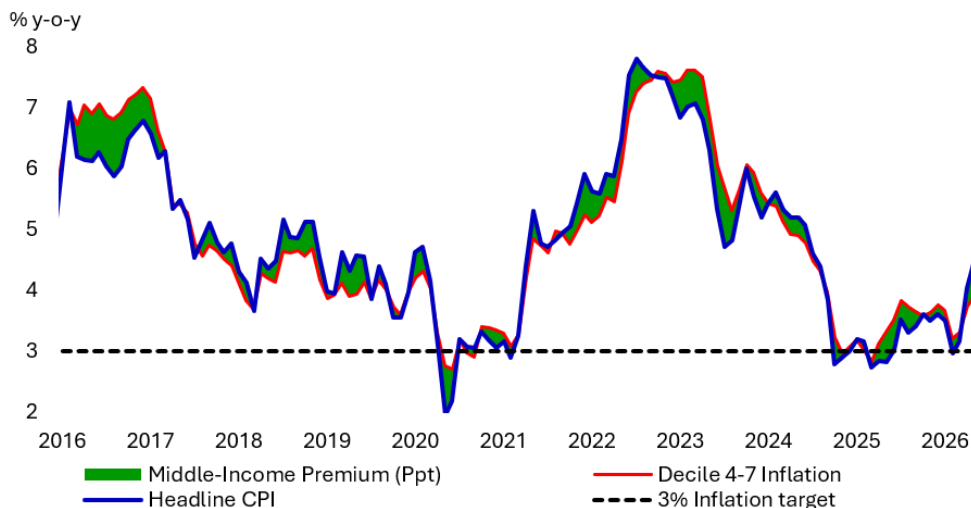
The **Non-Essentials Indicator (NEI)**⁴ 's stable 2.6% y/y masked the services inflation pressures that the SARB is watching closely. Restaurant and accommodation CPI accelerated by 0.4ppt to 5.7% y/y - a second consecutive monthly increase – consistent with pressures in fuel and logistics costs. Alongside this, information and communications inflation also ticked up slightly (to 1.9% y/y, from 1.7%). The easing in inflation pressures from other categories (recreation, clothing and footwear) provided an offset.

² Food & NAB, Housing & Utilities, and Transport collectively account for about 66% of the middle-income inflation basket.

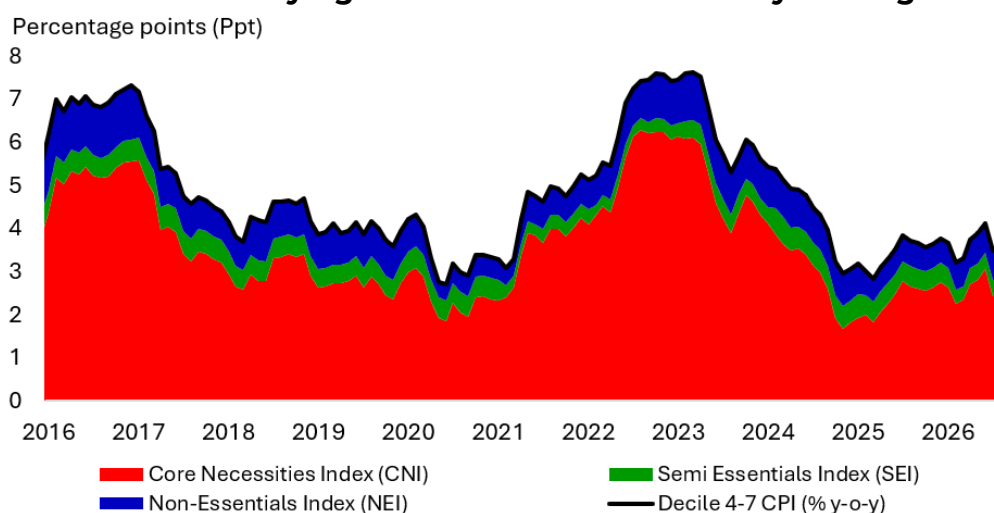
³ Health, Education, and Insurance together represent approximately 7% of the middle-income basket.

⁴ Covers inflation basket items beyond food, housing, transport, education, health, and insurance.

