competition commission
south africa

COST OF LIVING REPORT

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a competitive, dynamic, deconcentrated and inclusive economy

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1. INTRODUCTION

1. The Competition Commission's first Cost of Living (COL) Report in September 2025 demonstrated that rising prices in essential goods and services have become a defining source of financial strain for South African households.[1] It showed that inflation is not felt evenly across the income distribution, with low- and middle-income households disproportionately exposed because a larger share of their expenditure is devoted to necessities. Crucially, the report highlighted that prices of basic goods and services including administered prices and prices set in regulated or weakly competitive sectors tend to rise faster than overall inflation and, once elevated, seldom adjust downward.[2] As a result, even when headline inflation moderates, the cost pressures faced by households remain firmly entrenched.

2. The second COL report is released against this backdrop of persistent living-cost stress. While headline CPI inflation has eased from its post-pandemic highs, this moderation has provided limited relief to households, as the prices of essential goods and services remain at historically elevated levels. This reflects structural features of the South African economy, including high inequality, subdued real wage growth, and limited scope for households to substitute away from essential consumption.[3]

3. As with the Essential Food Price Monitoring (EFPM) reports, each edition of the COL report will also provide a deep dive analysis into one food or non-food item. This edition of the COL report will provide a deep dive analysis into electricity price formation. Electricity occupies a central place in this analysis because it is both a direct household expense and a key upstream input into the wider economy. Electricity tariffs have increased far more rapidly than headline inflation over the past decade.[4] As a non-food item and largely non-substitutable good, electricity price increases intensify economic pressure on low-income households, many of whom rely on prepaid meters and have limited ability to adjust consumption. Beyond the household bill, rising electricity costs filter through to food prices, transport costs, and small business expenses, amplifying cost-of-living pressures across the economy[5].

4. The deep dive analysis examines how cost-plus regulated pricing at the generation level and municipal mark-ups at the retail level shape electricity prices and contribute to their persistence at elevated levels. While ongoing

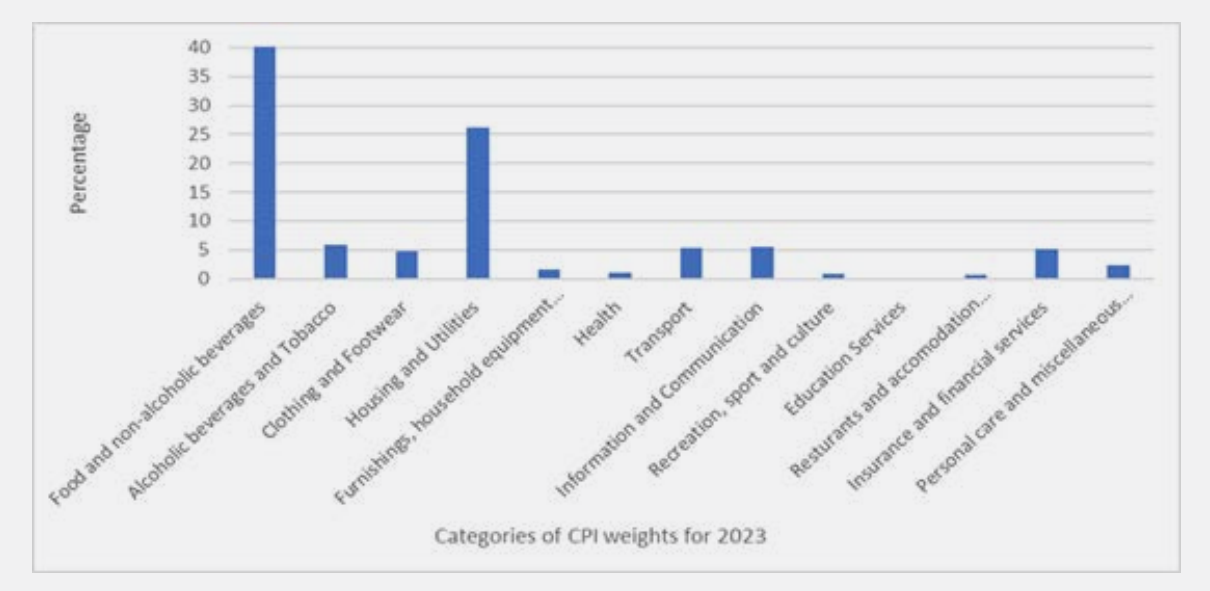
1 The Competition Commission of South Africa. Cost of Living Report. August 2025. Available [Online] https://www.compcom.co.za/wp-content/uploads/2025/09/CC_Cost-of-Living-Report.pdf
2 The Competition Commission of South Africa. Cost of Living Report. August 2025. Available [Online] https://www.compcom.co.za/wp-content/uploads/2025/09/CC_Cost-of-Living-Report.pdf
3 International Monetary Fund. Boosting Growth and Prosperity in South Africa. March 2025. Available [Online]https://www.imf.org/en/news/articles/2025/03/10/cf-boosting-growth-and-prosperity-in-south-africa
4 My Broadband. Shaun Jacobs. Electricity price failure in South Africa. January 2025. Available [Online] https://mybroadband.co.za/news/energy/579954-electricity-price-failure-in-south-africa.html
5 The Competition Commission of South Africa. Cost of Living Report. August 2025. Available [Online] https://www.compcom.co.za/wp-content/uploads/2025/09/CC_Cost-of-Living-Report.pdf

energy sector reforms are essential for improving supply reliability and long-term sustainability, it is also important to ensure that the cost of electricity comes down both for households and businesses.

2. DATA ANALYSIS AND APPROACH

5. The Commission's analysis focuses on the key cost drivers affecting low-income households. Data from Statistics South Africa (Stats SA) shows that households in the lowest income decile (Decile 1) allocate the largest share of their expenditure to food and non-alcoholic beverages (40.71%), followed by housing and utilities (26.1%). Together, these essential categories account for 66.81% of total expenditure, underscoring the significant financial pressure on poorer households to meet basic needs[6].

Figure 1: Percentage of expenditure per category for lowest income households (Decile 1)



Source: Commission's own using Stats SA

6. Within this context, the study will focus on essential food and non-food items that are difficult for households to avoid. The non-food items include water and electricity, rental payments, primary healthcare services (general practitioners), transport (minibus taxi fares and petrol), funeral policies, public

6 The Competition Commission of South Africa. Cost of Living Report. August 2025. Available [Online] https://www.compcom.co.za/wp-content/uploads/2025/09/CC_Cost-of-Living-Report.pdf

primary and secondary education, and internet usage costs. Collectively, these categories together with the food items represent approximately 83.96% of total expenditure for low-income households.

7. In the housing and utilities category for decile 1, electricity constitutes the second-largest component of spending (5.5%) after owners' equivalent rent (14.96%).[7] Water supply accounts for 0.9% of spending by consumers in decile 1. Notably, spending on electricity exceeds expenditure on several other essential goods and services in decile 1 such as maize meal (4.7%), brown bread (3.3%), and minibus taxi fares (4.3%).[8] This highlights the disproportionate burden of electricity on already constrained household budgets.

8. The Commission will describe below the data used in the analysis as well as the methodology.

2.1 NON-FOOD ITEMS

9. The data for the COL report was obtained from Stats SA, specifically, CPI data for the relevant categories over the period 2020 to January 2026. This edition of the COL report focuses on the period April 2025 to January 2026. CPI captures the average change over time of prices paid by consumers for a basket of consumer goods and services. For each category of expenditure, we have identified the most suited CPI data category that captures lower-income expenditure on the items. For instance, for transport we use minibus taxi fares rather than costs of running a private vehicle.

10. While the Commission used the most disaggregated form of data available, it is worth noting that not all CPI data is available in the most granular form. For example, data on actual rentals paid by tenants for flats and houses does not only capture rentals paid by tenants in lower income areas but also includes rentals in affluent areas. However, the CPI data does provide a good indication of price trends in each of these categories.

11. With regards to the impact of rising interest rates on consumers' budgets, the Commission will assess home loan repayments over time and compare these to owner's equivalent rent (for houses). While owner's equivalent rent is a proxy for the cost of owner-occupied housing used by statistical agencies globally, it does not capture the actual cost of housing which can be significant given rising interest rates. For this assessment, the prime lending rate is used as a proxy for home loan interest rates. A standard 20-year repayment period for a property valued at R100 000 is used.[9] This simplified approach is intended to illustrate the effects of interest rate changes on monthly bond payment obligations.

7 Information received from Stats SA.
8 Information received from Stats SA.
9 The bond repayments are calculated using the bond calculator on Property24's website.

2.2 FOOD ITEMS

Figure 2: Methodology for calculating farm values of essential foods

PRODUCT	FARM VALUE CALCULATION
 **Brown bread**	*(SAFEX Wheat Price / 87% Extraction Rate) / (Loaves baked from 1 ton of wheat = 2095)*
 **Sunflower oil**	*(SAFEX Sunflower Seed Price / 40% Extraction Rate) / Liters of oil per ton of seeds = 1087) X (Producer Quantity = 20)*
 **Maize meal**	*(SAFEX White Maize Price / 62.5% Extraction Rate) / (2.5 kg bags per ton of maize = 400)*

Sources: 1) National Agricultural Marketing Council, Farm-to-retail-price-spread definitions, and methodology; 2) Bureau for Agricultural Policy, Sunflower Quality Report, 2020.

12. At the producer level, a comparison is made between the farm value of a good - value of the raw materials required to manufacture a given quantity - and the producer price of that quantity. For all SA Futures Exchange (SAFEX) prices, a two-month time lag is applied to account for the stocks held and already contracted supply. At the retail level, the aggregate spread between retail and producer prices is assessed. The spread is the percentage difference between the producer price of goods and the retail price.

$$Retail\ spread = \frac{(Retail\ price - Producer\ price)}{Retail\ price}$$

13. The analysis of spreads is not intended to make inferences on anticompetitive conduct by individual firms whether acting alone or with competitors. Rather it is used to assess price transmission through the value chain and show where spreads are expanding and falling. Spreads are influenced by the full range of actors and costs in the value chain and are not only reflective of firm behaviour. However, expanding margins can reflect opportunistic 'rocket and feather' pricing behaviour by processors and retailers taking advantage of movements in the cost of commodities and processed products respectively. This report will continue to apply the Consumer's International Early-Warning System as explained in previous editions of the EFPM and COL reports.

3. RECENT DEVELOPMENTS IN THE PRICES OF NON-FOOD ITEMS

14. The Commission will assess below the pricing trends of the various non-food items as identified above for the period April 2025 to January 2026.

Housing and utilities: Electricity and Water Supply

15. Electricity and water remain essential for every household, forming the backbone of daily life, public health, and economic activity[10]. Access to reliable electricity is critical for lighting, heating, communication, and economic activity. Water is a critical input for domestic use, sanitation and agriculture sectors that are especially vulnerable in South Africa due to persistent infrastructure constraints, service delivery challenges, and recurring drought conditions[11]. The affordability and availability of these services therefore have a direct impact on household welfare and broader socio-economic stability.

16. As noted in the previous COL report, these prices are administered by municipalities and state-owned entities. While electricity tariffs are regulated, regulation does not automatically ensure lower costs, as prices are primarily determined by providers' operating expenses and financial requirements, with each municipality generally setting its own tariff for end users. In July 2025, Eskom's tariff to municipalities increased by 11,32%. However, municipalities apply different tariff increases in line with their own determinations as will be discussed in detail later. A further concern is that electricity price increases for the next few years are expected to be much higher than originally planned. This stems from an error by the National Energy Regulator of South Africa (NERSA) which resulted in an under-calculation of Eskom's costs by approximately R54 billion.[12] To correct for this error, electricity prices will increase by approximately 18% over the next 2 years.[13] This means consumers are likely to continue facing significant price hikes for electricity over the next few years.

