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PBC

South Africa's Middle-Income Inflation Monitor

June 2026

HEADLINE SNAPSHOT	June 2026	May 2026	Δ MoM
Middle-Income Inflation Indicator (Deciles 4-7) (% y/y)	4.1%	3.9%	▲ +0.3ppt
National Headline CPI (% y/y)	5.0%	4.5%	▲ +0.5ppt
Middle-Income Premium (Ppt)	-0.8ppt	-0.6ppt	

Core Necessities Indicator CNI	Non-Essentials Indicator NEI	Semi-Essentials Indicator SEI
4.6% ▲	2.5% ▼	5.6% ▲
+0.4ppt	-0.1ppt	+0.3ppt
Weight: 66%	Weight: 27%	Weight: 7%

SQUEEZE INDICATOR
CNI – NEI = 2.1ppt (▲ +0.5ppt from May)

Executive Summary

- South Africa's **Middle-Income Inflation Indicator** (Deciles 4-7) pushed above the 4% mark for the first time in nearly two years, rising from 3.9% in May 2026 to 4.1% y/y in June. **National Headline CPI** accelerated by another 0.5ppt to 5% and now sits 2ppt above the SARB's 3%-point target.

- **Transport CPI** remained the single biggest driver of inflation. The **June fuel** picture was mixed but the y/y damage was severe, as diesel remained +50.7% (despite falling m/m) and petrol +31% above June 2025, driving transport CPI up by 3.3ppt to 12.7% y/y. In contrast, **food CPI** hit its lowest reading since end-2010 at 1.6% y/y.

- The **Middle-Income Premium** (Middle-Income Inflation Indicator vs National Headline CPI) deepened further to -0.8ppt (from -0.6), as upper-income households (Deciles 8-10) bore the heaviest fuel burden at 5.3% inflation (1.2ppt above the middle class). We continue to expect this inversion to unwind once fuel CPI begins to decelerate on a y/y basis.

- The **SARB held its policy rate at 7% (4:2 MPC vote)**, with two members favouring a 25bp hike. The MPC's Quarterly Projection Model (QPM) shows rates broadly stable through year-end, with cuts projected once inflation returns toward 3%.

- The **Middle-Class Squeeze Indicator (CNI - NEI)** widened sharply by 0.5ppt to 2.1ppt (its largest single-month jump this year), as accelerating CNI (transport, housing, food) diverged from a slightly cooling NEI.

1. The Headline Numbers

Inflation data from Statistics South Africa (Stats SA) showed that our ***Middle-Income Inflation Indicator*** (Deciles 4-7)[1] rose to 4.1% y/y in June 2026, from 3.9% in May, breaching the 4%-mark for the first time in nearly two years. National Headline CPI accelerated more sharply still, by 0.5ppt to 5% y/y - now firmly above the ceiling of the SARB's 3%±1% inflation target. Higher transport CPI remains the key driver of this acceleration.

The ***Middle-Income Premium*** (Middle-Income Inflation Indicator minus National headline CPI) deepened further to -0.8ppt from -0.6ppt in May, which marks the widest inversion in the history of the series. Upper-income households (Deciles 8-10) recorded a steep 5.3% y/y inflation, 1.2ppt above Middle-Income inflation, reflecting their heavier private vehicle and fuel consumption weights[2]. Meanwhile, lower-income households (Deciles 1-3) recorded a more moderate 3.8% y/y, widening the ***affordability gap*** relative to the middle class to +0.4ppt. Middle-income South Africans are increasingly squeezed from both ends of the distribution: more exposed to fuel costs than the poor, and without the financial buffers of the wealthy.

2. Fuel Prices: A Mixed Month-on-Month Picture, but the Y/Y Story Remains Severe

June's domestic fuel price movements were more complex than prior months, reflecting, 1) The scheduled ***halving of levy relief*** from 3 June (petrol levy rising from R1.10/l to R2.60/l; diesel from R0.00 to R1.97/l); 2) A ***fall in the Basic Fuel Price (BFP)*** as global oil prices briefly eased from approximately USD90/b to USD70/b; and 3) The ***Self-Adjusting Slate mechanism*** for fuel importers.