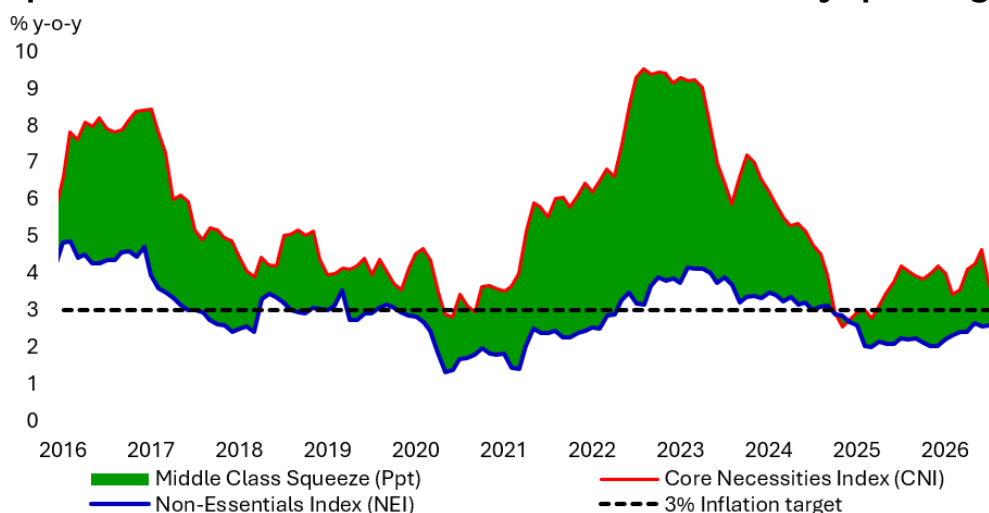
A. The Middle-Income Inflation Indicator held steady at 3.5% y/y in August 2026, while National Headline CPI edged up by 0.1ppt to 4.4% y/y



B. Price pressures in our underlying indices also moved sideways during the month



C. The Middle-Class Squeeze Indicator was unchanged at 1.1ppt, but still reflects the structural squeeze on middle-income essentials vs. discretionary spending



Sources: Statistics South Africa, PBC calculations

Methodology and Notes

1. Data Sources

- **Price Data:** All underlying price indices, including headline CPI and its components (food, transport, fuel, housing, etc.), are sourced from Statistics South Africa's monthly Consumer Price Index releases (P0141).
- **Fuel Price Data:** Pump price data (diesel 500ppm, petrol 93 and 95 unleaded) sourced from the Automobile Association's monthly fuel price tracker, alongside National Treasury communiqués on fuel levy relief measures.
- **Expenditure Weights:** Weights for constructing the Deciles 4–7 indicator are derived from Stats SA's official "CPI per expenditure decile" data, based on the 2022/23 Income and Expenditure Survey (IES). For this analysis, weights for deciles 4, 5, 6, and 7 were aggregated to represent the middle-income group.

2. Index Construction

2.1. The Middle-Income (Deciles 4–7) CPI

The Middle-Income (Deciles 4–7) CPI is calculated by reweighting the official CPI component indices according to the expenditure patterns of the middle-income group. The year-on-year inflation rate for this group is derived as follows:

$$\pi_t^{Deciles\ 4-7} = \sum_{c=1}^n [w_c \times \left(\frac{CPI_{c,t}}{CPI_{c,t-12}} - 1 \right) \times 100]$$

Where:

- w_c = expenditure weight of category c for Deciles 4–7
- $CPI_{c,t}$ = price index for category c in month t
- $CPI_{c,t-12}$ = price index for the same category 12 months earlier

These weights reflect each category's share of aggregate household expenditure for the middle-income group, ensuring the index is representative of their consumption patterns.

2.2. Sub-Indices

To analyse distributional price pressures, three subgroup indices were constructed:

- a. **Core Necessities Indicator (CNI):** Weighted average of Food & Non-Alcoholic Beverages, Housing & Utilities, and Transport (66.1% of the Deciles 4–7 basket).
- b. **Semi-Essentials Indicator (SEI):** Weighted average of Health, Education, and Insurance (7.0% of the basket).
- c. **Non-Essentials Indicator (NEI):** Weighted average of all remaining categories (26.9% of the basket).