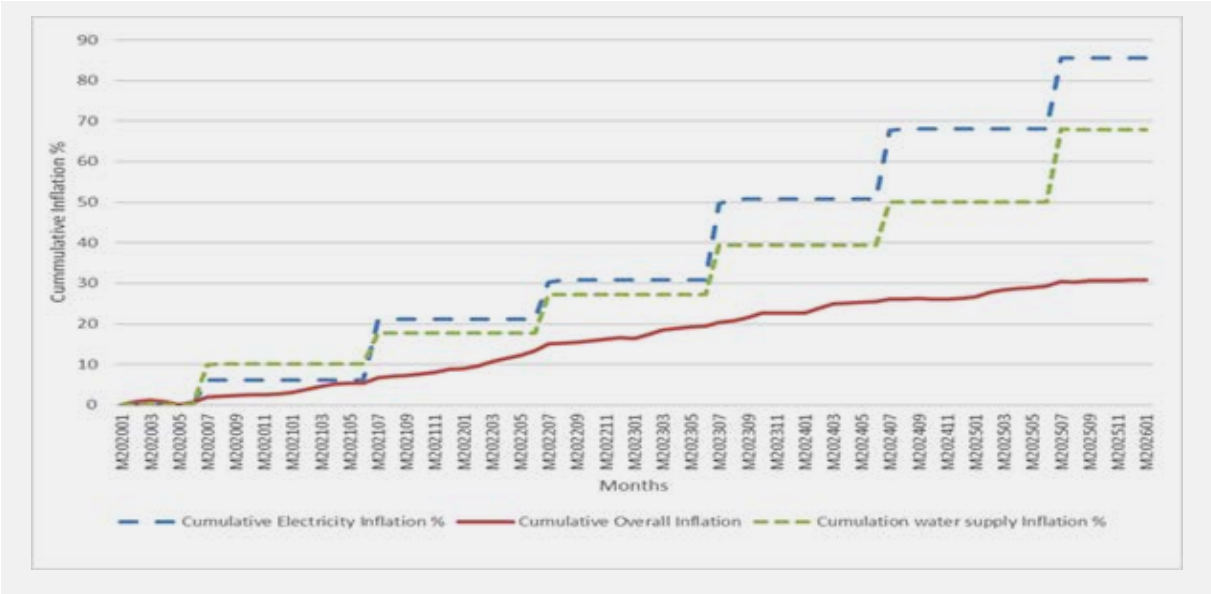
10 Public Affairs Research Institute. Op Ed | Universal access to electricity is the critical development intervention that SA needs. Available [Online] https://pari.org.za/op-ed-universal-access-to-electricity-is-the-critical-development-intervention-that-sa-needs/

11 Republic of South Africa. Department of Water and Sanitation. Water for Growth and Development in South Africa/ Version 6. Available [Online] https://www.dws.gov.za/WFGD/documents/WfGDv6Nov21.pdf

12 BusinessTech. Malcom Libera. 9 February 2026. Bad news for Eskom customers now official. Available [Online] https://businesstech.co.za/news/energy/850244/bad-news-for-eskom-customers-now-official/

13 Cape Argus. Murray Swart. February 2026. Public outcry over Nersa's 18% electricity tariff increase. Available [Online] https://capeargus.co.za/news/2026-02-13-public-outcry-over-nersas-18-electricity-tariff-increase/

Figure 3: Cumulative inflation of water and electricity



Source: Commission's own using StatsSA

17. The data presented is derived from the CPI administered price series published by StatsSA. The figure above shows the cumulative inflation of electricity and water supply in South Africa for the period 2020 to January 2026. Following the annual utility tariff increases implemented in July 2025, electricity prices rose sharply, with cumulative electricity inflation increasing to approximately 85% over the five-year period (prior to the July 2025 adjustment, the cumulative price increase from 2020 to June 2025 was 68%). Water supply inflation similarly recorded a notable acceleration following municipal tariff revisions, with the price of water supply increasing by 68% over the five-year period (prior to the July 2025 adjustment, the cumulative price increase from 2020 to June 2025 was 50%). In contrast, cumulative headline inflation remained relatively contained during the latter part of 2025 at just over 30%.

18. This growing divergence underscores the extent to which administered prices for essential services, particularly electricity and water supply, have outpaced general price pressures, significantly intensifying the cost burden on South African households and reinforcing the central role of utilities in shaping the cost-of-living trajectory. The persistence of these increases reflects deeper structural challenges within the utility sector, including ageing infrastructure, high debt burdens, operational inefficiencies, and the need for ongoing capital investment to stabilise service delivery.[14] Recent policy developments further indicate that upward tariff pressures are unlikely to abate in the near term. In the 2026 State of the Nation Address, President Cyril Ramaphosa emphasised the financial sustainability challenges facing municipal water and electricity services and highlighted reforms aimed at

14 OECD. OECD Economic Surveys: South Africa 2025. June 2025. Available [Online] https://www.oecd.org/en/publications/oecd-economic-surveys-south-africa-2025_7e6a132a-en/full-report/boosting-growth-and-staying-on-the-course-of-fiscal-reform_67012dd9.html

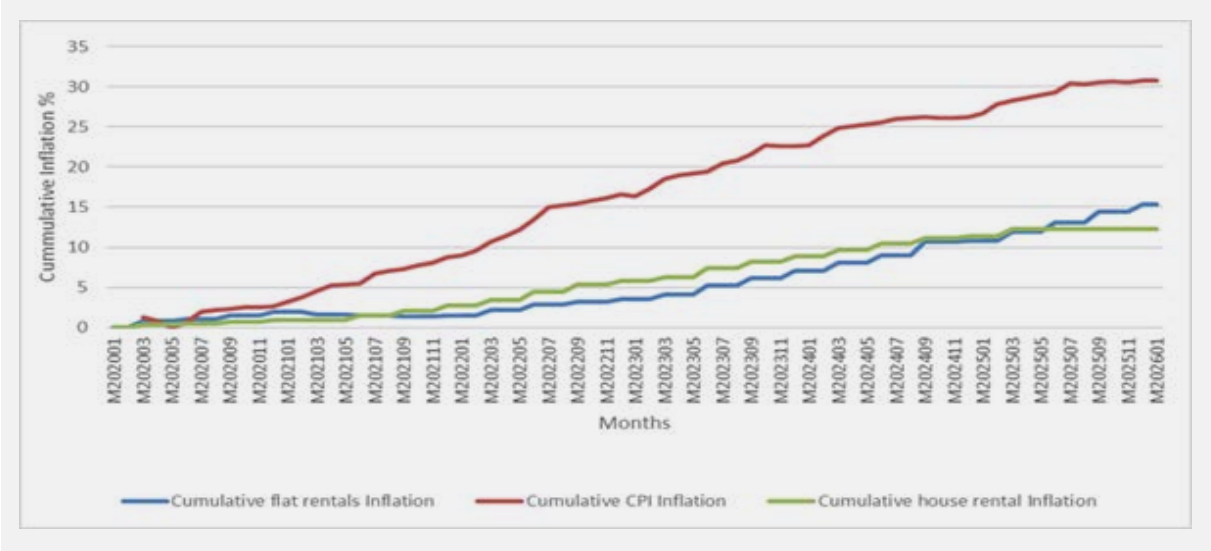
professionalising utilities and improving infrastructure investment.[15] While these reforms are intended to strengthen long-term service reliability, they also signal continued reliance on tariff adjustments to support cost recovery. Media reporting and regulatory outcomes similarly point to successive electricity tariff increases approved by NERSA, reflecting ongoing funding requirements within the sector and operational pressures faced by utilities such as Eskom.[16]

19. As energy and water costs filter through production and distribution chains, these increases contribute to broader inflationary pressures across goods and services. It is therefore concerning that electricity and water supply prices continue to rise sharply year on year, with significant and disproportionate implications for poorer households and overall welfare outcomes.

Housing and utilities: Actual rentals of houses and flats

20. The cost of residential rentals remains a critical component in assessing the cost of living in South Africa, particularly for low-income households, who are more likely to rent rather than own property. Rental expenditure typically constitutes one of the largest and least flexible items in household budgets, meaning increases in rents directly erode disposable income and limit households' ability to absorb rising costs in other essential areas such as food, transport and utilities. As a result, rental price dynamics have a significant and immediate impact on household welfare and overall affordability, especially among vulnerable groups. The Figure below illustrates the cumulative inflation of flat rentals and house rentals relative to overall headline CPI inflation. The data was obtained from StatsSA's housing rental data which it collects quarterly from letting agents.[17]

Figure 4: Cumulative Inflation of actual rentals of houses and flats



Source: Commission's own using StatsSA

15 IOL. President Ramaphosa's SONA 2026 address. Available [Online] https://iol.co.za/news/south-africa/2026-02-12-read-in-full-president-ramaphosas-sona-2026-address/

16 National Energy Regulator of South Africa. Annual Report 2023/34. Available [Online] https://nationalgovernment.co.za/entity_annual/3935/2024-national-energy-regulator-of-south-africa-(nersa)-annual-report.pdf

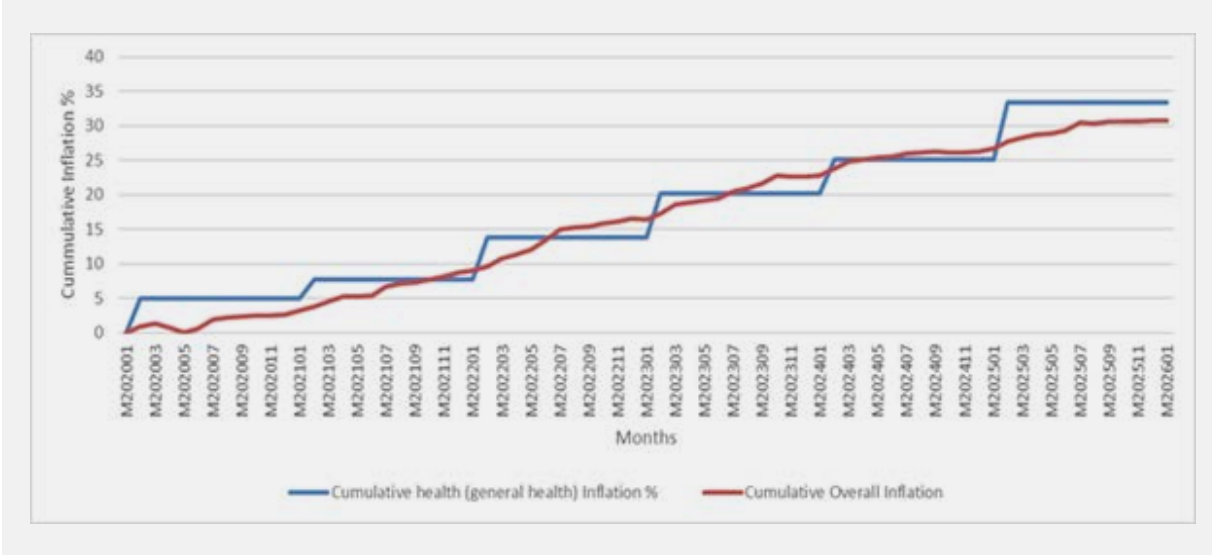
17 Statistics South Africa (StatsSA) Consumer Price Index: Sources and Methods. February 2025. Available [Online] https://www.statssa.gov.za/publications/Report-01-41-01/Report-01-41-012025.pdf

21. Rental inflation for both flats and houses increased steadily over the period but remained well below cumulative headline CPI inflation, which rose more sharply and reached just over 30% by the end of the period. Since 2020, cumulative flat and house rentals inflation increased by only 15%, significantly below headline inflation. Rentals has therefore not been a contributor to the current cost-of-living crisis.

Healthcare: Primary healthcare services- General practitioners

22. Access to healthcare is a significant and growing cost-of-living consideration for South African households, particularly in a context where most of the population does not have medical aid coverage and relies on the public health system[18]. Given the challenges with the public health system with regards to long waiting times, staff shortages, overcrowding, patients who are employed but uninsured often seek private primary care such as General Practitioners (GP) and clinical services. It is therefore important that the cost of private GPs remains affordable as the majority of South Africans are uninsured (84% are uninsured).[19] The Figure below illustrates cumulative inflation in primary healthcare services, specifically the cost of GP consultations, relative to overall inflation in South Africa over the period 2020 to January 2026. StatsSA collects data on GP costs annually which the Commission uses as a proxy for the cost of primary healthcare.

Figure 5: Cumulative Inflation of primary healthcare



Source: Commission's own using StatsSA

23. GP consultation fees are typically adjusted once annually through engagements with healthcare funders, resulting in price increases at the beginning of the year that generally remain unchanged for the remainder of the year. Since the increase in 2025, GP costs have been above overall inflation and remain at this elevated level in 2026. StatsSA has not yet reported on the GP cost increases

18 Spring Nature Link. Healthcare access and deprivation in low-income urban households. October 2024. Available [Online]. https://link.springer.com/article/10.1007/s44155-024-00108-x
19 https://www.thepresidency.gov.za/node/8149 accessed 27 February 2025.

for 2026, however, several medical schemes have announced above-inflation premium increases for 2026, reflecting a combination of medical inflation and higher utilisation rates. For example, Discovery Health has indicated that medical inflation is expected to be around 4.2%[20], which may signal that GP tariff adjustments in 2026 are likely to align broadly with this level. The Commission will continue to monitor developments over the coming months.

Transport: Passenger transport services for taxifares – Minibus taxis and petrol

24. Transport is a critical component of household expenditure and a key driver of cost-of-living pressures, particularly for lower- and middle-income households that rely heavily on public and informal transport.[21] This section examines passenger transport costs, with a focus on minibus taxi fares and petrol prices, as these directly influence daily commuting expenses and the cost of accessing work, education, and essential services. Given the central role of minibus taxis in South Africa's transport system and the economy-wide spillover effects of fuel price movements, developments in taxi fares and petrol prices provide important insight into how transport-related costs contribute to overall cost-of-living pressures[22].