Pump Price (R/litre, inland)	6-May-2026	3 June 2026	MoM Change	y/y
Diesel (500ppm)	R31.17	R27.92	▼ **-R3.25 (-10.4%)**	**+50.7%**
Petrol 93 (unleaded)	R26.52	R27.95	▲ **+R1.43 (+5.4%)**	**+31.6%**
Petrol 95 (unleaded)	R26.63	R28.06	▲ **+R1.43 (+5.4%)**	**+31.4%**

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

The net effect was asymmetric across fuel types. On the one hand, the BFP decline more than offset the increased diesel levy, resulting in a R3.25/l fall in the diesel pump price. For petrol, conversely, the additional R1.50/l levy outweighed the more modest BFP reduction, pushing pump prices up by R1.43/l. The m/m picture was therefore mixed, but the y/y story remained decisively concerning, with both fuel types still at extreme levels relative to June 2025. This meant ***transport CPI*** surged to 12.7% y/y (from 9.4% in May) - its highest reading since early 2023.

Looking ahead, the July 2026 inflation print is set to reflect the declining global oil price trend which had taken root in June, together with the full levy reinstatement (petrol R4.10/l, diesel R3.93/l) which came into effect on 1 July. The combined effect produced pump price declines across all fuel types: diesel -R3.14/l (+28% y/y), petrol 95 -R1.96/l (+19.0% y/y), and petrol 93 -R2.01/l (+19.3% y/y). Critically, these y/y readings (especially diesel's) represent a sharp deceleration from June and, absent further oil price escalation or significant shocks elsewhere in the basket, point to some relief for transport CPI and headline inflation in July.

In contrast, the sharp reversal in oil prices in July[3], following the resurgence in Middle-East tensions after the collapse of a fragile ceasefire, presents upside risk to the August 2026 inflation numbers. This July rebound in the crude oil price has broken through the USD90/b mark, showing gains north of 30% compared to both year-ago levels and the start of 2026. Beyond this, the oil price outlook will depend on how the geopolitical situation evolves.

[1] Statistics South Africa reports monthly inflation on ten (10) expenditure decile groups.
[2] Upper-income households spend nearly 16% of their budgets on transport (making them vulnerable to fuel price movements), compared to 8.3% for middle class, and 6.1% for lower-income households.
[3] Oil prices have rebounded to approximately USD90/b in July 2026

3. Bottom Line & Policy Implications

- The ***SARB held the policy rate steady at 7% at its July 2026 MPC meeting***, in a very close decision of a 4:2 split vote, with two members advocating for a 25bp hike. This hold is defensible given that the dominant driver - fuel costs - is a supply shock. However, the Monetary Policy Committee (MPC)'s tolerance for further upside inflation surprises is narrowing, given that National headline CPI is at 5%, services inflation at 5.2% and "well above 3%" across most components, and inflation expectations are rising in the BER survey.

- The ***SARB's adverse oil scenarios illustrate the dilemma***.
  (1) Under a *"USD100/b through 2026"* scenario, the QPM calls for an extra hike this year plus an extended period of higher interest rates.
  (2) Under a more favourable scenario of *"USD78/b"*, rate cuts begin within the current year.
  With oil prices currently at around USD90/b and volatile, the SARB is threading the needle between these two scenarios, and the balance of risks is to the upside, given that the oil price trajectory remains hostage to the pace and direction of the Middle East conflict.

- For ***Middle-Income Households***, rate hikes would compound supply-side pain and worsen debt-service costs, especially where debt-to-income ratios are elevated. The key consideration for September's MPC meeting and interest rate decision will likely be whether second-round effects (via services inflation, wage settlements, and inflation expectations) have broadened sufficiently to justify further hikes.

- The ***Middle-Class Squeeze Indicator is widening for structural reasons***, not cyclical ones. The 2.1ppt CNI-NEI gap (up from 1.6ppt in May and its widest since mid-2025) reflects the divergence between sticky essential costs (transport, housing, and food) and more subdued discretionary spending. The SARB policy rate can target demand-driven components, but it cannot fix diesel prices and municipal dysfunction. This means the structural burden on middle-income households will persist even as the broader inflationary story, and the fuel shock, fade.

