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. South African households continue to face mounting financial pressure as the cost-of-living crisis persists.[1] Although inflation eased during parts of 2025, inflationary pressures strengthened again in 2026, driven largely by increases in transport costs due to higher fuel prices.[2] As a result, many households continue to experience rising living costs. The cumulative effect of sustained price increases across essential goods and services has significantly eroded purchasing power, leaving households to contend with a persistently higher cost of meeting basic needs. Rising food prices, electricity tariffs, transport costs, housing expenses and debt repayments have steadily increased the financial burden on consumers, while wage growth has remained insufficient to keep pace.[3] Consequently, an increasing share of household income is absorbed by unavoidable expenditure, leaving many families with limited financial flexibility and heightened vulnerability to further price shocks.

2. These pressures intensified in April 2026 when the retail price of both 93 and 95 octane petrol increased by R3.06 per litre, while the wholesale price of diesel increased by between R7.37 and R7.51 per litre, despite government's temporary R3.00 per litre reduction in the General Fuel Levy to cushion consumers.[4] The increase reflected a sharp rise in international crude oil and refined petroleum prices, a depreciation of the Rand against the US Dollar, and ongoing geopolitical tensions that disrupted global oil supply chains. These developments substantially increased transport and logistics costs, placing further upward pressure on the prices of food and other essential goods across the economy. Furthermore, in July 2026, consumers were faced with sharp annual increases in water and electricity tariffs.

3. These cost increases place upward pressure on the prices ultimately paid by consumers for food, household goods and other essential products. Lower-income households are particularly vulnerable, as they spend a disproportionately large share of their income on necessities and have limited capacity to absorb further increases in essential expenditure. Against this backdrop, the third edition of the Competition Commission's (Commission) Cost of Living (COL) Report examines how rising prices are transmitted through the economy and the extent to which they amplify broader cost-of-living pressures faced by South African households. This edition places particular emphasis on municipal water tariffs through a dedicated deep dive

1 Business Day. Stella Mapenzauswa. 72% of South Africans suffer financial stress as costs and debt rise. 22 July 2026. Available [Online] https://www.businessday.co.za/economy/2026-07-22-financial-stress-chokes-south-africans-as-debt-and-living-costs-rise/#google_vignette

2 SA news.gov.za. Republic of South Africa. Consumer inflation rises. 22 July 2026. Available Online [Online] https://www.sanews.gov.za/south-africa/consumer-inflation-rises

3 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

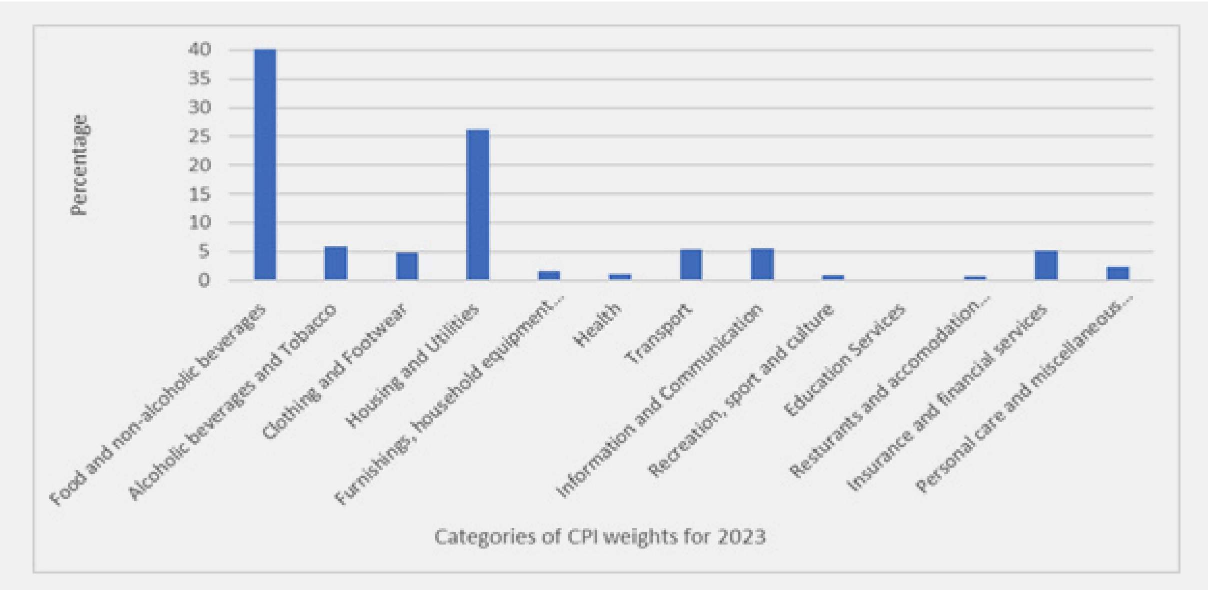
4 Official SA Fuel Data, Made Simple. April 2026 Fuel Prices: The Official Numbers, Explained. August 2026. Available [Online] https://safuelprices.co.za/blog/april-2026-fuel-prices-official-numbers-explained

into water price formation. In doing so, the report seeks to strengthen understanding of the structural drivers of affordability in South Africa and to inform policy discussions aimed at improving consumer welfare and the affordability of essential services.

2. DATA ANALYSIS AND APPROACH

4. 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. [5]

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



Source: Commission's own using Stats SA

5. 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

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

practitioners), transport (minibus taxi fares and petrol), funeral policies, public 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.

6. In the housing and utilities category for decile 1 households, water supply accounts for approximately 0.9% of total household expenditure, while owners' equivalent rent (14.96%) and electricity (5.5%) constitute the largest components of spending within the category. Although water represents a smaller share of household expenditure, it remains an essential service that underpins health, sanitation and overall household well-being. As such, changes in water tariffs can have a meaningful impact on already constrained household budgets.