Figure 6: Cumulative Inflation of Passenger transport services for taxifares- Minibus taxis and petrol

Source: Commission's own using StatsSA

25. Between April and January 2026, cumulative petrol inflation shows signs of stabilisation following earlier periods of pronounced volatility, with the sharp fluctuations observed in preceding years giving way to a flatter trend in the low-to-mid-30% range. Petrol prices have decreased and remain relatively stable in

20 Juta Medical Brief. Medical aid premium hikes way above inflation. October 2025. Available [Online] https://www.medicalbrief.co.za/medical-aid-premium-hikes-way-above-inflation/

21 Scielo South Africa. Mienke Knipe and Stephan Krygsman. The opportunity cost of household transport expenditure in South Africa. 2024. Available [Online] https://www.scielo.org.za/scielo.php?script=sci_arttext&pid=S2310-87892024000100030

22 Status Check. The Impact of Soaring Petrol Prices on Food and Transport Costs in South Africa. 13 February 2025. Available [Online] https://statuscheck.co.za/rising-petrol-prices-affect-food-and-transport/

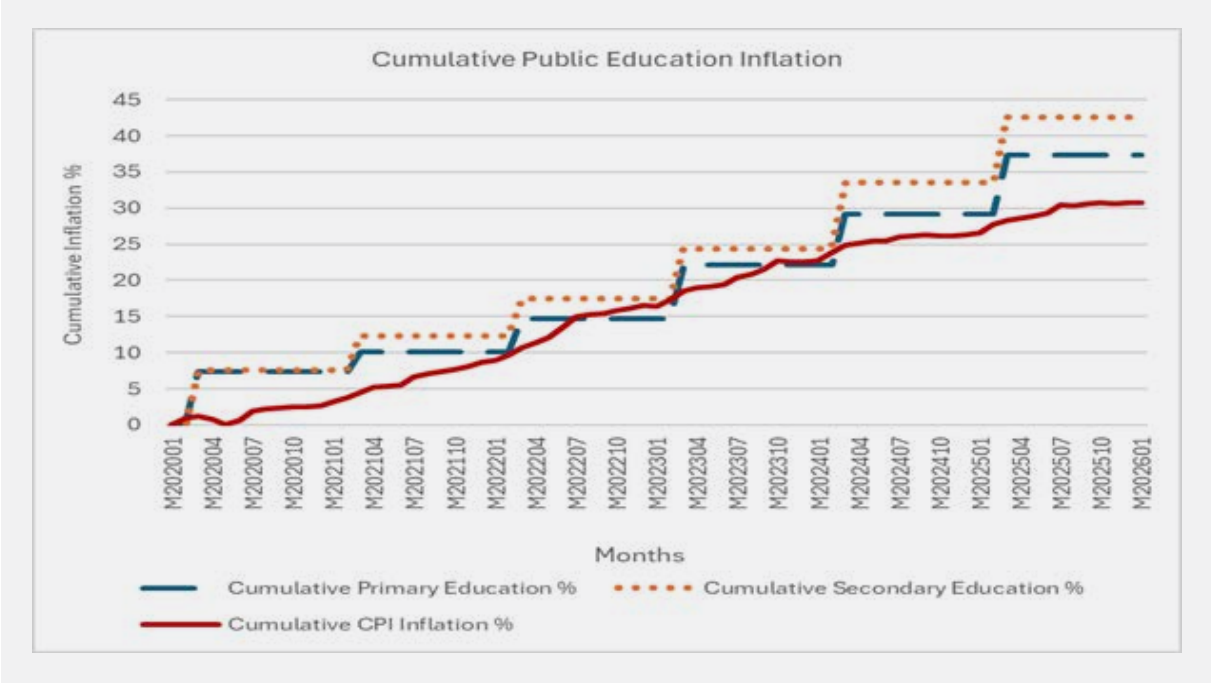
line with overall inflation. Taxi fares have converged with petrol prices and also largely been in line with overall inflation with the gap between taxi fares and overall inflation narrowing. This suggests that transport-related price pressures, while still slightly above overall inflation, became comparatively less acute relative to broader inflationary trends. However, recent instability in the Middle East has already impacted negatively on the oil price, causing a spike in prices in early March that will feed into higher fuel and transport inflation from April onwards. The fuel price tends to have economy-wide inflationary effects given the role of transportation for all goods, particularly food prices where it impacts on fertiliser prices too.[23]

Basic Education: Public school primary and secondary education

26. Basic education is a fundamental household expenditure item and a critical determinant of long-term socio-economic mobility. This section examines the costs associated with public primary and secondary education as these directly influence household budgets and access to quality education. Public schools in South Africa are categorised based on the socio-economic conditions of the communities they serve.[24] In this regard, schools are ranked from quintile 1 (poorest) to quintile 5 (wealthiest). Quintile 1 to 3 schools are fully subsidised by the Government and parents do not pay any school fees. These schools account for 60% of learners in the country.[25] Quintile 4 and 5 schools are required to pay school fees as they are only partially subsidised by the Government. The Figure below illustrates cumulative inflation for public basic education fees for primary and secondary schools, relative to cumulative overall inflation for the period 2020 to January 2026. StatsSA collects data on both public and private education annually at the primary and secondary levels from a representative sample of schools. We use the public education data series as a proxy for education amongst lower-income households.

23 See https://oilprice.com/oil-price-charts/ accessed 02 March 2026.
24 The Witness. Parents squeezed as public schools hike fees to stay afloat. Available [Online] https://witness.co.za/news/pietermaritzburg/2026/01/05/parents-squeezed-as-public-schools-hike-fees-to-stay-afloat/
25 The Witness. Parents squeezed as public schools hike fees to stay afloat. Available [Online] https://witness.co.za/news/pietermaritzburg/2026/01/05/parents-squeezed-as-public-schools-hike-fees-to-stay-afloat/

Figure 7: Cumulative Inflation for Basic Education: Public school primary and secondary education



Source: Commission's own using StatsSA

27. The Figure above shows that between 2020 and January 2026, primary education inflation increased by 37% while secondary education inflation increased by 42%, both outpacing overall headline inflation which increased by about 30%. In recent years, the increases appear to be rising above overall inflation which has slowed in recent months. Although StatsSA has not yet reported on the 2026 increases for both public primary and secondary school fees, there are indications that public school fees for 2026 have increased by approximately 10%.[26] This is largely due to increasing operational costs which are not sufficiently covered by government funding. In addition, unpaid school fees also add to the cost pressure faced by public schools.[27] Government subsidy allocations for education in the 2026 budget are set to rise by 4.6%.[28] However, this increase may not keep pace with inflationary pressures, particularly wage inflation for educators. As such, it appears school fees may continue to increase above overall inflation adding further strain on low-income households' budgets.

28. The Commission notes that although quintile 1 to 3 public schools are fully subsidised, if the subsidy amount is not in line with rising operational costs, the quality of education is likely to deteriorate as schools may be faced with a lack of teachers and overcrowding of learners in classrooms. It is therefore important

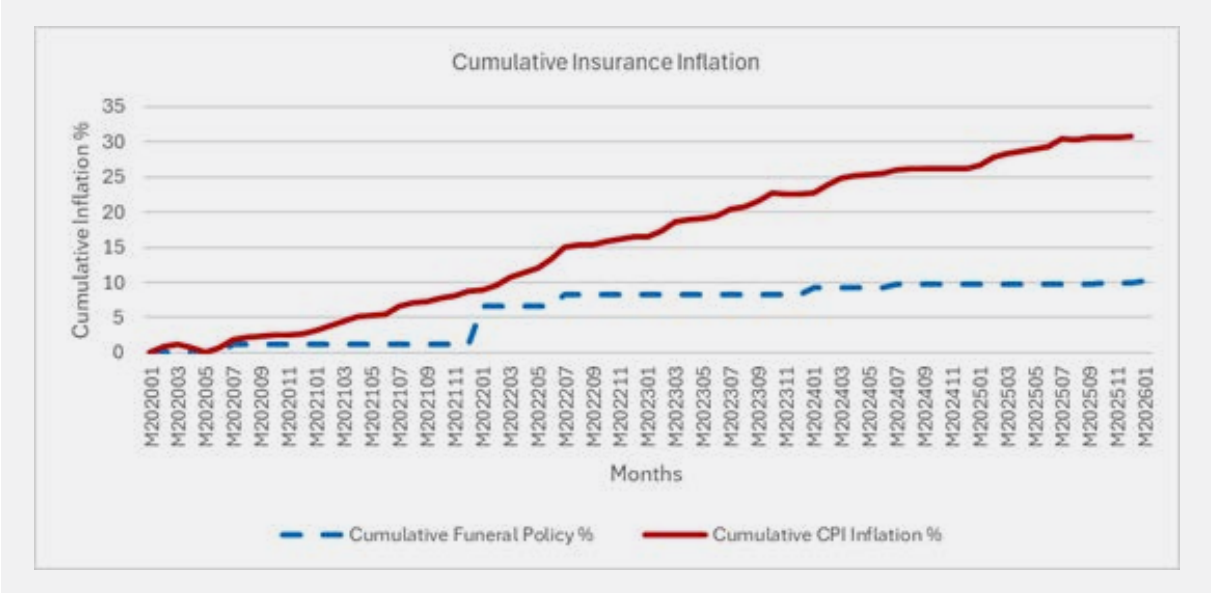
26 The Witness. Parents squeezed as public schools hike fees to stay afloat. Available [Online] https://witness.co.za/news/pietermaritzburg/2026/01/05/parents-squeezed-as-public-schools-hike-fees-to-stay-afloat/
27 The Witness. Parents squeezed as public schools hike fees to stay afloat. Available [Online] https://witness.co.za/news/pietermaritzburg/2026/01/05/parents-squeezed-as-public-schools-hike-fees-to-stay-afloat/
28 See Gov reveals increased school funding for 2026 - Hypertext accessed 04 March 2026.

that sufficient funding is available for basic education as it will not only prevent above inflationary school fee hikes but also ensure quality education to learners.

Insurance and financial services: Funeral policies

29. Funeral policies are a specialised segment of the insurance and financial services industry designed to provide financial support for end-of-life expenses[29]. These policies help individuals and families, particularly low-income households, manage the often unexpected and significant costs associated with funerals, alleviating the financial burden during a difficult time. By offering a range of coverage options, funeral insurance products not only provide peace of mind but also play a critical role in broader financial planning, ensuring that loved ones are protected from sudden financial strain[30]. We use funeral insurance as a proxy for insurance services to low-income households.

Figure 8: Cumulative Inflation for Insurance and financial services: Funeral policies



Source: Commission's own using StatsSA

30. Between April and January 2026, cumulative funeral policy inflation remains largely unchanged, plateauing at around 10%, indicating an absence of notable premium adjustments during this period. In contrast, cumulative CPI inflation continues to rise steadily, increasing by several percentage points toward the end of the year. The divergence suggests that insurers did not implement broad repricing despite ongoing general price pressures, likely reflecting

29 Insure.co.za. Funeral Cover will provide financial peace of mind for you and your family. Available [Online] https://insure.co.za/insurance-types/funeral-insurance/#:~:text=Funeral%20insurance%20is%20a%20type%20of%20permanent%20life,is%20intended%20to%20cover%20specifically%20your%20end-of-life%20expenses

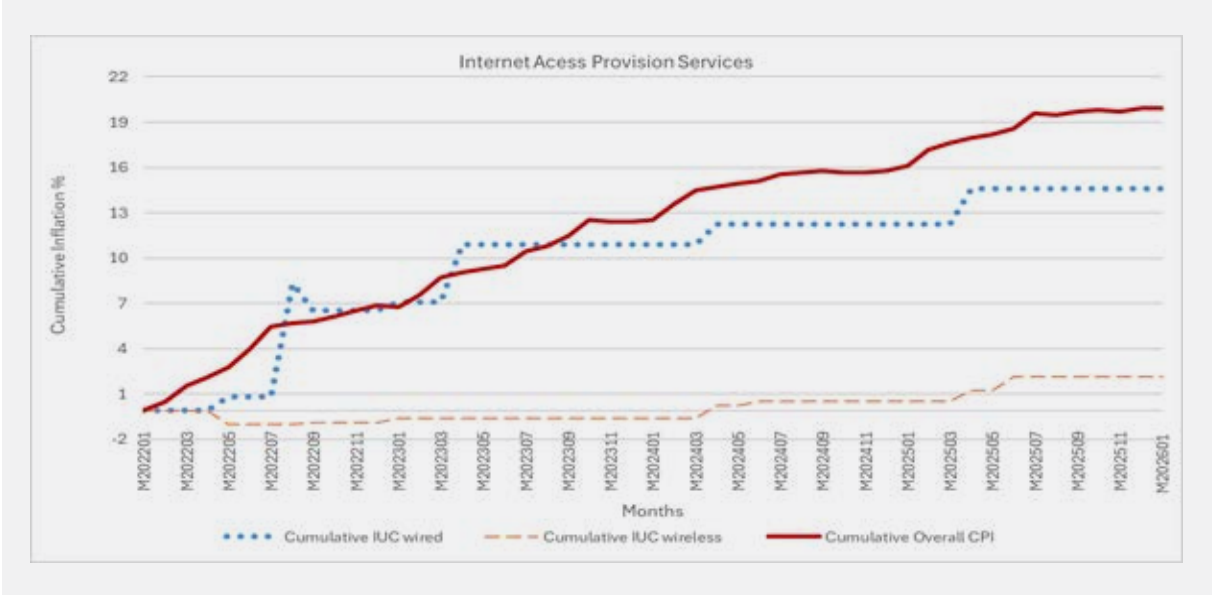
30 Insure.co.za. Funeral Cover will provide financial peace of mind for you and your family. Available [Online] https://insure.co.za/insurance-types/funeral-insurance/#:~:text=Funeral%20insurance%20is%20a%20type%20of%20permanent%20life,is%20intended%20to%20cover%20specifically%20your%20end-of-life%20expenses

annual or infrequent premium review cycles, contractual pricing structures, or competitive considerations aimed at maintaining policy affordability and limiting lapse rates among price-sensitive consumers.[31] As a result, funeral policy premiums appear relatively separated from short-term inflationary movements over this period, even as broader cost-of-living pressures persisted.