4. Higher Essential Costs Widen the Middle-Class Squeeze

Our ***Core Necessities Indicator (CNI)***[4] rose by 0.4ppt to 4.6% y/y in June, driven overwhelmingly by transport (12.7% y/y, from 9.4%), while housing and utilities also accelerated to 5.5% y/y (from 5.3%) consistent with Stats SA's quarterly rental surveys[5] and ongoing electricity tariff pressures. Food CPI continued its disinflation, easing to 1.6% y/y (from 1.9%), and providing a meaningful counter within the CNI. Ample supplies in grains, fruit, vegetables, and meat are sustaining this relief. The medium-term risk of El Niño drought may affect the direction of 2027 food price inflation, as El Niño risk gets factored into the next season's crop planting decisions.

Our ***Semi-Essentials Indicator (SEI)***[6] also rose (+0.3ppt) to 5.6% y/y, driven by insurance (6.1% y/y) and education (5.4%). The SEI continues to reflect structural failures of insurance market risk premiums, public-sector service delivery gaps and healthcare cost pressures, that are unresponsive to interest rate cycles.

Conversely, our ***Non-Essentials Indicator (NEI)***[7] eased marginally to 2.5% y/y (from 2.6%). The key driver here was the reversal in restaurants & accommodation (-0.7ppt to 5.1% y/y), which partially unwound the May acceleration and tentatively suggests that pass-through from transport and logistics costs into services pricing has not yet been entrenched. Alongside this, CPI for information & communications (1.7%) and recreation (3.4%) held broadly steady.

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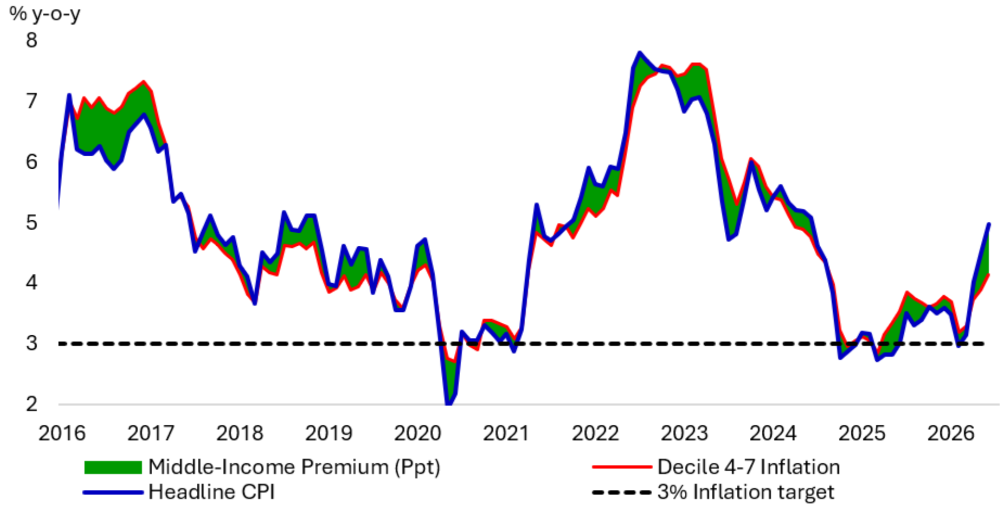
[4] Food & NAB, Housing & Utilities, and Transport collectively account for about 66% of the middle-income inflation basket.

[5] June is a quarterly Stats SA survey month for actual rentals for housing and owners' equivalent rent, domestic workers' wages, taxi fares, train fares, and motor vehicle insurance.

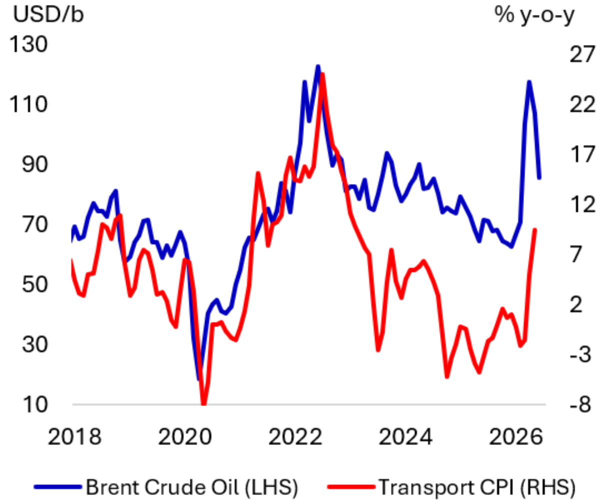
[6] Health, Education, and Insurance together represent approximately 7% of the middle-income basket.