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

2.1 NON-FOOD ITEMS

8. The data for the COL report was obtained from Stats SA, specifically, Consumer Price Index (CPI) data for the relevant categories over the period 2020 to July 2026. This edition of the COL report focuses on the period January 2026 to July 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.

9. 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.

10. 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.[6] This simplified approach is intended to illustrate the effects of interest rate changes on monthly bond payment obligations.

6 The bond repayments are calculated using the bond calculator on Property24's website.

2.2 FOOD ITEMS

Table 1: 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: Commission's Own using National Agricultural Marketing Council, Farm-to-retail-price-spread definitions, and methodology;2) Bureau for Agricultural Policy, Sunflower Quality Report, 2020..

11. 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.

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

12. 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 PRICE OF NON-FOOD ITEMS

13. The Commission will assess below the pricing trends of the various non-food items as identified above for a longer-term view from January 2020 to July 2026 and also for a short-term view over the past year.

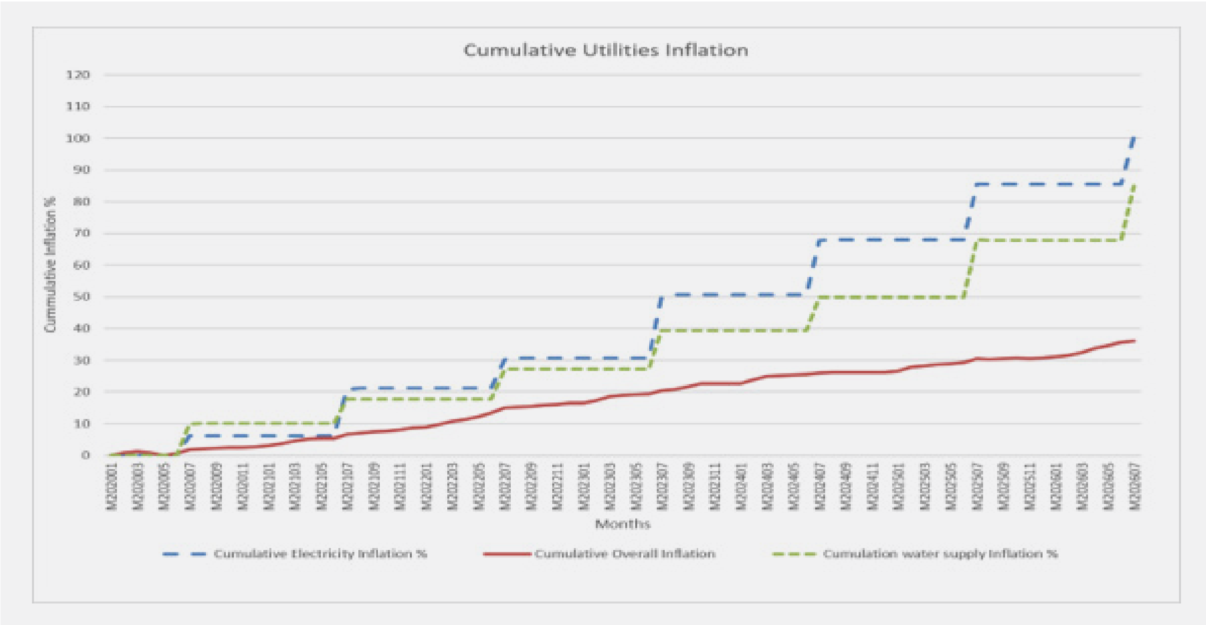
Housing and utilities: Electricity and Water Supply

14. Electricity and water continue to rank among the most significant administered expenses faced by South African households and remain indispensable to both household wellbeing and economic activity.[7] These services underpin virtually every aspect of daily life, from food preparation, heating, sanitation, education, business operations and agricultural production. As essential services with few practical substitutes, increases in electricity and water tariffs have an immediate and unavoidable impact on household expenditure. In recent years, persistent cost pressures within both sectors including ageing infrastructure, rising operating and maintenance costs, and the need to finance ongoing network rehabilitation and expansion have contributed to tariff increases that consistently outpace overall consumer inflation.[8] Consequently, monitoring the trajectory of electricity and water prices remains critical for understanding the evolving cost-of-living pressures confronting South African households, particularly lower-income households that allocate a larger share of their budgets to essential services.

7 The Competition Commission of South Africa. Cost of Living Report. March 2026. Available [Online] https://compcomdev.co.za/wp-content/uploads/2026/04/CC_Cost-of-Living-Report_Mar2026.pdf

8 The Competition Commission of South Africa. Cost of Living Report. March 2026. Available [Online] https://compcomdev.co.za/wp-content/uploads/2026/04/CC_Cost-of-Living-Report_Mar2026.pdf

Figure 2: Cumulative inflation of water and electricity



Source: Commission's own using StatsSA

Short-term view

15. Electricity and water tariffs increase annually in July each year. Between July 2025 and July 2026, electricity inflation increased by 8.1% and water inflation increased by 10.1%. Between July 2025 and July 2026, headline CPI increased by 4.3%. This indicates that electricity and water inflation have both outpaced headline inflation during this one-year period. Electricity inflation is double headline inflation while water inflation is more than double headline inflation.

Long-term cumulative view

16. The Figure above illustrates the cumulative inflation of electricity and water supply prices in South Africa between January 2020 and July 2026. Electricity has remained one of the fastest-growing administered prices over the review period. Following the implementation of the annual tariff adjustment in July 2025 and July 2026, cumulative electricity inflation increased from approximately 85% to around 100.5% by July 2026. This far exceeds the increase in overall consumer prices of approximately 36% during the same period, highlighting the disproportionate contribution of electricity costs to household expenditure.

