

Competition Law

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SOUTH AFRICA

- Competition Commission releases second Cost of Living Report confirming persistent price pressures on South African households



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Competition Commission releases second Cost of Living Report confirming persistent price pressures on South African households

The Competition Commission (Commission) recently published its second Cost of Living Report (Report), building on the findings of its inaugural report released in September 2025. The latest Report, released on 1 April 2026, tracks changes in the prices of essential goods and services affecting South African households. The Report confirms that cost-of-living pressures remain structurally embedded, with essential goods and services continuing to increase at rates above overall consumer price index (CPI), even as headline inflation has moderated.

Continued divergence in administered prices

Prices for electricity and water continue to significantly outpace general inflation. From 2020 to January 2026, cumulative electricity prices rose by approximately 85% and water prices by approximately 68%, compared to overall inflation of just over 30%. A further concern is that electricity prices are expected to increase by approximately 18% over the next two years, following an error by the National Energy Regulator of South Africa (NERSA) which led to an undercalculation of Eskom's costs by approximately R54 billion.

Electricity price formation in South Africa occurs across two interconnected regulatory stages. At the generation level, tariffs are determined through Eskom's Multi-Year Price Determination framework, a 'cost-plus' regulatory model enabling Eskom to recover approved expenditure, including primary energy costs, debt servicing, maintenance and capital investment, through consumer tariffs.

At the retail level, municipalities purchase electricity in bulk from Eskom and set their own tariffs, subject to NERSA approval, often incorporating mark-ups that reflect local fiscal pressures, ageing infrastructure and cross-subsidisation of other municipal services.

This dual-layered structure has contributed to cumulative electricity inflation of approximately 85% over five years, significantly outpacing headline CPI.

Cliffe Dekker Hofmeyr

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Interest rates, rentals and healthcare

Cumulative bond-repayment inflation has begun to moderate, reflecting the lagged transmission of monetary policy decisions by the South African Reserve Bank following rate increases between 2022 and 2023. Rental inflation for both flats and houses has increased by only 15% since 2020, well below headline inflation, and has not been a significant contributor to the cost-of-living crisis. In healthcare, GP consultation costs have risen above overall inflation, with 2026 tariff adjustments expected to align broadly with medical inflation of approximately 4.2%.

Transport, education and internet costs

Petrol prices have stabilised following earlier volatility, and taxi fares have converged with petrol prices. However, the Report cautions that recent instability in the Middle East has already pushed oil prices higher, likely feeding into higher fuel and transport costs from April 2026 onwards.

Education costs continue to outpace general inflation: between 2020 and January 2026, public primary school fees increased by 37% and public secondary school fees by 42%, against a 30% rise in headline inflation. There are indications that public school fees for 2026 have increased by approximately 10%, largely due to operational costs not sufficiently covered by government funding.

Internet costs remain below headline inflation, with wired internet stable at just below 15% and wireless internet averaging around 2% cumulatively.

