23 April 2025

MINERALS COUNCIL
SOUTH AFRICA

CPI Inflation Brief: **March 2025**

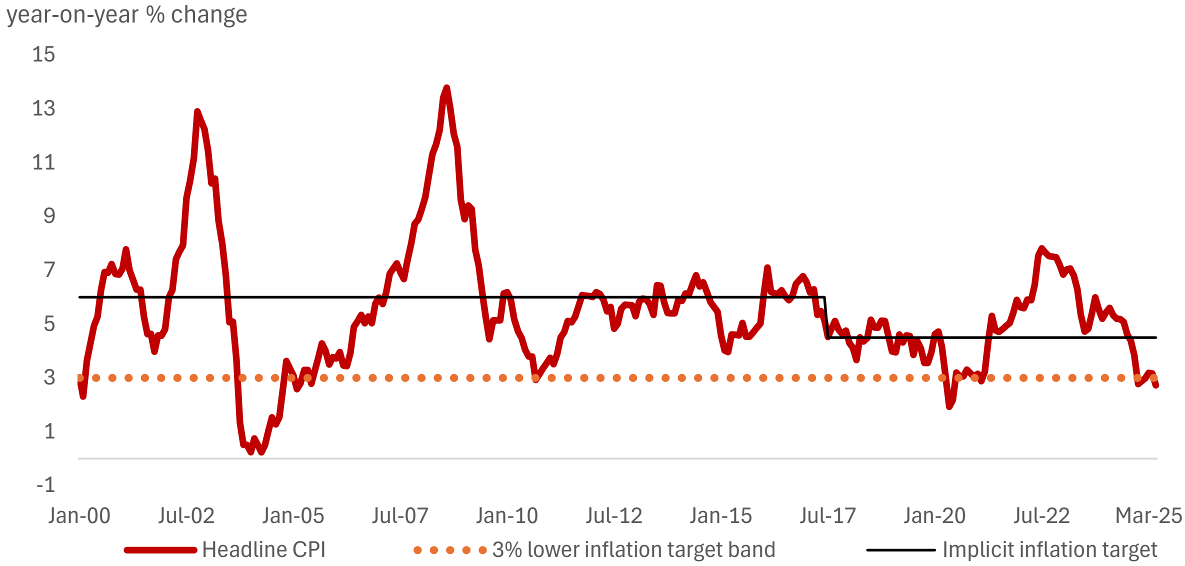
SA's annual headline consumer inflation rate moderated to 2.7% in March 2025

Current (Actual)	**2.7%**	**March 2025 – Statistics SA**	
Previous month	3.2%	February 2025– Statistics SA	
Medium-term Inflation Forecasts			
Institution	**2025**	**2026**	**2027**
SARB (March MPC)	3.6%	4.5%	4.5%
National Treasury (March Budget)	4.3%	4.6%	4.4%
Minerals Council SA (April)	3.6%	4.6%	n/a
Repo Rate 7.50%		**Prime Lending Rate** 11.00%	
(Next SARB interest rate decision due: 29 May 2025)			

Headline Inflation Breakdown:

For the second month in a row, South Africa's annual **headline CPI** inflation rate came in lower than the general expectation. The rise in headline CPI moderated to 2.7% year-on-year (y-o-y) in March 2025, well below the Bloomberg market consensus of 3.0%. Excluding late-2024 when CPI inflation was last this low, one has to go back to mid-2020 to see consumer inflation at the current level. In the first quarter of 2025, CPI increased by 3% y-o-y, in line with 2.9% in the fourth quarter of 2024. **Core inflation**, which excludes volatile food and energy prices, eased to 3.1% y-o-y in March from 3.4% in February. Among the two major categories of headline CPI, **goods inflation** moved lower to just 2% y-o-y, down from 2.5% in February. **Services inflation** moderated for the third consecutive month, to 3.5% y-o-y from 3.8% y-o-y in the previous month.

Figure 1: Headline CPI rarely below the lower range (3%) of the SARB inflation target



Source: Statistics SA & Minerals Council SA.

Compared to February 2025, headline CPI increased by 0.4% month-on-month (m-o-m), lower than the Bloomberg consensus expectation of 0.6%. In part, the lower-than-expected monthly increase was driven by food prices increasing by a less-than-expected 0.2% m-o-m. The main contributors to the 0.4% monthly rise in overall CPI were the following:

- **Alcoholic beverages and tobacco**, which increased by 1.6% m-o-m and contributed 0.1 percentage point (%-point) to the headline CPI increase. This reflected annual price increases that are normally implemented in March. This category should see further monthly increases in April to reflect the hike in sin taxes announced in the March budget. Assuming the 0.5%-point VAT increase announced in the budget goes ahead in May, some additional price increases could also be seen then.
- **Housing and utilities**, which increased by 0.5% m-o-m and contributed 0.1%-point to the headline CPI increase. This is due to Stats SA's quarterly survey on rental costs, which showed a muted annual increase of 2.9% for actual rentals and 2.4% for owners' equivalent rent.
- **Education services**, which rose by 4.5% m-o-m to also contribute 0.1%-point to the overall rise in (monthly) headline CPI. The increase for education reflects the impact of Stats SA's annual survey of education costs. The cost of primary and secondary education rose by 5% y-o-y, while tertiary education costs were up by 3.7% y-o-y.
- **The residual** added the final 0.1%-point to the overall 0.4% monthly rise in headline CPI.

Outlook:
At the March policy interest rate meeting, the SA Reserve Bank revised its headline CPI inflation forecast for 2025 down to 3.6%, from 3.9% expected in January. The March forecast incorporated the expectation that CPI would increase by 3% y-o-y in Q1 2025, which is how it turned out. Therefore, while the March CPI print surprised the consensus on the downside, it was in line with the central bank's outlook. Despite the benign inflation outlook, amid heightened global uncertainty due to tariff wars, the SARB's Monetary Policy Committee (MPC) kept the repo rate on hold in March.

Therefore, in and of itself, while the soft inflation print for March raises the probability of a repo rate reduction at the next MPC meeting in May, it does not guarantee it. Global tariff developments over the next month will be important in tilting the interest rate scales. In particular, the MPC will be watching how commodity prices (including oil), the rand and South African consumers and the business sector respond to the global tariff shock.

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