17. To address the challenges facing South Africa's energy sector, government is in the process of introducing reforms in this sector. On 29 July 2026, Cabinet approved the revised electricity pricing policy for public consultation.[9] According to the Minister of Electricity, Kgosientsho Ramokgopa, this policy categorises customers according to income level and usage (e.g. large industrial users) and is designed to bring transparency to show customers the true

9 See https://www.engineeringnews.co.za/article/cabinet-approves-release-of-revised-electricity-pricing-policy-and-market-transformation-paper-for-comment-2026-07-30 accessed 18 August 2026.

cost of electricity.[10] Further, the policy also seeks to increase the allocation of free basic electricity currently provided to qualifying indigenous households from 50kWh to 200 - 300kWh.[11] This is a welcome increase given the current cost of living crisis and will likely benefit the poorest of households although there are suggestions that the minimum electricity required to cover essentials is 350kWh.[12] However, as consultations are ongoing in this reform process, it is important that consideration is given to the pricing mechanisms used to determine electricity tariffs such that the high cost of electricity concerns are addressed adequately going forward. The concerns with the current pricing mechanisms are detailed in the Commission's last COL report.[13]

18. Water supply prices have followed a similar trajectory as electricity. Following the implementation of municipal water tariff increases in July 2025 and July 2026, cumulative water inflation reached approximately 85% by July 2026. This increase substantially exceeds headline inflation, which increased to approximately 36% over the same period. Municipal water tariffs are influenced by several underlying cost drivers such as increases in bulk water charges, ageing water infrastructure, high levels of non-revenue water resulting from leaks and system losses, and municipalities' need to recover operational costs while maintaining service delivery.[14] These structural pressures have called for well needed reforms to the sector which will be discussed in detail under the deep dive section.

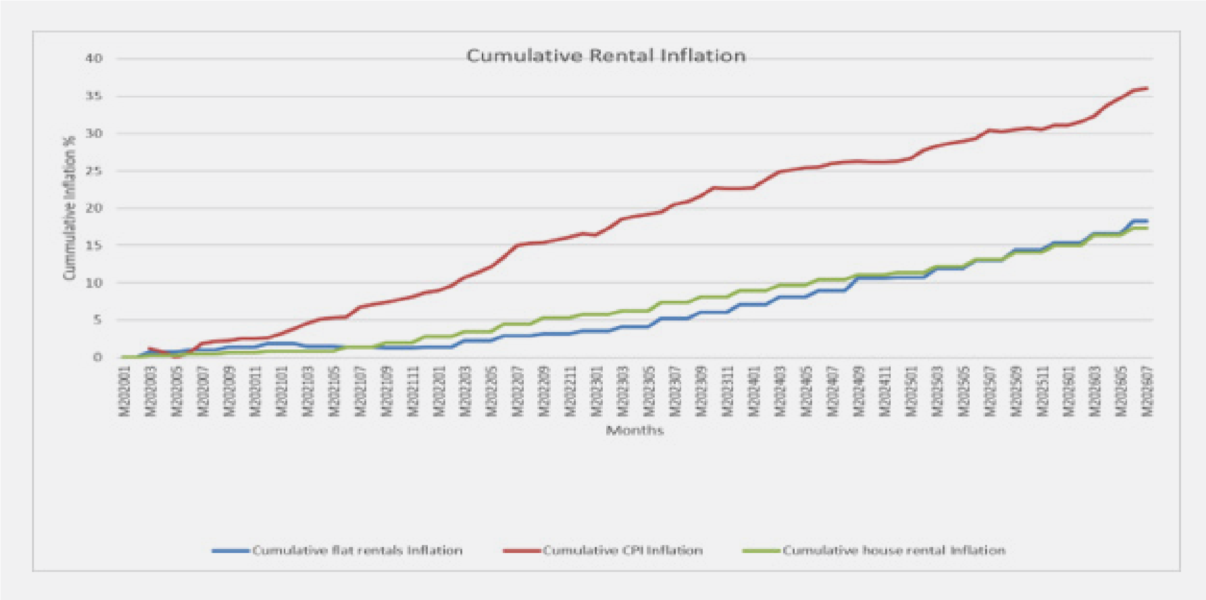
19. The widening gap between administered price inflation and overall consumer inflation illustrates the growing burden of essential municipal services on household budgets, particularly for lower-income households that devote a greater share of their income to basic services.

Housing and utilities: Actual rentals of houses and flats

20. Residential rental costs remain a key determinant of household affordability and represent one of the largest recurring expenditures for many South African households. This is particularly true for lower- and middle-income households, who are more likely to rely on the rental market and therefore have limited flexibility to avoid increases in housing costs. The analysis presented below is based on data obtained from Stats SA's quarterly rental survey of letting agencies and reflect the cumulative inflation in flat and house rentals relative to overall headline CPI inflation.

10 See https://mybroadband.co.za/news/energy/661577-big-change-to-electricity-bills-in-south-africa-planned.html accessed 12 August 2026.
11 See https://www.greenbuildingafrica.co.za/south-africa-eyes-higher-free-electricity-allocation-as-energy-poverty-deepens/ accessed 20 August 2026.
12 See https://www.greenbuildingafrica.co.za/south-africa-eyes-higher-free-electricity-allocation-as-energy-poverty-deepens/ accessed 20 August 2026.
13 The Competition Commission of South Africa. Cost of Living Report. March 2026. Available [Online] https://compcomdev.co.za/wp-content/uploads/2026/04/CC_Cost-of-Living-Report_Mar2026.pdf
14 Map Forum. The Cost of Clean Water: Understanding Tariffs, Infrastructure and Public Trust. August 2025. Available [Online] https://mapforum.co.za/the-cost-of-clean-water-understanding-tariffs-infrastructure-and-public-trust/

Figure 3: Cumulative Inflation of actual rentals of houses and flats



Source: Commission's own using StatsSA

Short-term view

21. In 2026, flat rental inflation increased by 2.5% between January to July while house rental inflation increased by approximately 2%. Headline inflation in 2026 increased by 3.8% from January to July. This indicates that flat and house rental inflation have been below overall inflation in 2026.