Internet Usage

31. Access to affordable data is a critical component of economic and social participation in South Africa[32]. As more services migrate online including education, job applications, banking, government services, and small business operations, data has become an essential input. In a country characterised by high inequality and significant spatial divides, the cost of internet access directly affects digital inclusion, economic opportunity, and household welfare[33]. For low-income households in particular, data prices can determine whether individuals are able to search for employment, access learning materials, or participate in the digital economy. Against this backdrop, assessing trends in internet access prices relative to overall inflation is important for understanding their contribution to broader cost-of-living pressures. StatsSA collects data monthly through direct enquiries with Telkom and other service providers.[34]

Figure 9: Cumulative Inflation of internet provision services



Source: Commission's own using StatsSA

31 Milliman. South Africa: Insurance industry update - June 2025. Available [Online] https://za.milliman.com/en-GB/insight/south-africa-insurance-industry-update-june-2025

32 AfricLaw. Advancing the rule and the role of law in Africa. Beyond Crises: The State of Access to Information and the Internet for Rural Dwellers in South Africa. Ompha Tshamano. July 2024. Available [Online] https://africlaw.com/2024/07/01/beyond-crisis-the-state-of-access-to-information-and-the-internet-for-rural-dwellers-in-south-africa/

33 AfricLaw. Advancing the rule and the role of law in Africa. Beyond Crises: The State of Access to Information and the Internet for Rural Dwellers in South Africa. Ompha Tshamano. July 2024. Available [Online] https://africlaw.com/2024/07/01/beyond-crisis-the-state-of-access-to-information-and-the-internet-for-rural-dwellers-in-south-africa/

34 https://www.statssa.gov.za/publications/Report-01-41-01/Report-01-41-012022.pdf accessed 27 February 2025.

32. The Figure above shows the cumulative internet usage costs (IUC) for both wired and wireless services alongside headline inflation. From April 2025 to January 2026, the price of wired internet has remained stable at just below 15% and below headline inflation. Wireless internet prices increased slightly in May 2025 but stabilised for the rest of the year averaging around 2%. Whilst it is encouraging that both wired and wireless internet prices continue to remain below overall inflation, the overall cost of data in South Africa still has room to decrease in price as we are ranked 31st in Africa out of 45 countries for a monthly 1GB mobile data package in Q2 2025.[35]

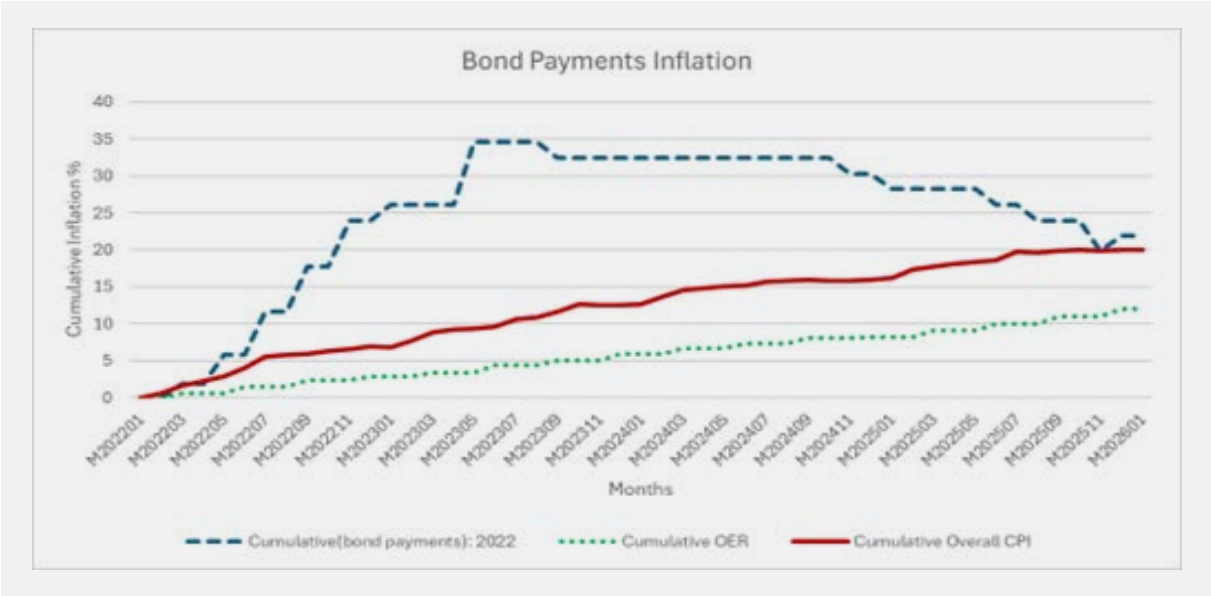
4. THE ROLE OF **INTEREST RATES ON COST OF LIVING**

33. Interest rates play an important, though often less visible, role in shaping the cost of living for households that finance housing or durable goods through credit. While consumer price indices internationally measure the cost of owner-occupied housing using owner's equivalent rent rather than bond repayments, this approach does not fully capture the direct financial pressures experienced by indebted homeowners. Owner's equivalent rent reflects the opportunity cost faced by a homeowner who occupies a property instead of renting it out and is preferred globally because it avoids circular inflationary effects when monetary authorities adjust interest rates. In South Africa, Stats SA follows this international methodology by estimating housing costs through rental equivalence, collected via quarterly surveys of letting agents to obtain data on comparable dwellings.

34. However, for households servicing bond repayments or purchasing goods on hire-purchase, changes in interest rates translate directly into higher or lower monthly repayments and therefore materially affect disposable income and lived cost-of-living pressures. To illustrate this distinction, a comparator has been constructed using the monthly repayment on a R100,000 mortgage priced at the prime lending rate, allowing a comparison between movements in bond repayments and owner's equivalent rent (houses) from 2022 to January 2026.

35 https://researchictafrica.net/research/ramp-index/

Figure 10: Cumulative bond payments and owner's equivalent rent



Source: Commission's own using StatsSA

35. Between April 2025 and January 2026, cumulative bond-repayment inflation continued to moderate. The graph shows a gradual easing from 2024 to levels that roughly align with cumulative inflation around the upper-20% range since 2022. More recently it has moved up slightly from April 2025 to just above 20% by January 2026 on a cumulative basis. This downward adjustment reflects the lagged transmission of monetary policy decisions taken by the South African Reserve Bank (SARB), particularly through its Monetary Policy Committee (MPC) interest-rate stance. Following an extended period of aggressive rate increases between 2022 and 2023 aimed at containing inflationary pressures, borrowing costs had already peaked, and by 2025 the MPC shifted toward a more cautious and stabilising policy approach[36].

36. During 2025, the MPC's basis-points announcements signalled either a pause or gradual easing bias as headline inflation moderated and inflation expectations became better anchored within the target range[37]. The absence of further sharp repo-rate increases reduced upward pressure on mortgage interest rates, allowing cumulative bond-repayment inflation to decelerate. As bond repayments respond directly to interest-rate adjustments, earlier hikes continued to filter through existing variable-rate bond repayments but at a diminishing pace. Toward late 2025, expectations of future rate cuts and improving macroeconomic conditions further softened financing costs, explaining the slight stabilisation and marginal uptick at the end of the period as markets adjusted to evolving policy guidance rather than new tightening measures.

36 South African Reserve Bank. Monetary Policy Review. Available. April 2025. [Online] https://www.resbank.co.za/content/dam/sarb/publications/monetary-policy-review/2025/Monetary%20Policy%20Review%20April%202025.pdf
37 South African Reserve Bank. Monetary Policy Review. Available. April 2025. [Online] https://www.resbank.co.za/content/dam/sarb/publications/monetary-policy-review/2025/Monetary%20Policy%20Review%20April%202025.pdf

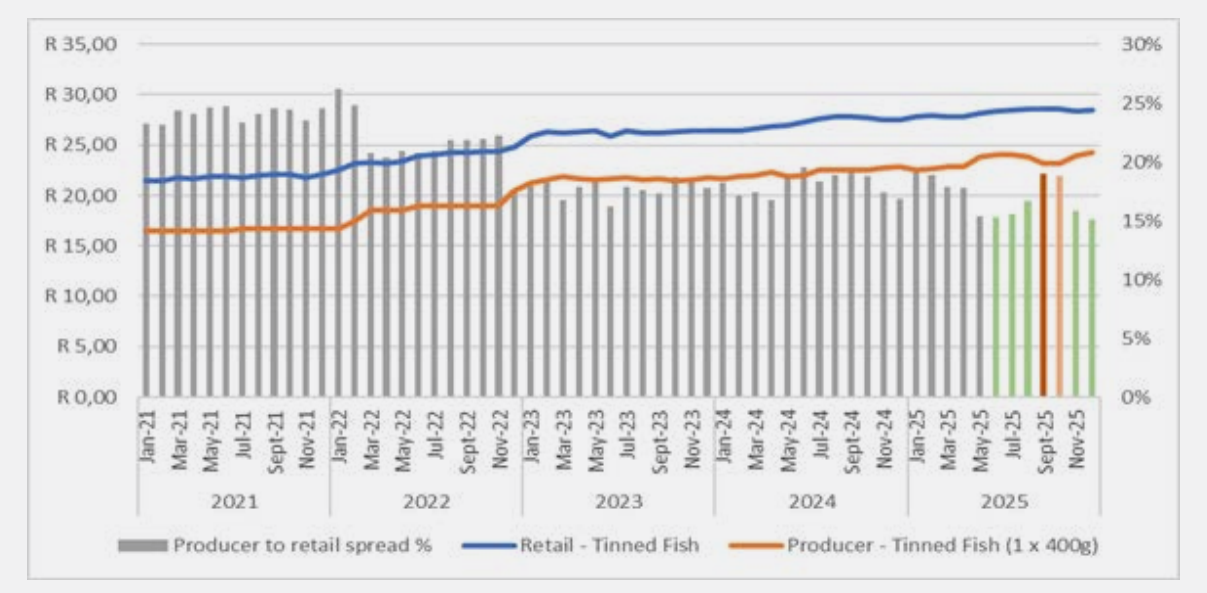
5. RECENT DEVELOPMENTS IN PRICE OF ESSENTIAL FOOD ITEMS

37. The Commission will assess below the pricing trends of essential food items for the period June 2025 to December 2025.

Canned Pilchards

38. Canned pilchards remain an important and relatively affordable source of protein for lower-income households, particularly amid persistently high food and living costs[38] . Although pilchards are not the lowest-cost protein on a per-gram basis, their long shelf life, zero-rated VAT status, and availability in smaller pack sizes enhance their attractiveness to cost-conscious consumers. Preserving the affordability of this staple is therefore critical to supporting food security among economically vulnerable households[39].

Figure 11: Producer-to-retail spread of canned pilchards



Source: Commission's own using StatsSA

39. As illustrated in the Figure above, between April and June 2025, both producer and retail prices increased followed by a few months of stable producer prices and increasing retail prices. The stabilisation of producer prices resulted in a decrease in the spread; the lowest level recorded in recent months. From July to September

38 Supermarket Retailer. Philippa Larkin. Retailers, producers of canned pilchards cushion consumers from cost hikes. May 2024. Available [Online] https://supermarket.co.za/index.php/supplier-news/6506-retailers-producers-of-canned-pilchards-cushion-consumers-from-cost-hikes

39 Gov.UK. United Kingdom Food Security Report 2024: Theme 4: Food Security at Household Level. December 2024. Available [Online] https://www.gov.uk/government/statistics/united-kingdom-food-security-report-2024/united-kingdom-food-security-report-2024-theme-4-food-security-at-household-level

2025, producer prices decreased from R24.04 to R23.15 while retail prices did not respond to this decrease. This resulted in an increase in the spread with retailers gaining from this price decrease. However, it is observed that as producer prices started increasing towards the end of 2025, retail prices did not respond to this increase with an increase in their own prices. These most recent developments suggest a compression in retail margins, as retailers absorbed cost pressures rather than fully passing them on to consumers.

Eggs

40. Eggs constitute a key source of affordable, high-quality protein for South African households and form a staple component of daily consumption across income groups[40]. Their relative affordability compared to other animal proteins, combined with their nutritional value and versatility in meal preparation, makes them particularly important for lower-income consumers facing sustained cost-of-living pressures[41]. Recent supply disruptions linked to avian influenza have underscored the sensitivity of the eggs market to production shocks and the potential implications for price stability[42]. Ongoing monitoring of this market is therefore necessary to assess whether improving supply conditions are supporting affordability and ensuring that consumers benefit from competitive pricing outcomes in a product that plays an important role in household food security.

41. The previous edition of the COL report highlighted the concerns in the eggs market in relation to the avian influenza in late 2023. Further, the Commission also raised concerns that although the supply of eggs has been recovering, retail prices remained sticky. Producer prices were falling steadily in the first half of 2025 while retail prices were slow to respond. The Figure below shows the trends in egg prices from June to December 2025.