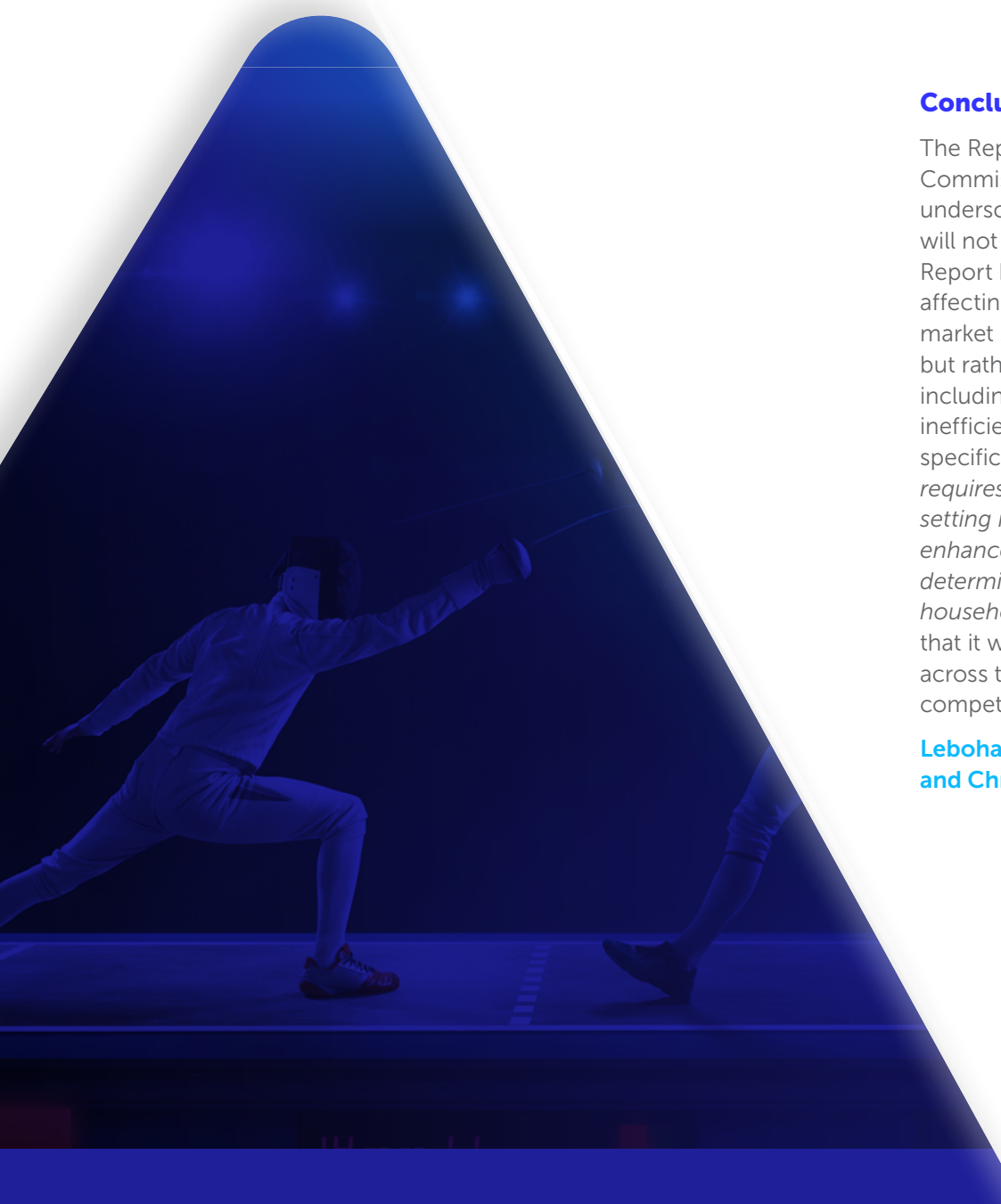
However, the Report highlights that the overall cost of data still has room to decrease, noting that South Africa is ranked the 31st most expensive country for the price of a monthly 1GB mobile data package out of 45 African countries.

Developments in essential food prices

The Report monitors food prices across the value chain, revealing a mixed picture for consumer affordability. In certain markets, such as canned pilchards and brown bread, margins are compressed and price increases broadly tracked costs. However, in several key staples, retail prices remained elevated or continued to increase despite stable or declining upstream costs. The following was observed:

- Egg producer prices fell from R13.32 to R11.69 (June – November 2025), yet retail prices dropped only marginally from R23.84 to R23.02, suggesting delays in passing savings to consumers.
- Individually Quick Frozen Chicken producer prices remained stable at approximately R45, yet retail prices rose from R96.38 to R101.56 (June – December 2025).
- White maize prices fell from R22.16 to R14.49 (May – December 2025), but maize meal producer prices did not decrease proportionately, with the producer-to-retail spread reaching 37% in November 2025.
- Sunflower oil retail prices responded to producer price increases but did not adjust downwards when producer prices fell, displaying concerning price stickiness.





Conclusion

The Report reinforces the findings of the Commission's first Cost of Living Report and underscores that improving supply conditions alone will not resolve affordability challenges. Notably, the Report highlights that the majority of cost increases affecting households stem not from external market shocks, such as fluctuations in oil prices, but rather from structural issues within the country, including administered pricing mechanisms and inefficiencies across key value chains. The Report specifically states that: *"Addressing the cost of living requires greater scrutiny of administered price-setting mechanisms [being water and electricity], enhanced transparency and accountability in tariff determinations and targeted protection for vulnerable households."* The Commission has indicated that it will continue to monitor pricing dynamics across the value chain to promote transparency, competitiveness and household food security.

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Our BBBEE verification is one of several components of our transformation strategy and we continue to seek ways of improving it in a meaningful manner.

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