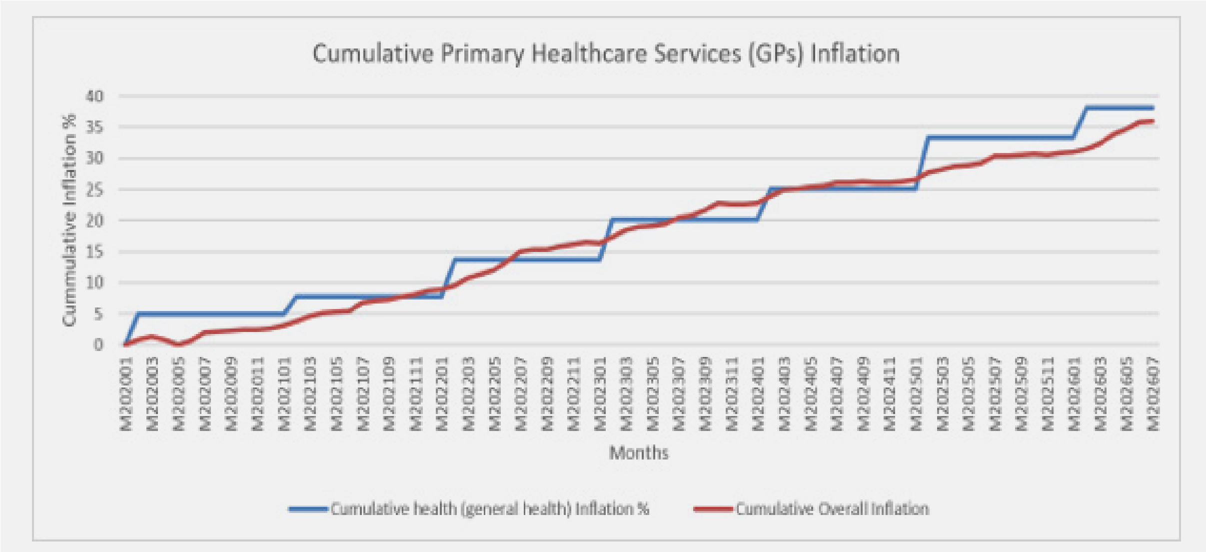
Long-term cumulative view

22. As illustrated in Figure 3, rental inflation for both flats and houses has followed a gradual upward trajectory over the 6-year period with cumulative flat rentals increasing to 18.3% and cumulative house rentals increasing to 17.4% by July 2026. It is encouraging to note that these increases have remained well below cumulative headline inflation at 36% by July 2026. This indicates that housing stock is keeping up with housing demand and as a result rental increases have generally been more measured than price increases observed across the broader consumer basket and are unlikely to have contributed to the current cost of living crisis.

Healthcare: Primary healthcare services-General practitioners

23. Access to primary healthcare remains an important and increasingly significant component of the cost of living for South African households. In a context where most of the population does not have medical scheme coverage and relies primarily on the public health system, constraints within the public health system often lead employed but uninsured individuals to seek private primary healthcare services, particularly General Practitioner (GP) consultations. The affordability of GP services is therefore critical, as these consultations frequently represent the first point of access to healthcare. Figure 5 presents cumulative inflation in GP consultation fees relative to overall headline inflation from 2020 to July 2026. The analysis is based on Stats SA's annual collection of GP consultation fee data, which the Commission uses as a proxy for changes in the cost of private primary healthcare services over time.

Figure 4: Cumulative inflation of primary healthcare services- General practitioners



Source: Commission's own using StatsSA

Short-term view

24. GP consultation fees increase annually in January. Between January 2025 and January 2026, the annual increase in GP consultation fees saw GP inflation increase by 3.5%. During this same period, headline inflation also increased by approximately 3.5%. GP consultation fee inflation remains below the average medical scheme increases observed for 2026. For example, Discovery Health implemented a weighted average contribution increase of 7.2% in April 2026 while Bonitas implemented an increase of 8.8% on average across its various plans. [15]

Long-term cumulative view

25. The cumulative inflation of primary healthcare services, as measured by GP consultation fees, reached approximately 38% by July 2026, exceeding cumulative headline inflation of around 36% over the same period. GPs have argued that the costs of operating GP practices such as electricity, rent, municipal costs and medical consumables are rising well above GP tariff increases, placing a strain on GP practices and threatening access to affordable primary care in South Africa.[16]