[7] Covers inflation basket items beyond food, housing, transport, education, health, and insurance.

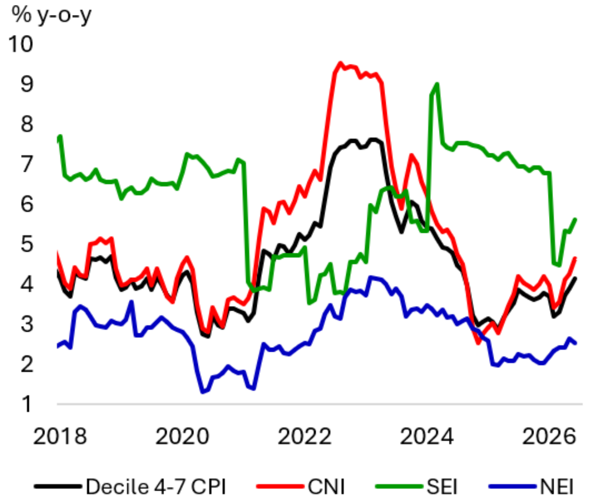
A. The Middle-Income Inflation Indicator accelerated further in June 2026, and National Headline CPI jumped to 5% y/y...



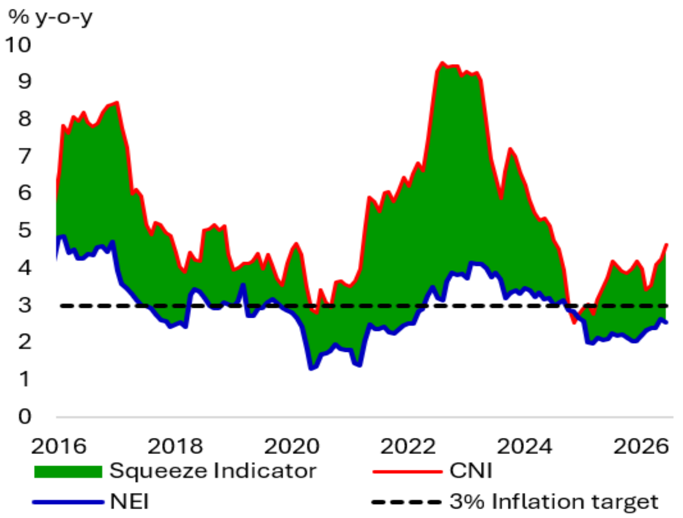
B. ... driven by higher oil prices and transport CPI



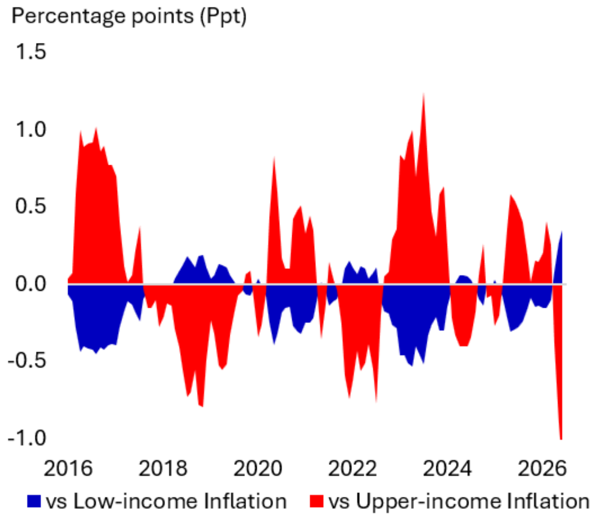
C. Our CNI accelerated and diverged from the NEI...



D. ... leading to a sharp widening in the Middle-Class Squeeze Indicator



E. The inversion in inflation inequality widened further



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 communiques 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:

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

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 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

- Automobile Association of South Africa. Monthly Fuel Price Tracker: June 2026. Retrieved from https://aa.co.za/fuel-pricing/.
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