40 Agricultural Synergies. Why are eggs a critical part of global protein supply. Available [Online] https://www.agriculturalsynergies.org/why-are-eggs-a-critical-part-of-global-protein-supply/

41 The Food Institute. Protein Craze, Affordability Fuel Egg Renaissance. February 2026. Available [Online] https://foodinstitute.com/focus/protein-craze-affordability-fuel-egg-renaissance/

42 The Competition Commission of South Africa. Cost of Living Report. August 2025. Available [Online] https://www.compcom.co.za/wp-content/uploads/2025/09/CC_Cost-of-Living-Report.pdf

Figure 12: Producer-to-retail spread of eggs

Source: Commission's own using StatsSA

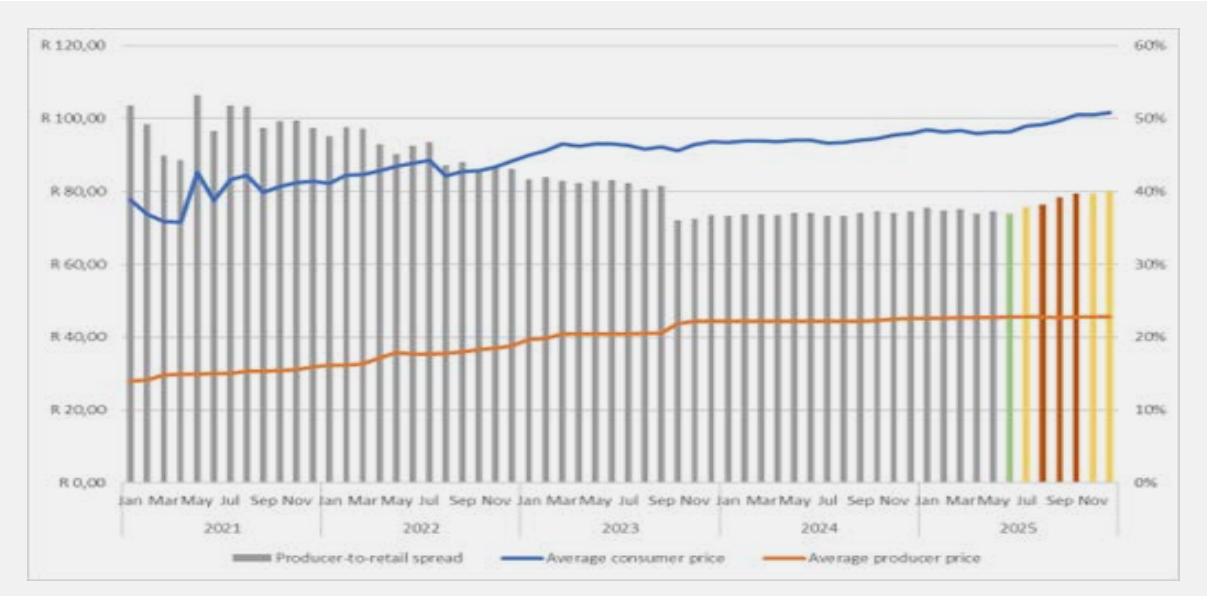
42. As observed in the Figure above, producer prices of eggs continued to decline from R13.32 in June to R11.69 in November. However, it is concerning that retail prices have not decreased at the same rate. Retail prices of eggs were R23.84 in June and only decreased to R23.02 by November 2025. This has resulted in an increase in the spread to concerning levels particularly between July and September 2025. Although the spreads returned to normal levels from October, they are still higher than those observed in early 2025. In December, there is a slight increase in producer prices which has resulted in the spread decreasing slightly. However, retail prices continue to remain sticky which is concerning.

Individually Quick Frozen (IQF) Chicken

43. Individually quick frozen (IQF) chicken is an important source of animal protein for South African households and plays an important role in supporting food security, particularly among lower-income consumers facing sustained cost-of-living pressures.[43] The relatively lower price of IQF chicken compared to fresh poultry products, combined with extended storage life and accessibility across retail formats, enhances its attractiveness to price-sensitive consumers. The domestic market is also shaped by import competition, which influences supply dynamics and pricing outcomes along the value chain[44]. Preserving affordability in this market is therefore significant to ensuring that consumers continue to benefit from competitive pricing in a staple protein category that features prominently in household food expenditure.

43 NAMC. South African poultry products price monitor. February 2025. Available [Online] https://www.namc.co.za/wp-content/uploads/2025/03/Final-Poultry-products-price-monitor-February-2025.pdf
44 Chicken Facts. Poultry: Analysing the Market Dynamics of Domestic Production versus Imports. Available [Online] https://www.chickenfacts.co.za/poultry-analysing-the-market-dynamics-of-domestic-production-versus-imports/

Figure 13: Producer to retail spread of Individually Quick Frozen (IQF) Chicken



Source: Commission's own using StatsSA

44. In recent months, producer prices for IQF chicken have remained largely stable at around R45. Of concern is that retail prices have increased throughout the period from R96.38 in June 2025 to R101.56 in December 2025. It is concerning that retail prices of IQF chicken have been on upward trajectory despite stable producer prices given its importance as a source of protein. This increase may have been due to higher import costs after South Africa banned poultry imports from Brazil following an Avian Flu outbreak in May 2025.[45] However, imports resumed in July 2025[46] which should have resulted in a stabilisation of retail prices. Recent media articles have also raised concerns that the price of IQF chicken has further increased in January 2026.[47] The Commission will continue to monitor the trends in this market.

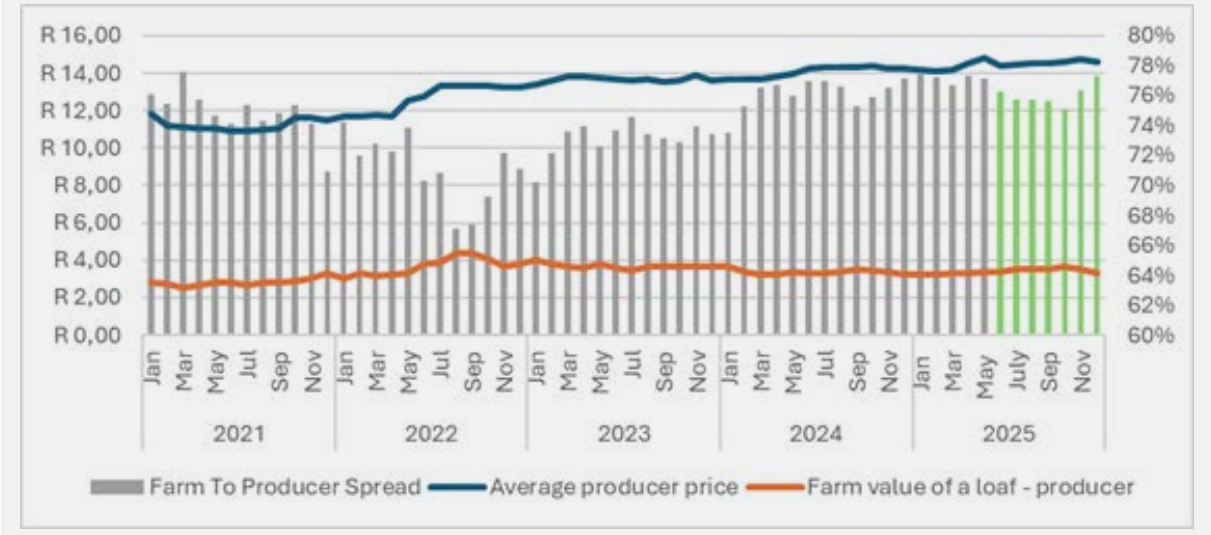
Brown Bread

45. Bread remains a fundamental staple in the South African diet and serves as one of the most accessible and widely consumed sources of daily sustenance across all income groups. Its affordability relative to many alternative food products, combined with its role as a basic component of household meals, makes bread particularly important for lower-income consumers who are disproportionately affected by rising food and living costs. Given its reliance on key agricultural inputs such as wheat, as well as exposure to milling, baking, energy, labour, and logistics costs across the value chain, bread prices are sensitive to both upstream cost pressures

45 https://wandile.substack.com/p/south-africa-has-temporarily-suspended accessed 27 February 2026.
46 https://www.africanfarming.com/2025/07/15/sa-lifts-ban-brazils-poultry-imports/ accessed 27 February 2026.
47 https://allafrica.com/stories/202602100131.html accessed 27 February 2026. https://iol.co.za/business-report/economy/2026-01-29-household-food-prices-rise-slightly-in-january-2026-but-show-year-on-year-decrease/ accessed 27 February 2026.

and downstream market dynamics[48]. Ongoing monitoring of price movements in this market is therefore essential to assess affordability trends, evaluate cost pass-through along the supply chain, and ensure that competitive outcomes continue to support consumer welfare in a product that plays a central role in household food security. It is important to highlight as explained in Figure 2 above that the farm value of brown bread is an estimation based on the number of loaves that can be baked from 1 ton of wheat assuming an 87% extraction rate. It does not take into account other costs incurred in producing flour including milling, storage and transportation.

Figure 14: Farm value to producer spread for brown bread



Source: Commission's own using StatsSA

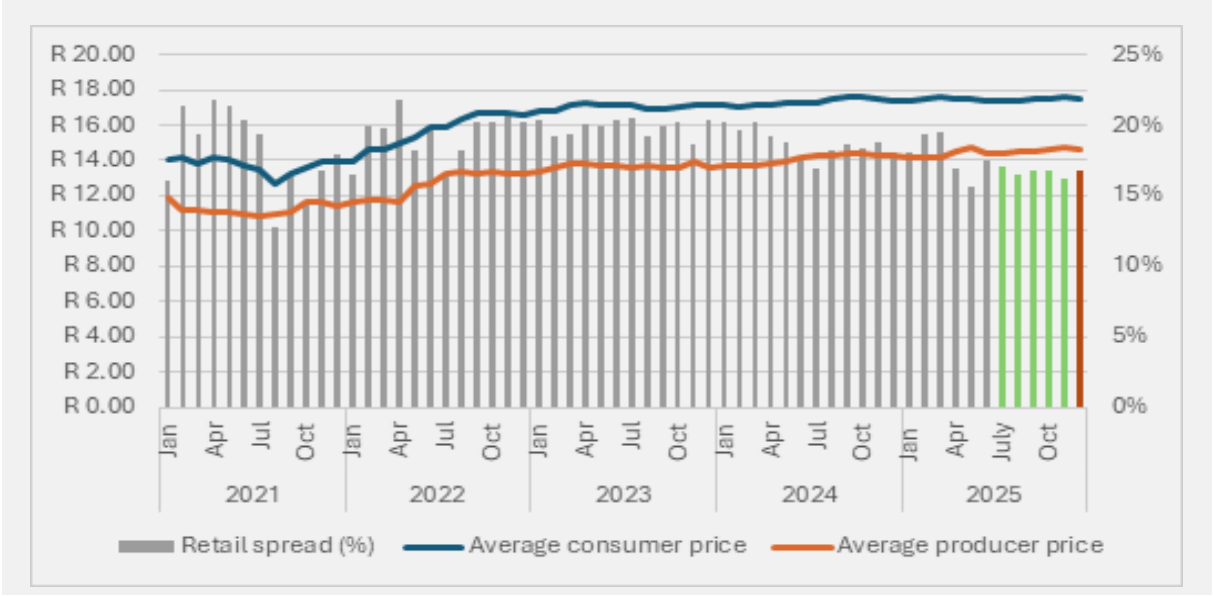
46. In the previous edition of the COL report, the Commission raised concerns that the producer prices of bread were not reflecting the global decreases in wheat prices. It is encouraging to note from the above trends that the farm-to-producer spread has now decreased. Although the spread increased in November and December, the spread remains within normal ranges, and it appears producer prices are decreasing in response to a decrease in wheat prices. The relative stability of the spread suggests that cost increases and decreases were broadly transmitted proportionately along the value chain, rather than reflecting significant margin expansion or compression at the processing stage.

47. At the retail level, bread prices experienced minor fluctuations over the period while remaining broadly stable overall. Retail prices increased from R17.42 in June to R17.53 in December 2025 with slight upward or downward movements in between. This pattern

48 Agri News Net Farming Portal. Is Wheat Farming Still Profitable in South Africa? Assessing Input Costs, Prices, Climate Change, Gluten, and GMO Concerns. May 2025. Available [Online] https://www.farmingportal.co.za/index.php/farming-news/viewpoint/11563-is-wheat-farming-still-profitable-in-south-africa-assessing-input-costs-prices-climate-change-gluten-and-gmo-concerns

reflects short-term volatility rather than a sustained upward or downward trend, indicating relative price stability with only modest month-to-month adjustments. However, a widening of the spread observed in December suggests that producer prices declined without a corresponding adjustment at the retail level. This development warrants closer monitoring in the next COL report to assess whether the divergence persists and to evaluate its potential implications for consumer pricing outcomes.