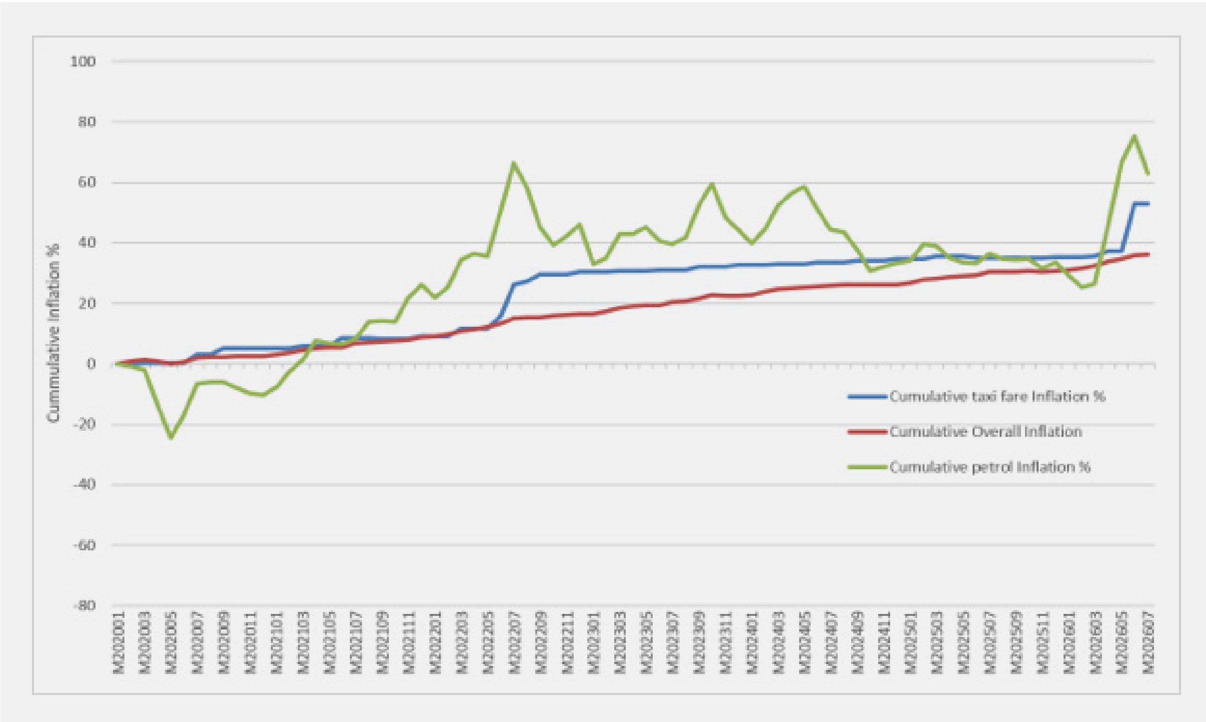
Transport: Passenger transport services for taxifares – Minibus taxis and petrol

26. Transport remains one of the most significant household expenditures in South Africa and plays a fundamental role in determining the overall cost of living.[17] For many households, particularly those in lower- and middle-income groups, transport is an unavoidable daily expense that enables access to employment, education, healthcare and other essential

15 See https://www.discovery.co.za/wcm/discoverycoza/assets/faz/medical-aid/2026/benefit-information/product-information-brochure.pdf and https://businesstech.co.za/news/business/838198/bonitas-announces-medical-aid-price-hikes-for-2026/ accessed 11 August 2026.
16 See https://www.medicalbrief.co.za/gps-dispute-exorbitant-tariff-hike-notions/ accessed 11 August 2026.
17 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

services. This is particularly the case as employment opportunities are often far from the townships where many low-income workers reside. Changes in transport costs therefore have direct implications for household disposable income and can also influence the prices of a wide range of goods and services through higher distribution and logistics costs. This section examines cumulative inflation in passenger transport, with particular emphasis on minibus taxi fares and petrol prices. Given the dominant role of the minibus taxi industry in transporting the majority of South Africa's commuting population, together with the economy-wide importance of fuel prices, trends in these indicators provide valuable insight into the extent to which transport costs continue to shape household affordability and broader inflationary pressures.

Figure 5: Cumulative Inflation of Passenger transport services for taxifares- Minibus taxis and petrol



Source: Commission's own using StatsSA

Short-term view

27. From January to July 2026, petrol inflation increased by 26%. During this same period, taxi fare inflation increased by 13%. Both these increases are significantly above headline inflation which increased by 3.8% over the period. Petrol inflation was almost 7 times headline inflation while minibus taxi fare inflation was more than 3 times headline inflation.

28. The most pronounced increase occurred from April 2026 onwards, following the fuel price adjustments implemented on 1 April 2026.[18] These increases were largely due to the US-Iran war which

18 Minister Gwede Mantashe announces fuel prices effective from 1st of April 2026. Available [Online] https://www.gov.za/news/media-statements/minister-gwede-mantashe-announces-adjustment-fuel-prices-effective-1st-april

resulted in significant increases in the price of crude oil.[19] Although the government introduced a temporary reduction in the general fuel levy to provide some relief to consumers, it is clear that the petrol price increase was still quite significant. Following the April 2026 fuel price increase, minibus taxi fares did not immediately respond suggesting that operators initially absorbed some of the higher fuel costs rather than immediately passing them on to commuters. However, in June 2026, minibus taxi fares implemented a significant fare hike. The sustained increases in fuel prices ultimately resulted in a significant upward adjustment in passenger fares.

Long-term cumulative view

29. In 2026, cumulative petrol inflation accelerated sharply reaching a high of 62.9% by July 2026. Cumulative taxi fare inflation increased to 52.9% by July 2026. These increases are significantly above cumulative headline inflation which increased to 36% over the 6-year period.

30. Taxi fare adjustments typically occur periodically rather than in response to every monthly fuel price movement. However, as observed in previous COL reports, taxi fares generally tend to increase when there are significant petrol price hikes over longer periods but typically do not adjust downwards when fuel prices decrease. As such, the petrol price hikes due to global pressures are likely to have a lasting negative impact on commuters even when the petrol price reduces in future.

31. The April 2026 and subsequent fuel price increases therefore had important implications for household welfare. Higher petrol prices increased not only the direct cost of private transport but also the operating costs faced by minibus taxi operators and freight and logistics services. This has resulted in upward pressure on the prices of goods and services in general. Consequently, transport costs have been a significant contributor to cost-of-living pressures during the first half of 2026.

