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PBC

South Africa's Middle-Income Inflation Monitor

April 2026

HEADLINE SNAPSHOT	Apr 2026	Mar 2026	Δ MoM
Middle-Income Deciles 4-7 CPI (% y/y)	3.7%	3.3%	↑ +0.4ppt
National Headline CPI (% y/y)	4.0%	3.1%	↑ +0.9ppt
Middle Income Premium (Ppt)	**-0.3ppt**	**+0.2ppt**	

Core Necessities Index CNI	**Non-Essentials Index NEI**	**Semi-Essentials Index SEI**
4.1% ▲	2.4%	5.3% ▲
+0.6ppt	~0.0ppt	+0.9ppt
Weight: 66%	Weight: 27%	Weight: 7%

SQUEEZE INDICATOR
CNI – NEI = 1.7ppt (▲ +0.6ppt from Mar)

Executive Summary

- South Africa's **Middle-income Inflation Index** (Deciles 4-7) accelerated by 0.4 percentage point (ppt) to 3.7% y/y in April 2026, while **National Headline CPI** surged by 0.9ppt to 4.0%

- The **Middle-Income Premium** (Middle-Income CPI vs National Headline CPI) turned negative, with **Inflation inequality** also inverting, as the mid-income basket was somewhat insulated from the fuel price shock.

- The **Core Necessities Index (CNI)** - tracking food, housing, and transport - accelerated by 0.6ppt to 4.1% y/y, driven by the sharp reversal in transport costs (fuel price increases) despite government support.

- Our **Semi-Essentials Index (SEI)** surged by 0.9ppt to 5.3% - reversing a declining trend in recent months - largely reflecting increased medical insurance costs.

- Our **Non-Essentials Index (NEI)** held flat at 2.4% y/y, signalling stable discretionary demand. This meant the **Middle-Class Squeeze Indicator** widened to 1.7ppt.

1. **The Headline Numbers**

The latest inflation data from Statistics South Africa (Stats SA) showed that our ***Middle-Income Inflation Index*** (Deciles 4-7)[1] rose to 3.7% y/y in April 2026, from 3.3% in March. Meanwhile, National Headline CPI accelerated even more sharply, by 0.9ppt to 4.0% y/y - its fastest monthly acceleration since mid-2022. The acceleration was driven by higher transport inflation and increased medical insurance costs.

The ***Middle-Income Premium*** - the gap between middle-income and national headline CPI - turned negative to -0.3ppt in April, reversing the persistent positive trend seen in prior months. This reflects the asymmetric impact of April's fuel price increases. While they pushed transport costs up sharply for all households, upper-income baskets carry a relatively heavier weight on transport and vehicle-related categories, amplifying the national headline more than the middle-income index.

2. **Transport Shock Drives Essentials Higher; Non-Essentials Stable**

Our ***Core Necessities Index (CNI)***, which tracks food and non-alcoholic beverages (NAB), housing and utilities, and transport[2], accelerated by 0.6ppt to 4.1% y/y in April and pushed above overall middle-income inflation for the first time since Q4 2025.

Transport CPI staged a dramatic reversal, rising by 4.9% y/y from -1.6% in March, as petrol and diesel prices increased by about R3/litre and more than R7/litre, respectively, in April. This surge occurred despite a R3/litre government fuel levy relief, underscoring the severity of the underlying Middle East oil price pressure.

Housing and utilities CPI remained elevated at 5.2% y/y (5.1% in March), reflecting higher actual rentals and ongoing electricity and municipal tariff pressures. With a 27.3% basket weight, housing remains the single heaviest drag on middle-income living standards.

On a more encouraging note, *food inflation* continued its broad-based disinflation, slowing to 2.9% y/y in April (from 3.6% in March). Grain prices, fruit and vegetables, and edible oils CPI all led the moderation, underpinned by ample domestic and global supplies. In addition, meat inflation eased in line with improved supplies, amid reduced exports related to the foot-and-mouth disease outbreak. Looking ahead to the remainder of the year, it is estimated that the food disinflationary impulse will likely persist and outweigh the impact of elevated fuel costs.