Figure 15: Producer-to-retail spread of brown bread



Source: Commission's own using StatsSA

Sunflower Oil

48. Sunflower oil is a widely consumed cooking staple and an important component of household food expenditure in South Africa, particularly among lower- and middle-income consumers who rely on it for everyday meal preparation[49]. Its affordability relative to some alternative edible oils, combined with its versatility across a range of cooking applications, makes it a key contributor to household food security[50]. Price movements in this market can be sensitive to both local supply dynamics and international commodity

49 Cooking Update. James Kendell. Exploring Sunflower Oil: A Versatile Cooking Essential. Available [Online] https://cookingupdate.com/can-sunflower-oil-be-used-for-cooking/

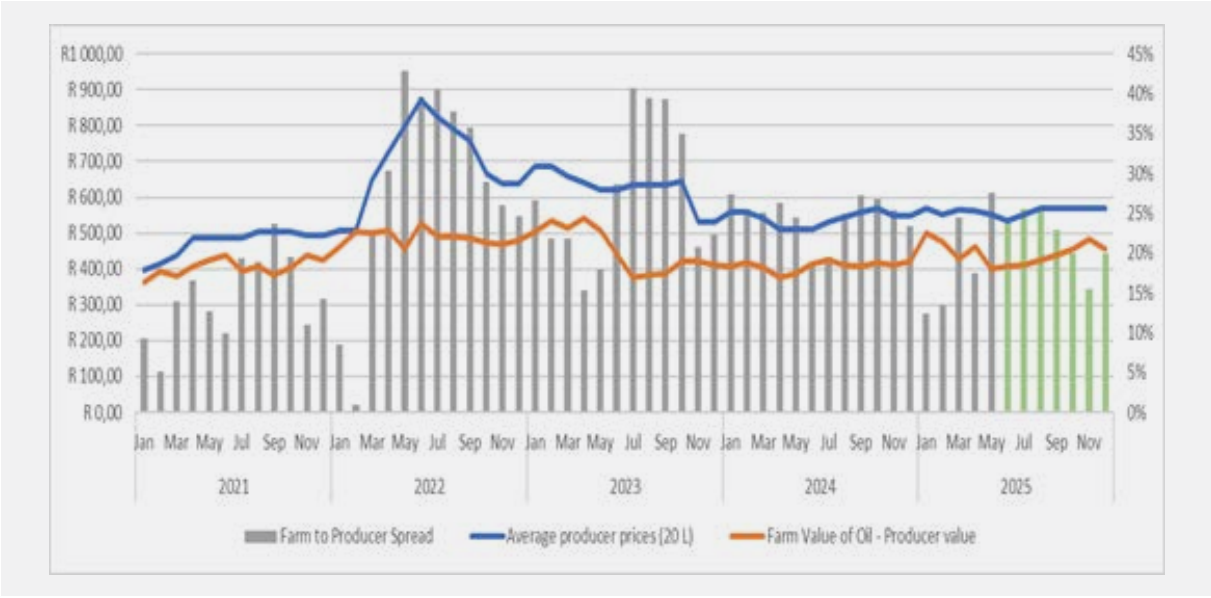
50 Farmers Magazine. Available [Online] https://farmersmag.co.za/2025/05/sunflower-farming-for-oil-production-in-south-africa/

trends.[51] Ongoing monitoring is therefore necessary to assess whether changes in upstream input costs are being transmitted appropriately along the value chain and whether consumers continue to benefit from competitive and affordable pricing outcomes.

49. In early 2025, sunflower seed prices displayed considerable volatility, while producer prices remained relatively stable. This divergence significantly affected the farm-to-producer price spread, which declined sharply in January and February 2025. By May 2025, however, the farm-to-producer spread increased markedly, reaching a peak of 27%. This sharp rise was driven by a decline in seed prices that was not accompanied by a commensurate reduction in producer prices[52].

50. From June to October 2025, sunflower seed prices have been increasing steeply, largely reflecting rising global sunflower seed prices. This increase in global prices can be attributed to a combination of adverse weather conditions in key producing regions, supply disruptions linked to geopolitical tensions, and sustained demand from the edible oil and biofuel markets[53]. Over this period, the farm-to-producer spread declined from 25% to 15% as the producer price of sunflower oil did not respond to the rising oil seed prices.

Figure 16: Farm-value-to-producer of sunflower



Source: Commission's own using StatsSA

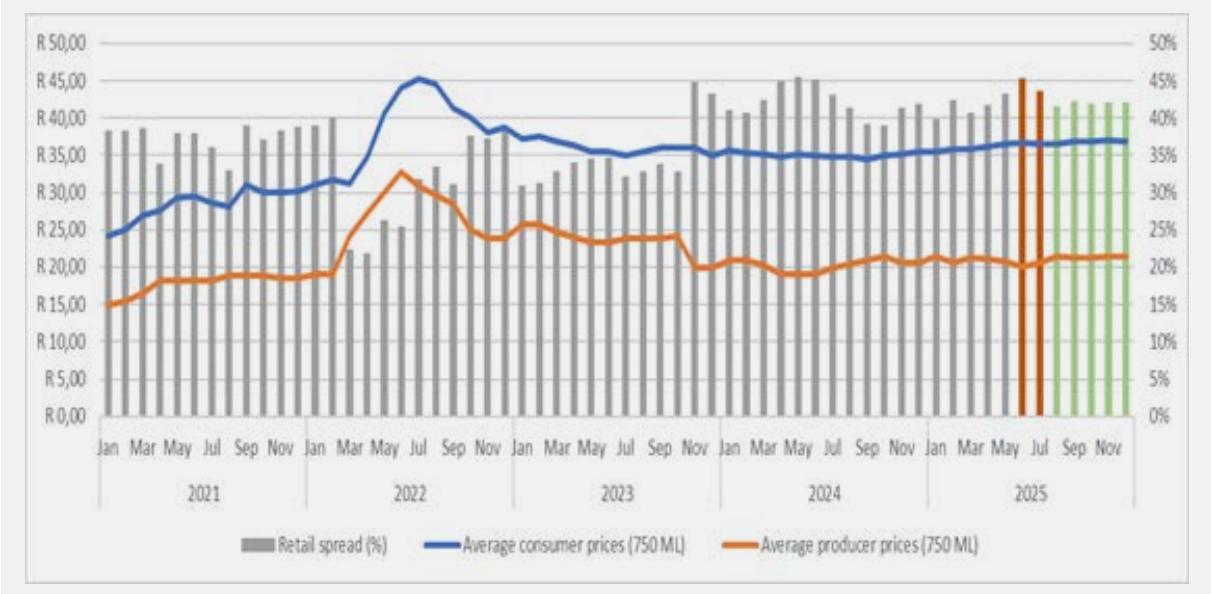
51 Agri oil. Matthijs Lautenslager. What Factors Influence the Sunflower Oil Price (SFO)? September 2025. Available [Online] https://agrioil.nl/what-factors-influence-the-sunflower-oil-price-sfo/

52 Farmers Magazine. Available [Online] https://farmersmag.co.za/2025/05/sunflower-farming-for-oil-production-in-south-africa/

53 Procurement Resource. Sunflower Seed Price Trend and Forecast. Available [Online] https://www.procurementresource.com/resource-center/sunflower-seed-price-trends

51. At the retail level, the spread increased in June and July due to an increase in retail prices while producer prices decreased. It appears that when producer prices decreased over the April to June period, retail prices continued an upward trend. Retail prices tend to react to increases in producer prices, however, they do not appear to adjust downwards when producer prices decrease or do not adjust to the same extent. The spread has since adjusted to normal levels however, the sticky retail prices are of concern, and the Commission will continue to monitor this closely.

Figure 17: Producer-to-retail spread of sunflower oil



Source: Commission's own using StatsSA

Maize Meal

52. When the price of a country's most staple food product rises faster than the cost of producing it, the gap signifies a deeper story about how food market's function. In South Africa, production costs in the maize meal industry have declined largely due to improved domestic maize harvest that increased the supply. However, the producer price of maize meal has not responded to the same extent. The widening spread therefore highlights the need for improved monitoring and transparency across the food value chain to ensure that lower production costs ultimately benefit consumers, particularly vulnerable households that rely heavily on maize meal.

Figure 18: Farm value to producer spread for maize

Source: Commission's own using StatsSA

53. As shown above, white maize prices have been on a downward trajectory since the harvest in May 2025 after a long period of increases. The price of white maize decreased from R22.16 in May to R14.49 in December. However, producer prices of maize meal have not been decreasing to the same extent and in some months have even been increasing. This has resulted in a sharp increase in producer margins. This was highlighted in the previous COL report, and it is concerning that the trend is continuing. The Commission will look at the producer level for maize meal production more closely.

54. At the retail level, the price of maize meal was on an upward trajectory for the first half of 2025 and although prices are now decreasing, the margins at the retail level are alarmingly high at 37% in November 2025. This increase suggests that retailers were able to capture a larger share of the price paid by consumers, potentially absorbing less of upstream cost changes and widening the gap between producer costs and final retail prices. It appears that prices for maize meal at both the producer and retail levels is sticky downwards. This is concerning given that maize meal is a staple food item for most low-income households.

Figure 19: Producer to retail spread of maize meal

Source: Commission's own using StatsSA

6. **DEEP DIVE:** ELECTRICITY PRICE FORMATION AND ONGOING PRICE PRESSURES

55. As highlighted in the previous COL report, electricity prices have become the largest and fastest-growing administered price component in the consumer basket over the past five years[54]. Given electricity's role as an essential, non-food item in daily life, persistent tariff increases exert continuous upward pressure on household budgets and contribute materially to broader inflationary pressures.

56. Electricity price pressures in South Africa stem from rising generation and operational costs, regulatory frameworks, and local fiscal factors.[55] Eskom's tariffs reflect higher coal and fuel costs, debt servicing, maintenance, and capital expenditure, all of which feed

54 The Competition Commission of South Africa. Cost of Living Report. August 2025. Available [Online] https://www.compcom.co.za/wp-content/uploads/2025/09/CC_Cost-of-Living-Report.pdf

55 My Broadband. Trusted in Tech. Bianke Neethling. Electricity costs out of control in South Africa. January 2025. Available [Online] https://mybroadband.co.za/news/energy/579899-electricity-costs-out-of-control-in-south-africa.html

into its Multi-Year Price Determination applications.[56] Cost-plus regulation allows these expenses to be recovered through tariffs, transmitting system-wide cost increases to consumers.[57] Municipal tariffs further amplify pressures, as local revenue needs, ageing infrastructure, and operational inefficiencies can lead to retail prices exceeding distribution costs.[58] Collectively, these factors sustain upward pressure on household electricity bills and broader inflation.

6.1 HOUSEHOLD PRICES: HOW THEY ARE SET REGULATORY AND INSTITUTIONAL FRAMEWORK

57. Household electricity prices in South Africa are regulated by NERSA, which operates within the framework of the Electricity Regulation Act, 2004 (Act No.40 of 2004) and related legislation[59]. NERSA is responsible for determining and approving Eskom's allowable revenue and tariffs, as well as assessing and approving municipal tariff increases. In doing so, the regulator applies principles of cost recovery and financial sustainability, seeking to balance the need for utilities to remain operationally viable with the broader public interest[60]. In this regard, Section 15(1)(a) and (aA) of the Electricity Regulation Act requires that tariff-setting methodologies must enable an efficient licensee to recover the full cost of its licensed activity and allow for a reasonable return that is proportionate to the risk of the licensed activity.[61] The prices ultimately paid by households therefore reflect not only the cost of electricity generation, but also transmission and distribution charges, administrative costs, and, in the case of municipalities, additional mark-ups that contribute to local revenue.

58. In practice, NERSA first determines Eskom's bulk electricity tariffs which are the prices at which municipalities purchase power[62]. Eskom's bulk electricity prices are regulated by NERSA. However, with regards to municipalities' prices to consumers, NERSA does not regulate the price but rather publishes a guideline for tariff increases. Municipalities then determine their own tariff increases based on this guideline and submit their proposed retail tariff increases to NERSA for approval. A detailed discussion of how price formation takes place both at an Eskom level and municipality level is provided below.

6.2. ELECTRICITY PRICE FORMATION: GENERATION AND MUNICIPAL TARIFF DETERMINATION

Overview of Price Formation

59. Electricity price formation in South Africa occurs across two interconnected

56 National Energy Regulator of South Africa (NERSA). Annual Report 2023/24. Available [Online] https://nationalgovernment.co.za/entity_annual/3935/2024-national-energy-regulator-of-south-africa-(nersa)-annual-report.pdf
57 Fiveable. Cost-Plus Regulation. August 2025. Available [Online] https://fiveable.me/key-terms/principles-microeconomics/cost-plus-regulation
58 Property Central. Tariff Hike. July 2025. Available [Online] https://propertycentral.co.za/article/article_display/81/Tariff%20Increases
59 The National Energy Regulator of South Africa (NERSA). Welcome to the National Energy Regulator of South Africa. Available [Online] https://www.nersa.org.za/
60 The National Energy Regulator of South Africa (NERSA). Welcome to the National Energy Regulator of South Africa. Available [Online] https://www.nersa.org.za/
61 See ERA as amended 28 January 2025.
62 Tech Central. Nersa approves Eskom tariffs- here's how much you will pay. Available [Online] https://techcentral.co.za/nersa-approves-eskom-tariffs-how-much/260885/

regulatory stages: the determination of bulk generation tariffs through Eskom's Multi-Year Price Determination (MYPD) framework, and the setting of retail tariffs by municipalities responsible for electricity distribution[63]. Although both processes are subject to oversight by NERSA, they operate under distinct methodologies and institutional incentives. The interaction between these regulatory layers ultimately determines the electricity prices faced by households and businesses and shapes the transmission of electricity cost pressures across the broader economy.

Generation-Level Pricing: Eskom's Cost-Plus Regulatory Framework

60. At the generation level, electricity tariffs are primarily determined through Eskom's MYPD framework, which establishes the total revenue Eskom is permitted to recover over a multi-year period, typically spanning three to five years[64]. Eskom charges different electricity rates depending on the type of user and the size of their connection, which is reflected in the Eskom Tariffs and Charges Booklet. Under this system, customers are classified into various categories and larger connections face higher costs: for example, the energy charge ranges from about 229.79 c/kWh for Municrate 1 to 3 users to 349.28 c/kWh for Municrate 4, while daily network charges increase from roughly R34 to R138, and generation-related charges from about R2 to R8 per day[2]. The framework is based on a cost-plus regulatory approach, designed to ensure that a strategically important infrastructure provider remains financially viable while maintaining the ability to invest in generation capacity and system reliability.