Basic Education: Public school primary and secondary education

32. Basic education remains one of the most important household expenditures. Although the South African government provides financial support to public schools, many households continue to incur education-related expenses through school fees, uniforms, stationery, transport and other compulsory learning materials.[20]

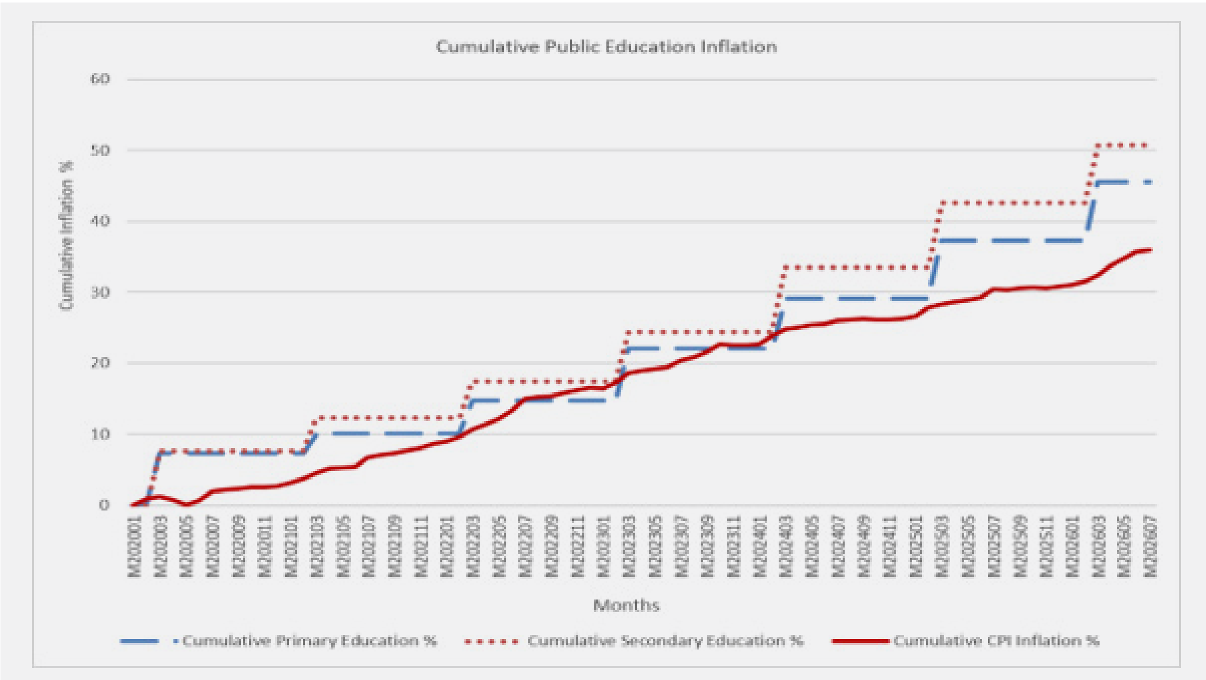
33. This section focuses on the cost of public primary and secondary education, as changes in school fees directly affect household budgets, particularly for working-class families with school-going children. Public schools in South Africa are classified into five socio-economic quintiles based on the relative poverty of the communities they serve. Schools in Quintiles 1 to 3, which cater predominantly to poorer communities, are designated as no-fee schools and receive full state funding, accounting for approximately 60% of learners

19 Minister Gwede Mantashe announces fuel prices effective from 1st of April 2026. Available [Online] https://www.gov.za/news/media-statements/minister-gwede-mantashe-announces-adjustment-fuel-prices-effective-1st-april

20 StatsSA. Education spending rises in SA but inability to pay fees persist. Available [Online] https://www.statssa.gov.za/?p=19198

nationally.[21] In contrast, Quintile 4 and 5 schools receive partial government subsidies and are permitted to charge school fees to supplement operational and educational costs.[22] The analysis presented below draws on Stats SA's CPI for public primary and secondary education fees, comparing cumulative education inflation with overall headline inflation over the period from January 2020 to July 2026.

Figure 6: Cumulative Inflation for Basic Education: Public school primary and secondary education



Source: Commission's own using StatsSA

Short-term view

34. Between 2025 and 2026, school fee inflation for public primary schools increased by 6% while school fee inflation for public secondary schools increased by 5.7%. During this same period, headline inflation increased by 3.8%. It is concerning that school fees are now outpacing headline inflation.

Long-term cumulative view

35. The cumulative inflation for public primary school fees over the 6-year period increased to 46%, while public secondary school fee inflation increased to 51% over the period. These increases are significantly above cumulative headline inflation which increased to 36% over the period. The above inflation increases for school fees suggest that schools continue to face increasing expenditure pressures arising from municipal service

21 Student Portal. Understanding School Quantile in South Africa: Updated Detailed Overview. 2 August 2024. Available [Online] https://studentportal.org.za/understanding-school-quantile-in-south-africa-updated-detailed-overview/