Our ***Semi Essentials Index (SEI)***, which includes health, education, and insurance[3], surged by 0.9ppt to 5.3% y/y in April, with much of the increase attributed to survey-driven and seasonal effects. Stats SA's annual public-sector hospital and doctor price survey conducted in April, and the biannual medical-aid premium update (also falling in April and February), showed that various medical schemes raised their health insurance premiums starting earlier in the year through April. These increases were reflected in the jump in *insurance inflation* (to 5.8% y/y from 4.6% previously). Adding to the pressure, was *education CPI* which remained structurally elevated at 5.4% y/y. Similar to the CNI, the SEI is relatively unresponsive to interest rate cycles, and reflects deeper structural pressures in healthcare, education, and insurance markets.

[1] Statistics South Africa reports monthly inflation on ten (10) expenditure decile groups.
[2] These three items collectively account for about 66% of the middle-income inflation basket
[3] These items represent about 7% of the middle-income basket

Last but not least, our ***Non-Essentials Index (NEI)***[4] was virtually unchanged at 2.4% y/y in April, signalling stable demand for discretionary categories as lower interest rates remained supportive.

3. The Middle-Class Squeeze and Inflation Inequality in Focus

The ***Middle-Class Squeeze Indicator*** (CNI minus NEI) widened to +1.7ppt in April, from +1.1ppt in March, highlighting the transport-led acceleration in the CNI while the NEI remained flat. While we remain encouraged that the current level remains below the mid-2025 peak of +2.8ppt, the uptick serves as a reminder that middle-income households remain structurally more exposed to necessities-driven inflation.

A notable **inversion in inflation inequality** occurred in April, with upper-income households (Deciles 8-10) recording 4.1%y/y inflation - 0.4ppt above middle-income inflation. The inversion highlights that upper-income households spend a greater share on private fuel consumption, which led to a disproportionate impact from April's fuel cost surge[5]. We expect this inversion to persist for as long as fuel prices continue to rise steeply. Once the base effects of elevated fuel prices dissipate, structural forces should reassert the typical middle-income premium and ***affordability gap*** in the coming months.

4. Bottom Line & Policy Implications

- The **Middle-Income Inflation Index** accelerated in April 2026 but, unusually, fell below National Headline and Upper-Income CPI. This inversion reflects April's fuel price shock, which disproportionately affected higher-income baskets, rather than a structural improvement in middle-class affordability.

- **Monetary policy implications:** At 4.0%, National Headline CPI now sits at the top of the SARB's inflation target of 3% (with a tolerance band of ±1ppt). Underlying fuel price pressures have intensified in May, even with the R3/litre general fuel levy relief remaining in effect. We expect the resulting higher inflation to potentially trigger a hawkish central bank response that could harm indebted middle-income households.

- The **SEI surge in April is seasonal**: It is important to note that the April jump in our SEI to 5.3% was mainly amplified by annual and biannual survey updates for medical aid and public-sector healthcare costs. With this in mind, the April reading should, therefore, not be extrapolated as a step-change acceleration. Nevertheless, the underlying structural failures in insurance markets, public infrastructure, and service delivery remain.

- The **"double-payment trap"** persists: Middle-income households continue to fund public services through taxes, while paying privately for security, power, schooling, and healthcare - **compensation for state failure**. April's medical aid survey update is a direct reflection of this structural reality.