61. Under this model, Eskom submits detailed revenue applications outlining projected primary energy expenditure, operating and maintenance costs, payments to Independent Power Producer (IPPs), debt servicing obligations, capital investment programmes, and anticipated electricity sales volumes[65]. NERSA evaluates these applications to determine whether the proposed costs are reasonable, efficient, and prudently incurred, supported by public consultation processes involving municipalities, organised business, labour, and consumers[66].

62. Cost-plus regulation provides regulatory certainty by enabling Eskom to recover approved costs and earn a regulated return on its asset base. However, the structure of the model also carries important pricing implications. Because allowable revenue is largely determined by reported expenditure requirements, increases in operating costs, whether arising from higher coal and diesel inputs, emergency procurement measures, ageing infrastructure, or operational inefficiencies may be incorporated into

63 Eskom. Research Paper on the South African Electricity Market. Capacities for an energy transition, August 2022. Available [Online] https://www.eskom.co.za/wp-content/uploads/2023/06/South_African_electricity_market_sign_off.pdf

64 National Energy Regulator of South Africa. Multi-Year Price Determination (MYPD) Methodology. Available [Online] https://www.nersa.org.za/files/files/2020/09/MYPD-regulatory-methodology-20-Nov-_2_.pdf

65 National Energy Regulator of South Africa. Multi-Year Price Determination (MYPD) Methodology. Available [Online] https://www.nersa.org.za/files/files/2020/09/MYPD-regulatory-methodology-20-Nov-_2_.pdf

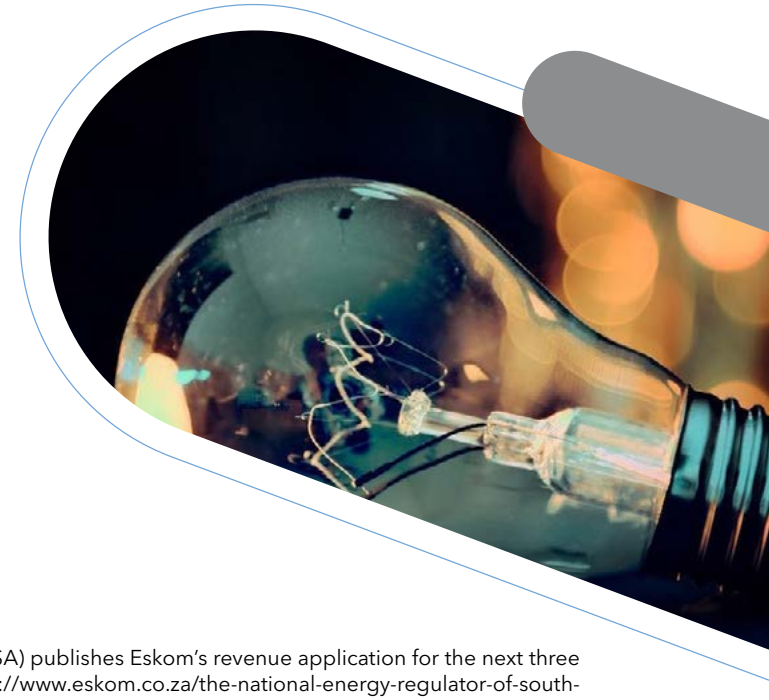
66 Eskom. The National Energy Regulator of South Africa (NERSA) publishes Eskom's revenue application for the next three financial years (FY 2026 to 2028). Available [Online] https://www.eskom.co.za/the-national-energy-regulator-of-south-africa-nersa-publishes-eskoms-revenue-application-for-the-next-three-financial-years-fy-2026-to-2028/

tariffs subject to regulatory approval[67]. In effect, higher system costs can be transmitted to consumers through tariff adjustments.

63. While regulatory scrutiny aims to limit excessive expenditure, cost-plus frameworks internationally are often associated with weaker incentives for aggressive cost containment compared with performance-based or efficiency-benchmarking regulatory models[68]. Where inefficiencies persist, the recovery of approved costs through tariffs may contribute to sustained upward pressure on electricity prices. Over time, this dynamic can contribute to cumulative electricity price inflation, with broader implications for production costs, investment conditions, and household affordability[69]. In contrast, performance-based regulatory approaches (such as retail-minus regulation) incentivise cost efficiencies by limiting the allowable price increases over a multi-year period, forcing the utility to cut costs to remain financially stable. This creates the correct incentives compared to cost-plus methodologies.

Municipal Electricity Tariffs: Distribution Pricing and Local Fiscal Pressures

64. Although Eskom's MYPD determines the wholesale price of electricity, municipalities ultimately determine the retail tariffs paid by most consumers[70]. Municipalities purchase electricity in bulk from Eskom and submit annual tariff proposals to NERSA for approval as part of their budgeting processes. NERSA issues annual guideline increases intended to align municipal tariffs with the costs of electricity distribution[71]. These include maintaining and upgrading local networks, managing technical losses, staffing and operational expenditure, metering and billing systems, and funding policy obligations such as the provision of free basic electricity to qualifying households. In principle, this framework seeks to ensure that retail tariffs remain linked to the cost of delivering electricity services at the local level[72]. Municipal



67 Eskom. The National Energy Regulator of South Africa (NERSA) publishes Eskom's revenue application for the next three financial years (FY 2026 to 2028). Available [Online] https://www.eskom.co.za/the-national-energy-regulator-of-south-africa-nersa-publishes-eskoms-revenue-application-for-the-next-three-financial-years-fy-2026-to-2028/

68 Faster Capital. Cost of regulation: Industry Perspectives: Managing Regulatory Expenditures. April 2025. Available [Online] https://fastercapital.com/content/Cost-of-regulation--Industry-Perspectives--Managing-Regulatory-Expenditures.html

69 Research Gate. Cost Pricing: Simple Strategy or Missed Opportunity. November 2024. Available [Online] https://www.researchgate.net/publication/386049779_Cost-Plus_Pricing_Simple_Strategy_or_Missed_Opportunity

70 National Energy Regulator of South Africa. Multi-Year Price Determination (MYPD) Methodology. Available [Online] https://www.nersa.org.za/files/files/2020/09/MYPD-regulatory-methodology-20-Nov-_2_.pdf

71 Eskom. The National Energy Regulator of South Africa (NERSA) publishes Eskom's revenue application for the next three financial years (FY 2026 to 2028). Available [Online] https://www.eskom.co.za/the-national-energy-regulator-of-south-africa-nersa-publishes-eskoms-revenue-application-for-the-next-three-financial-years-fy-2026-to-2028/

72 Eskom. The National Energy Regulator of South Africa (NERSA) publishes Eskom's revenue application for the next three financial years (FY 2026 to 2028). Available [Online] https://www.eskom.co.za/the-national-energy-regulator-of-south-africa-nersa-publishes-eskoms-revenue-application-for-the-next-three-financial-years-fy-2026-to-2028/

tariff-setting is further guided by cost-of-supply studies, which typically follow a structured methodology involving the determination of required revenue, functionalisation of costs, classification and allocation across customer groups, and the design of tariffs that reflect local cost structures.

65. In practice, however, municipal tariff outcomes may differ across different municipalities due to variations in financial conditions, infrastructure requirements, and revenue strategies. Operational factors such as ageing distribution networks, electricity losses, administrative inefficiencies, and uneven revenue collection can further increase municipal operating costs and impact tariffs[73]. Electricity sales frequently represent one of the most stable revenue streams available to municipalities and may therefore play a broader role in supporting overall fiscal sustainability[74]. Cross-subsidisation between electricity revenues and other municipal services can occur where local governments face competing service delivery demands or infrastructure funding pressures[75]. While such approaches may assist municipalities in meeting wider developmental objectives, they can also result in electricity tariffs that exceed levels strictly associated with distribution costs. As such, the annual approval cycle for municipal tariffs introduces greater variability compared with Eskom's multi-year determination framework, contributing to differences in tariff trajectories across municipalities.[76]

66. The absence of uniform cost structures and varying local fiscal realities means that consumers in different municipalities may face materially different retail tariffs despite purchasing electricity generated from the same national system. These variations can reinforce spatial inequalities in electricity affordability, particularly in financially constrained municipalities where infrastructure backlogs and revenue pressures are more pronounced. Escalating electricity costs have also contributed to affordability challenges, increasing payment arrears and non-payment risks in some municipalities[77]. These dynamics can further weaken municipal finances, reinforcing a cycle in which revenue pressures and infrastructure constraints contribute to ongoing tariff adjustments. Understanding how generation-level regulation and municipal pricing practices interact is therefore essential when assessing electricity price inflation and its broader impact on living costs and service delivery sustainability.

73 Public Affairs Research Institute (PARI). Comparative review of global approaches to electricity tariff setting: Policy Implications for South Africa. Shirley Salvodi. November 2025. Available [Online] https://pari.org.za/wp-content/uploads/2025/12/tariff-setting28-11-25-1.pdf

74 Satori News. South African Metros Reap Substantial Profits Through Electricity Sales Amid Rising Costs. Available [Online] https://www.satorinews.com/articles/2024-02-17/south-african-metros-reap-substantial-profits-through-electricity-sales-amid-rising-costs-185278

75 Port Alfred Ratepayers and resident association. (PARRA). Electricity Tariff: Cross-Subsidization. Available [Online] https://parra.org.za/index.php/latest-news/electricity-tariffs-cross-subsidization

76 Eskom. The National Energy Regulator of South Africa (NERSA) publishes Eskom's revenue application for the next three financial years (FY 2026 to 2028). Available [Online] https://www.eskom.co.za/the-national-energy-regulator-of-south-africa-nersa-publishes-eskoms-revenue-application-for-the-next-three-financial-years-fy-2026-to-2028/

77 My Broadband. Trusted in Tech. Bianke Neethling. Electricity costs out of control in South Africa. January 2025. Available [Online] https://mybroadband.co.za/news/energy/579899-electricity-costs-out-of-control-in-south-africa.html

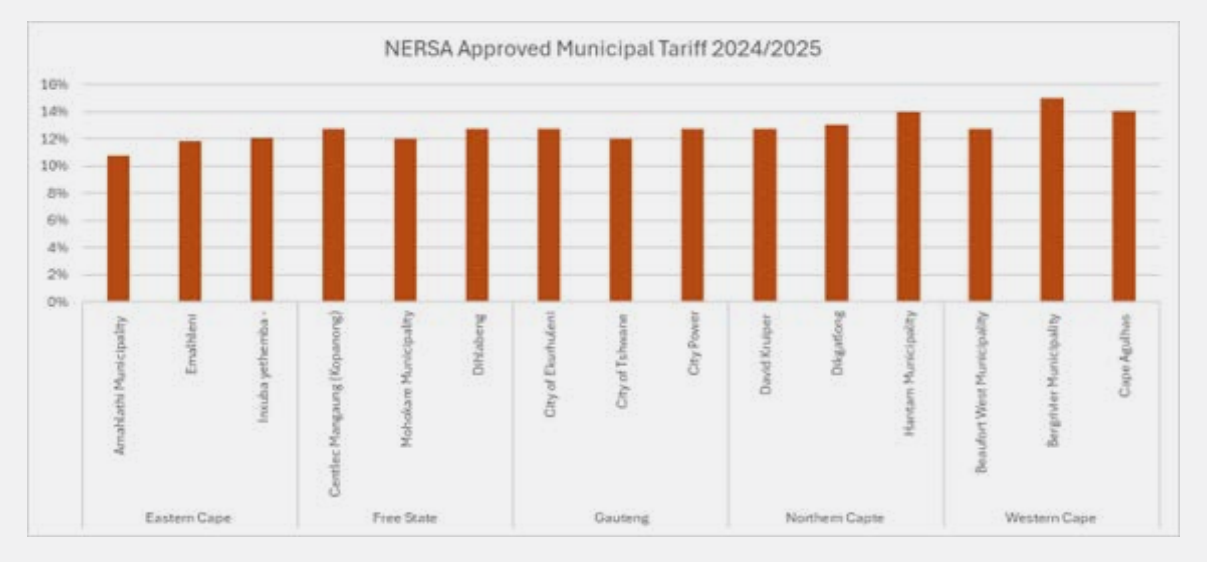
67. There has been persistent public dissatisfaction regarding how electricity tariffs are determined and communicated. Concerns have centred on inadequate public consultation, limited transparency around cost of supply studies, and the perceived complexity of the methodology used to justify increases. In particular, the concern is that the regulatory oversight has failed to stem double-digit annual increases in electricity tariffs which place households under pressure and businesses uncompetitive. There is also discontent with the vast difference in tariffs of Eskom and the municipalities.

Municipal Electricity Tariffs: Comparative

Overview

68. For 2024/25, Eskom's tariffs to municipalities increased by 11,32%.[78] However, municipalities implemented varying increases based on their own determination. The Figure below presents the NERSA-approved electricity tariff increases for municipalities in 2025, grouped by province. As shown below, although Eskom's tariffs to municipalities increased by 11.32%, municipalities have implemented varying increases to end consumers with some tariffs increasing by up to 15% (Berg Rivier Municipality in the Western Cape).