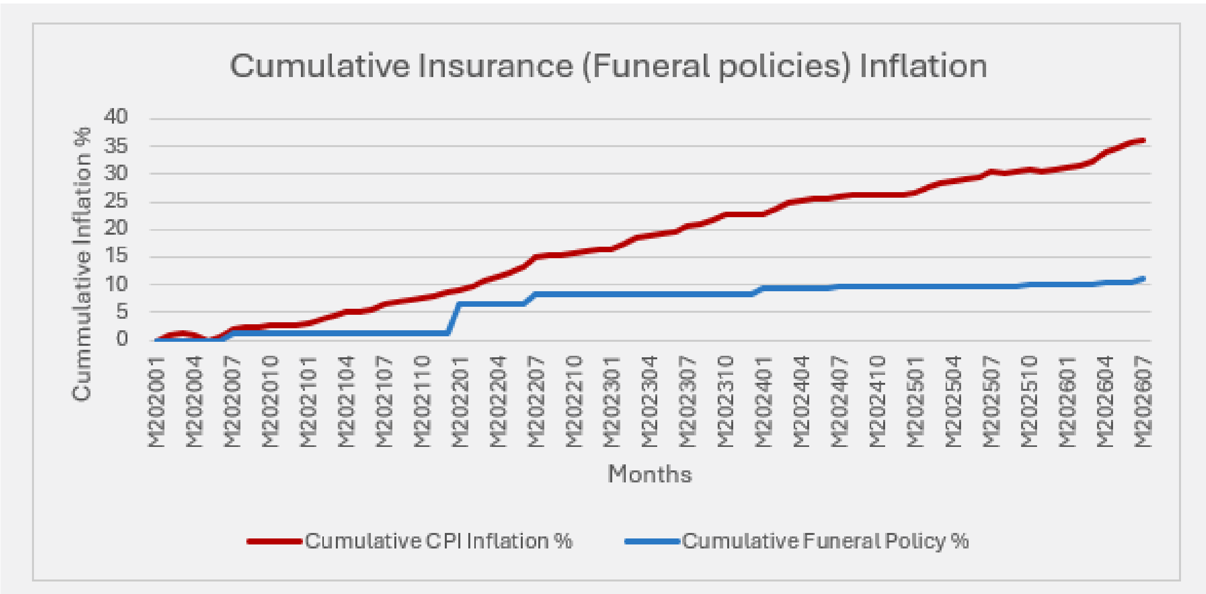
22 Student Portal. Understanding School Quantile in South Africa: Updated Detailed Overview. 2 August 2024. Available [Online] https://studentportal.org.za/understanding-school-quantile-in-south-africa-updated-detailed-overview/

charges, infrastructure maintenance and other operational costs.[23] Where these costs outpace growth in public funding, particularly in fee-charging public schools, governing bodies may rely on higher school fees to address funding shortfalls. Consequently, the January 2026 fee adjustments further intensified cost-of-living pressures on households already facing rising expenditure on other necessities.

Insurance and financial services: Funeral policies

36. For many South Africans, particularly lower-income households with limited savings, funeral insurance represents the most widely held form of insurance cover. Funeral policies provide financial assistance to meet burial and related funeral expenses, reducing the risk that families will need to incur debt or liquidate essential assets following the death of a loved one. As such, these policies serve as an important financial safety net and contribute to household financial stability during periods of emotional and economic distress. This section uses funeral insurance as a proxy for insurance services accessed by lower-income households. The analysis draws on Stats SA's CPI for funeral insurance, comparing cumulative inflation in funeral policy premiums with overall headline inflation over the period from January 2020 to June 2026.

Figure 7: Cumulative Inflation for Insurance and financial services: Funeral policies



Source: Commission's own using StatsSA

23 The Star. Masabata Mkwananzi. Gauteng's schools face crisis with R600 million in unpaid municipal debt. Available [Online] https://thestar.co.za/news/2026-05-17-gautengs-schools-face-crisis-with-r600-million-in-unpaid-municipal-debt/

Short-term view

37. Between 2025 and 2026, funeral policy inflation increased by approximately 0.9%, compared with an increase of 3.8% in headline inflation over the same period. This indicates that, in the short term, funeral policy prices have remained relatively subdued and continue to increase at a rate below overall consumer price inflation.

Long-term cumulative view

38. As illustrated in Figure 7, cumulative inflation in funeral insurance premiums has remained relatively stable over the review period, reaching approximately 10.4% by July 2026. This is significantly lower than cumulative headline inflation of approximately 35.7%, indicating that funeral insurance premiums have increased at a considerably slower pace than prices across the broader consumer basket. Funeral insurance prices have remained relatively stable over the past few years and therefore have not contributed to the current cost of living crisis.