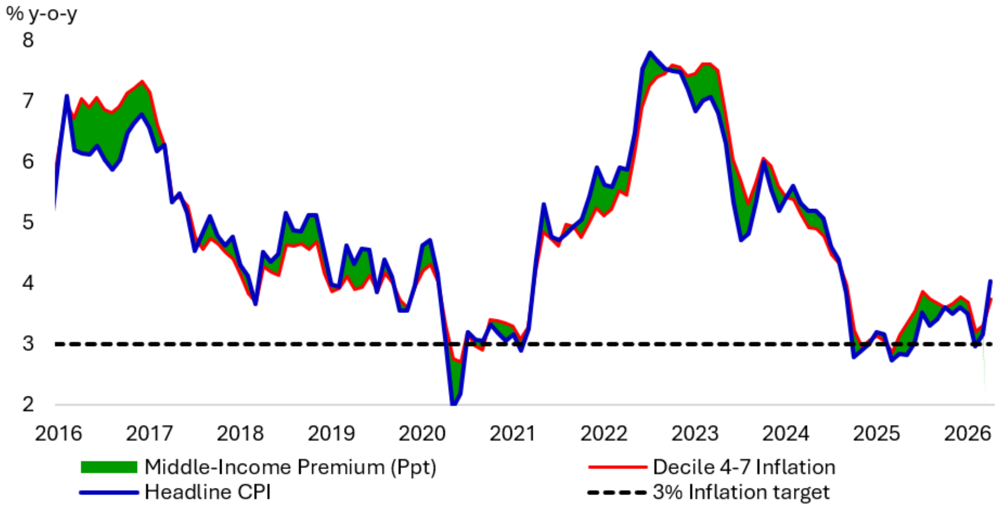
- **Fuel levy relief: a meaningful but temporary lifeline.** The R3/litre general fuel levy reduction (effective 1 April to 5 May 2026) provided partial relief during April,

[4] Covers inflation basket items beyond food, housing, transport, education, health and insurance
[5] Upper-income households spend nearly 16% of their budgets on transport, compared to 8.3% for middle class

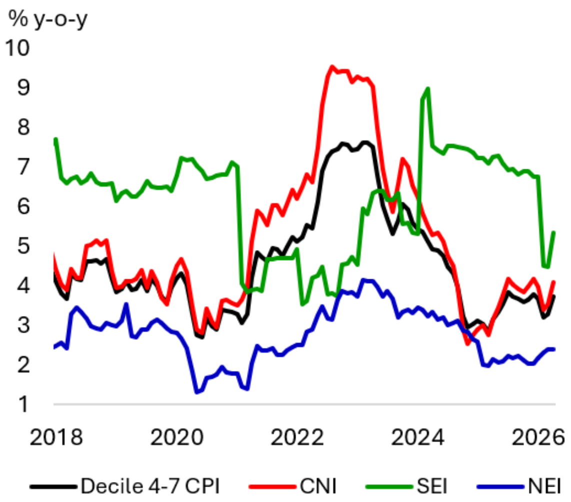
with an extension through May (R3/litre petrol; R3.93/litre diesel - reducing the diesel levy to zero) currently in effect. In June, the relief will be halved (to R1.50/litre petrol; R1.96/litre diesel), before it expires fully on 30 June 2026, with levies returning to R4.10/litre (petrol) and R3.93/litre (diesel) from 1 July. The full reinstatement of the fuel levy in July creates a material upside risk to transport CPI, so we expect the CNI to remain stubbornly high.

- **Fiscal policy blind spot**: National Treasury estimates the total foregone revenue from the general fuel levy relief at R17.2 billion - to be recouped through underspending and revenue windfalls rather than structural reform. With nearly 70% of government tax revenue allocated to compensation of employees, interest payments, and household transfers, and barely 5% assigned to economic infrastructure, middle-class taxpayers continue to fund public current consumption rather than future growth. They lack the social safety nets available to lower-income households and the financial flexibility of their upper-income counterparts.