Figure 20: NERSA-approved electricity tariff increases for municipalities in 2025



Source: Commission's own using NERSA

69. Provincial trends reveal that the Eastern Cape generally has the lowest tariff increases, while the Western Cape and parts of the Northern Cape face the highest adjustments. Municipalities in Gauteng and the Free State fall mostly in the mid-range, with increases around 12% to 12.7%. These differences highlight

78 In 2025/26, Eskom's tariffs to municipalities increased by a further 11.32%. However, the tariffs implemented by each municipality are not available on NERSA's website. As such, the study relies on the 2024/25 data to illustrate the variations in tariff increases across municipalities.

how local factors, such as operational costs and revenue requirements, influence the final retail tariffs applied to households. Although a minimal amount of Free Basic Electricity is available to qualifying low-income households, this is generally limited and most consumers including low-income consumers pay for electricity.

6.3 ENERGY REFORMS IN SOUTH AFRICA

70. With the signing into law of the Electricity Regulation Amendment Act No. 38 of 2024 (ERA Amendment Act), South Africa's energy landscape has entered a new phase of structural reform[79]. The Act represents the most comprehensive overhaul of the electricity regime since the Electricity Regulation Act of 2006 and forms a central pillar of the Energy Action Plan introduced in 2022 to address persistent load shedding[80]. At its core, the reform agenda seeks to improve security of supply, reduce fiscal risks associated with Eskom's debt burden, and establish a competitive and sustainable electricity sector capable of meeting the country's long-term energy needs.[81]

71. A key feature of the reform programme is the unbundling of Eskom into separate generation, transmission and distribution entities[82]. This restructuring aims to streamline operations, enhance transparency, and address long-standing financial and governance challenges[83]. Central to this transition is the establishment of an independent Transmission System Operator (TSO), housed within the National Transmission Company South Africa (NTCSA) SOC. Although state-owned, the TSO is designed to operate independently and perform four interrelated functions: (i) transmitting electricity through the national grid; (ii) balancing and dispatching power in real time; (iii) operating competitive electricity trading platforms; and (iv) acting as a central purchasing agency for legacy and new power purchase agreements[84]. By separating system operation from generation interests, the reform seeks to ensure objective, transparent and non-discriminatory access to the grid.

72. The ERA Amendment Act introduces a multi-buyer, multi-seller market framework, moving South Africa away from a single-buyer model dominated by Eskom. Under this hybrid structure, electricity may be traded through market-based platforms, physical bilateral agreements (such as power purchase agreements between IPPs and corporates), and regulated transactions for system balancing and certain tariff categories[85]. IPPs are no longer required

79 Republic of South Africa. Electricity Regulation Amendment Act 38 of 2024. Available [Online] https://www.gov.za/sites/default/files/gcis_document/202408/51100electricityregamendmentact38of2024.pdf
80 Department: Government Communications and Information Systems. Josias Pila. Transforming SA's electricity market. Available [Online] https://www.gcis.gov.za/content/newsroom/blogs/2025-12/transforming-sas-electricity-market
81 Department: Government Communications and Information Systems. Josias Pila. Transforming SA's electricity market. Available [Online] https://www.gcis.gov.za/content/newsroom/blogs/2025-12/transforming-sas-electricity-market
82 Department: Government Communications and Information Systems. Josias Pila. Transforming SA's electricity market. Available [Online] https://www.gcis.gov.za/content/newsroom/blogs/2025-12/transforming-sas-electricity-market
83 Department: Government Communications and Information Systems. Josias Pila. Transforming SA's electricity market. Available [Online] https://www.gcis.gov.za/content/newsroom/blogs/2025-12/transforming-sas-electricity-market
84 Department: Government Communications and Information Systems. Josias Pila. Transforming SA's electricity market. Available [Online] https://www.gcis.gov.za/content/newsroom/blogs/2025-12/transforming-sas-electricity-market
85 Mail and Guardian. Andile Zulu. Reforms are not a silver bullet for the energy crises. Available [Online] https://mg.co.za/thought-leader/2023-11-07-reforms-are-not-a-silver-bullet-for-the-energy-crisis/

to sell exclusively to Eskom, and the Act provides legal recognition for private trading arrangements, including wheeling and virtual trading models[86]. Licensees, including utility companies and independent power producers (IPPs), may be refused grid access[87] only where genuine capacity constraints exist, and must by provided reasons in writing. Large users and generators are entitled to request information on grid capacity and upgrade costs, promoting transparency and ensuring that any refusal is based on objective technical limits.

73. From an economic perspective, the reforms are intended to stimulate investment, encourage innovation, and foster competition among generators. Over time, a more competitive market could exert downward pressure on generation costs, diversify supply sources (including renewables), and provide large customers with greater choice based on price, reliability and environmental considerations[88]. The introduction of competition may also support South Africa's just energy transition objectives by enabling increased participation from renewable energy producers and facilitating decentralised generation, including microgrids in underserved areas.

74. However, while the reforms signal a decisive shift from monopoly control toward market-based dynamics, their implications for household electricity prices are likely to be gradual and complex. In the short to medium term, tariffs for most households will remain largely determined through regulated, cost-plus methodologies. Eskom's legacy debt, maintenance backlogs, municipal distribution inefficiencies, and substantial investment requirements in transmission infrastructure continue to exert upward pressure on tariffs. Regulators are permitted to allow cost recovery, including a reasonable return, while also considering factors such as security of supply, diversity of energy sources, and renewable integration. The cost-plus approach raises concerns from a pricing perspective, as it guarantees recovery of costs plus a return which limits incentives for cost containment and keeps tariffs higher than they might otherwise be. Consequently, improvements in the supply of electricity may not translate into lower tariffs, as regulatory frameworks allow for the financial costs of maintaining and upgrading the system to be recovered from consumers.

86 Mail and Guardian. Andile Zulu. Reforms are not a silver bullet for the energy crises. Available [Online] https://mg.co.za/thought-leader/2023-11-07-reforms-are-not-a-silver-bullet-for-the-energy-crisis/
87 Grid access refers to the ability of generators or large consumers to connect to and use the electricity network.
88 Department: Government Communications and Information Systems. Josias Pila. Transforming SA's electricity market. Available [Online] https://www.gcis.gov.za/content/newsroom/blogs/2025-12/transforming-sas-electricity-market

75. There are also important policy and competition considerations. While a competitive market structure can enhance efficiency, questions remain regarding how tariffs will evolve under a liberalised framework, how legacy costs and debt will feed into prices, and whether vulnerable households will be shielded from potential price volatility. As Eskom is currently uncompetitive, inefficient costs and debt servicing requirements could feed into uncompetitive transmission network fees affecting the overall cost of electricity even if generation becomes more competitive. Similarly, as municipalities will continue to control distribution, their inefficiencies and fiscal requirements may continue to keep final retail prices for electricity high regardless of gains in generation competition. In generation itself, Eskom will start off controlling most of the supply and so will have market power to set prices at levels which help it recover its higher cost base and debt repayments, limiting the potential for price decreases. If Eskom generation fails to become more efficient over time and starts losing to newer generation investments then there may be pressure on the fiscus to assist it with cost-recovery on tariffs to avoid the fiscus taking on those losses and managing a ballooning debt.

76. In sum, the Electricity Regulation Amendment Act represents a structural "market reset" aimed at modernising and decentralising the electricity sector and making it more attractive to investment. However, while the reforms may help address long-standing supply shortages through improved independent system operation and more efficient procurement of new capacity, they do not appear to fundamentally change the underlying cost-plus framework that determines tariffs. As a result, the trajectory of electricity prices is unlikely to be significantly altered in the short term. The sharp electricity price increases observed in recent years, reflect legacy costs and administered tariff adjustments which the reforms may not be able to address at least in the short to medium term. From a cost-of-living perspective, this means that even if the reforms succeed in improving supply security, households are unlikely to see immediate relief from high electricity bills. In other words, the reforms may stabilise supply, but they do not necessarily translate into lower prices, leaving consumers exposed to continued affordability pressures.

6.4 ALTERNATIVE PRICING MODELS AND THEIR POTENTIAL

77. An alternative to cost-plus regulation that could be considered is incentive-based pricing, mostly implemented through price-cap models.[89] In South Africa's telecommunications sector, Telkom's early retail pricing followed such an approach: retail prices were set based on the previous year's approved price, adjusted for inflation and reduced by a predetermined efficiency factor[90]. This framework was designed to limit price increases while encouraging firms to contain costs and improve productivity.

89 Faster Capital. Incentive Regulation: Incentive Regulation: Fuelling Innovation Under Price Cap Constraints. April 2025. Available [Online] https://fastercapital.com/content/Incentive-Regulation--Incentive-Regulation--Fueling-Innovation-Under-Price-Cap-Constraints.html

90 University of Kwa-Zulu Natal (UKZN). A critical analysis of privatisation of the telecommunications sector : the case of Telkom : who benefits, who loses? Available [Online] https://researchspace.ukzn.ac.za/items/a17a73dc-8074-4f95-8c1d-c3c2697debdb

78. In principle, price-cap regulation can create stronger incentives for efficiency and cost reduction than traditional cost-plus frameworks[91]. By limiting the automatic pass-through of cost increases to prices, firms are motivated to manage expenditures more effectively, streamline operations and optimise investment decisions. Over time, this can translate into lower retail prices for consumers, particularly when efficiency gains are realised and sustained.

79. Applying such models to Eskom transmission and generation, along with municipal tariffs, offers a pathway to improved cost control and potential price relief whilst we have monopolies in transmission and distribution, alongside Eskom market power in generation. Given the sector's capital-intensive nature and the need for reliable supply, an incentive-based approach could encourage more disciplined investment and operational management, reducing unnecessary cost inflation. While structural challenges such as legacy debt and municipal dependence on electricity revenue would need to be addressed in parallel, shifting towards an efficiency-driven pricing model could, in the medium term, help curb tariff growth and provide households with more affordable electricity.

6.5 IMPLICATIONS FOR COST-OF-LIVING PRESSURES

80. Electricity prices are therefore likely to remain a persistent source of cost-of-living pressure. Even as energy reforms improve supply conditions, households may experience limited affordability gains. This raises the risk that electricity contributes to ongoing inflationary pressure without corresponding improvements in household welfare.

81. Managing the cost-of-living impact of electricity prices will require measures beyond energy sector reform. These include stronger scrutiny of allowable costs under tariff determinations, improved transparency between Eskom's cost structure and household prices, tighter oversight of municipal mark-ups, and continued protection for low-income households through mechanisms such as Free Basic Electricity and targeted tariff relief.

7. CONCLUSION

82. This report demonstrates that cost-of-living pressures in South Africa remain structurally embedded, even as headline inflation has moderated. Essential goods and services continue to increase at rates above overall CPI, reinforcing financial strain for households. While certain food markets have shown evidence of margin

91 Faster Capital. Incentive Regulation: Incentive Regulation: Fuelling Innovation Under Price Cap Constraints. April 2025. Available [Online] https://fastercapital.com/content/Incentive-Regulation--Incentive-Regulation--Fueling-Innovation-Under-Price-Cap-Constraints.html

compression and improved pass-through of upstream cost reductions, other food prices as well as some non-food prices remain comparatively rigid and upward trending.

83. Overall, the assessment of essential food items between June and December 2025 presents a mixed picture for consumer affordability, with evidence of uneven cost transmission across several value chains. While certain markets, such as canned pilchards and brown bread, showed periods of margin compression or relatively proportionate cost pass-through that supported price stability, other key staples displayed persistent downward price stickiness at the retail and, in some cases, producer levels. Eggs, IQF chicken, sunflower oil and maize meal in particular raise ongoing concerns, as retail prices remained elevated or continued to increase despite stable or declining upstream costs. These developments suggest that consumers, especially lower-income households reliant on staple protein and carbohydrate sources, may not be fully benefiting from favourable supply or commodity price movements. Continued monitoring and deeper scrutiny of pricing dynamics across the value chain will therefore remain critical to ensuring competitive outcomes, improved transparency, and the protection of food affordability and household food security.

84. Electricity stands out as both a direct household expense and a critical upstream input shaping broader price dynamics across the economy. The persistence of cost-plus pricing at generation and municipal levels has contributed to price stickiness and sustained tariff escalation. Although the Electricity Regulation Amendment Act and broader sector reforms mark a fundamental restructuring of South Africa's energy market, these changes are primarily geared toward improving supply security and long-term sustainability at the generation level. Under the current pricing framework, they may be unlikely to deliver immediate or meaningful tariff relief for households.

85. The findings underscore a central policy insight: improving supply conditions alone may not resolve affordability challenges. Addressing the cost of living requires greater scrutiny of administered price-setting mechanisms, enhanced transparency and accountability in tariff determinations and targeted protection for vulnerable households. Without deliberate attention to how essential service prices are formed and transmitted through the economy, cost pressures are likely to remain entrenched, limiting gains in household welfare and slowing broader economic recovery.

86. While ongoing energy-sector reforms are essential to improve supply adequacy, operational performance, and long-term system sustainability, it is also important to ensure that they translate into meaningful household price relief. The cost-plus model, embedded across the electricity value chain, may constrain downward price adjustments even where reliability improves, underscoring the need for deliberate reform of price-setting mechanisms. Addressing affordability pressures will therefore require a coordinated policy response combining pricing reform, targeted social protection measures, and continued monitoring of electricity's contribution to overall living-cost dynamics.

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