Each sub-index is calculated as a weighted average of its constituent categories' inflation rates, using their within-group expenditure shares.

3. Context: Stats SA's Expenditure Deciles

Stats SA divides South Africa's urban population into 10 expenditure deciles, each representing 10% of households ranked by total annual expenditure. The table below

shows the official CPI weights (as a percentage of the national CPI basket) for each decile, based on the 2023 weight update:

CPI per expenditure decile	CPI Weights
Decile 1 – up to R35 864	0.71
Decile 2 – R35 865 up to R51 168	1.31
Decile 3 – R51 169 up to R64 855	1.85
Decile 4 – R64 856 up to R80 320	2.54
Decile 5 – R80 321 up to R97 976	3.30
Decile 6 – R97 977 up to R120 028	4.42
Decile 7 – R120 029 up to R150 774	6.23
Decile 8 – R150 775 up to R202 419	8.89
Decile 9 – R202 420 up to R307 885	15.03
Decile 10 – R307 886 and more	55.72

Source: Statistics South Africa, CPI 2023 Weights (P0141.5)

4. Decile 4-7 Weight Structure (2023 Weights)

Category	Weight
Food & NAB	30.5%
Housing & Utilities	27.3%
Transport	8.3%
Insurance	5.3%
Clothing & Footwear	5.7%
All other categories	22.9%
Total	100%

5. Stats SA's Survey schedule for non-monthly surveys

The table below shows the survey schedule for items that are not surveyed monthly.

Frequency	Survey Months	Items
Quarterly	January, April, July, October	- Gymnasium fees (Recreation and culture) - Funeral expenses, funeral policies, gravestone maintenance (Miscellaneous)
	February, May, August, November	- Private-sector hospitals (Health) - Rugby tickets (Recreation and culture) - Cricket tickets (Recreation and culture)
	March, June, September, December	- Actual rentals for housing, owners' equivalent rent (Housing and utilities) - Domestic workers' wages (Household contents and services) - Taxi fares, train fares (Transport) - Motor vehicle insurance (Miscellaneous)
Biannual	January, July	Building insurance, household content insurance (Miscellaneous)
	February, April	Medical aid (Miscellaneous)
	April, October	Television licences (Recreation and culture)
	May, November	Electricians, plumbers (Housing and utilities)
	July, August	Municipal charges for water, property rates and electricity (Housing and utilities)

Annual	January	- Post box rental (Communication) - Lotto tickets (Recreation and culture)
	February	Private-sector doctors and dentists (Health)
	March	- School and university tuition fees (Education) - Toll fees (Transport) - University boarding fees (Restaurants and hotels) - Crèche fees (Miscellaneous)
	April	- Public-sector hospitals and doctors (Health) - Stamps (Communication)
Other	January, March, April, June, July, September, October, December	Local bus fares (Transport)

Source: Statistics South Africa

6. Key Assumptions and Limitations

- **Experimental Index:** This constructed index is for analytical purposes only and is not an official statistic published by Stats SA.
- **Weight Currency:** Decile expenditure weights are based on survey data (IES 2022/23). If the survey is not the most recent, weights may not fully reflect current spending patterns.
- **Within-Group Homogeneity:** The index assumes uniform spending patterns within each decile and across the combined middle-income group, which may not capture the full diversity of individual households.
- **Price Coverage:** The index relies on the same price collection and item coverage as the official CPI, which may not perfectly match the consumption basket of every middle-income household.
- **Driver Analysis:** Observations about inflation drivers (e.g., housing, food, transport) are based on the relatively higher expenditure weights these categories hold in the decile data.
- **Second-Round Effects:** References to second-round pass-through in Section 4 are based on observed correlations between transport-exposed categories and the timing of the fuel shock. These are analytical observations, not formal econometric pass-through estimates.
- **Headline CPI Dominance:** National headline inflation is dominated by higher-expenditure deciles, which carry larger weights in the aggregate basket. This can lead to divergence between middle-income inflation and the official headline rate.

7. Disclaimer

This analysis and the derived indices are intended for informational and research purposes. They should not be used as a basis for formal policy decisions, wage negotiations, or financial indexation without further validation and expert consultation. The author bears no responsibility for decisions made using this data.

8. References

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