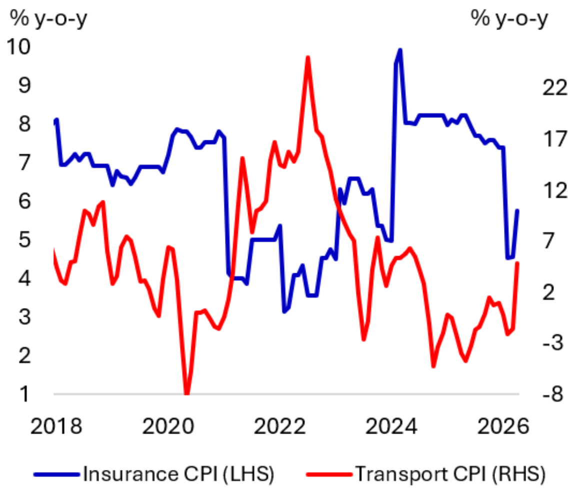
A. The Middle-Income Inflation Index accelerated in April 2026, and National Headline CPI surged...



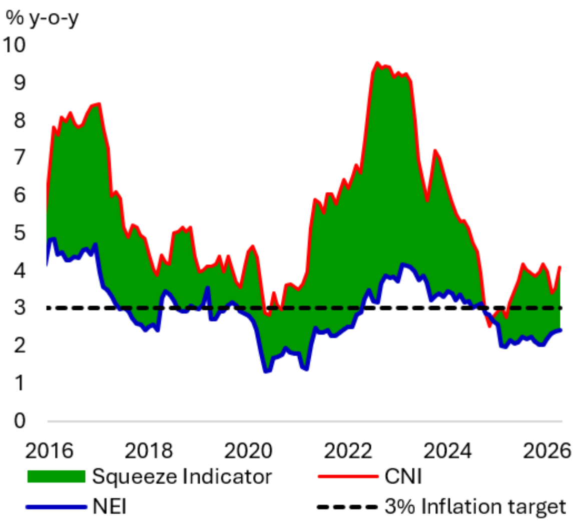
B. ... driven by higher Core Necessities and Semi-Essentials inflation...



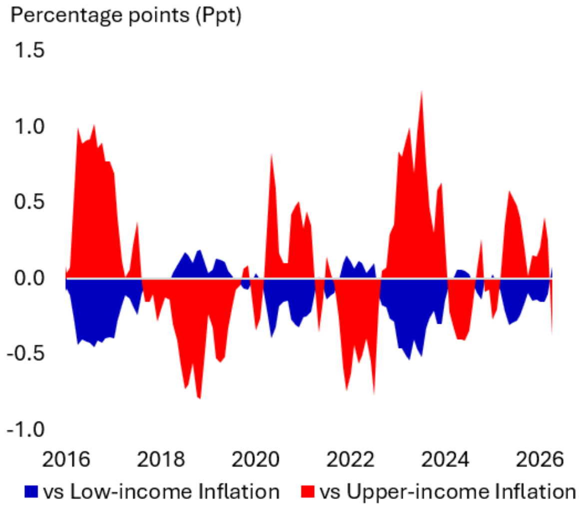
C. ...after transport and insurance CPI jumped



D. The Middle-Class Squeeze Indicator widened



E. Inflation inequality has inverted amid high fuel prices



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).
- **Expenditure Weights:** Weights for constructing the Deciles 4–7 index 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:

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

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 Index (CNI)**: Weighted average of Food & Non-Alcoholic Beverages, Housing & Utilities, and Transport (66.1% of the Deciles 4–7 basket).
b. **Semi-Essentials Index (SEI)**: Weighted average of Health, Education, and Insurance (7.0% of the basket).
c. **Non-Essentials Index (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 monthly expenditure. This classification allows for detailed analysis of how price changes affect households across the income spectrum.

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	3.3
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)

The Deciles 4–7 group—comprising the four middle expenditure deciles—represents the core of South Africa's urban middle class. These households fall between the bottom 30% and top 30% of the expenditure distribution, capturing what is often described as the "lower-middle" to "middle-middle" income segment.

By constructing a weighted CPI index for Deciles 4–7, we isolate inflation pressures experienced by this economically significant and policy-relevant group, separate from the often-divergent experiences of the lowest-income and highest-income households.

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.
- **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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