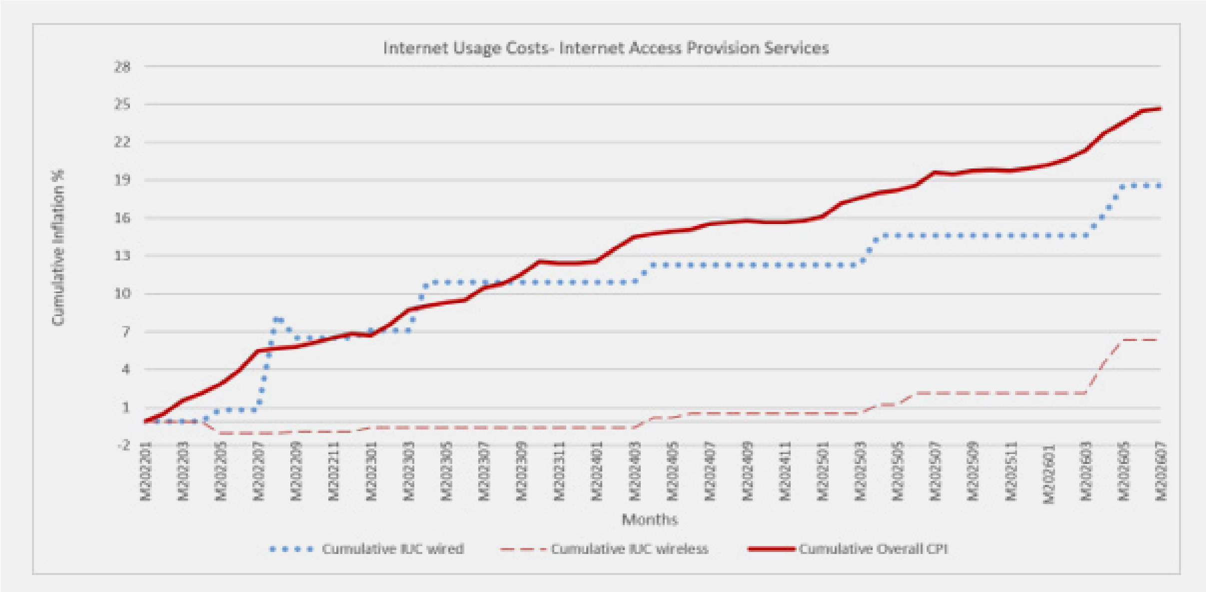
Internet Usage

39. Internet connectivity has become an essential service for households, underpinning participation in the modern economy and enabling access to employment, education, healthcare, financial services and government programmes.[24] As digital technologies continue to transform the way individuals work, learn, communicate and access information, affordable internet services have become increasingly important for promoting economic inclusion and improving household welfare. Consequently, changes in internet service prices have important implications for household affordability and the broader cost of living. This section examines cumulative inflation of the price of internet services, distinguishing between wired and wireless internet access[25], relative to overall headline inflation over the period from January 2022 to July 2026. The analysis is based on the CPI compiled by Stats SA, which collects internet price data from major telecommunications service providers monthly.

24 SA news.gov.za. Internet connectivity can aid SA's development. Available [Online] https://www.sanews.gov.za/south-africa/internet-connectivity-can-aid-sas-development

25 StatsSA's wired and wireless internet access data both refer to fixed internet services not mobile data.

Figure 8: Cumulative Inflation of internet provision services



Source: Commission's own using StatsSA

Short-term view

40. In the previous edition of the COL Report, the Commission observed that cumulative inflation for both wired and wireless internet services remained relatively stable for most of 2025.[26] However, in 2026, following increases in April and May, inflation for wired internet services increased by 3.5%. Wireless internet service inflation increased by 4.1% in 2026. Headline inflation in 2026 (from January to July) increased by 3.8%. This indicates that wireless internet service inflation has increased above headline inflation in 2026. This is concerning given the importance of internet services to the economy. The increase is a result of several major operators implementing increases during this period.[27] Some operators have cited macroeconomic pressures such as inflation, exchange rate pressures and power outages as the reason behind the increases.[28]

Long-term cumulative view

41. The cumulative inflation of wired internet services increased to 18.6% over the 6-year period while cumulative inflation for wireless internet service prices increased to 6.4% over the same period. Although cumulative inflation over the 6-year period for both wired and wireless internet services is below headline inflation, it is concerning that the current increases especially for wireless internet services have outpaced headline inflation.

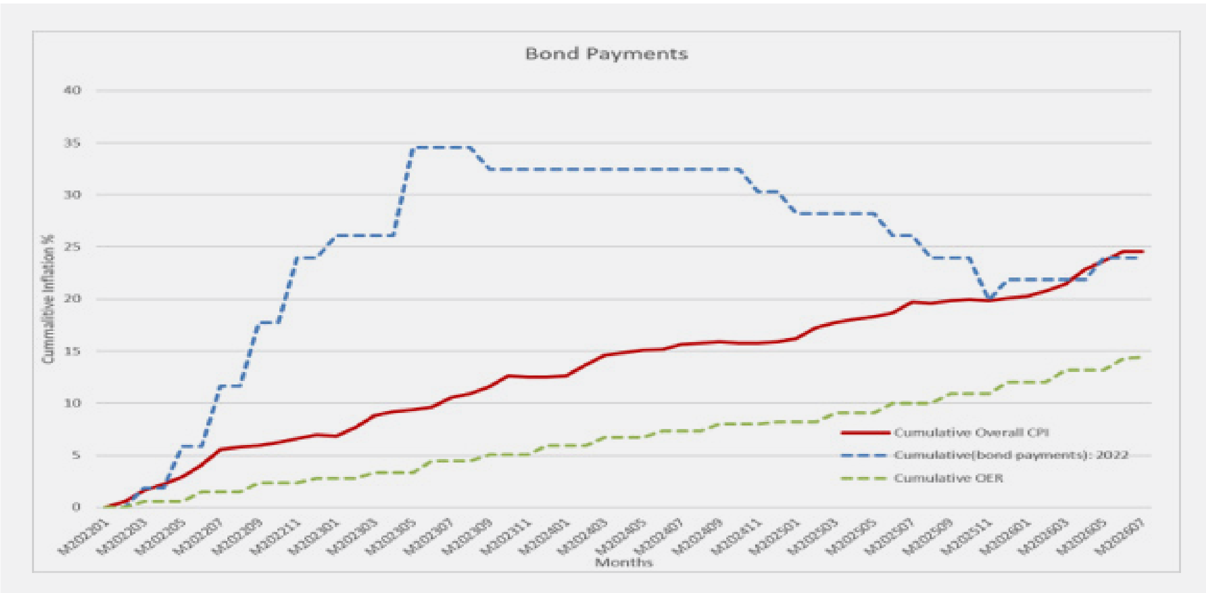
26 The Competition Commission of South Africa. Cost of Living Report. March 2026. Available [Online] https://compcomdev.co.za/wp-content/uploads/2026/04/CC_Cost-of-Living-Report_Mar2026.pdf
27 See https://mybroadband.co.za/news/fibre/644560-prominent-fibre-network-operator-announces-price-increases.html. Accessed 12 August 2026
28 See https://mybroadband.co.za/news/fibre/644560-prominent-fibre-network-operator-announces-price-increases.html. Accessed 12 August 2026.

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

42. Although interest rates are not included directly in the CPI they play an important role in shaping household finances. Changes in interest rates affect the cost of borrowing, influencing the monthly repayments on mortgages, vehicle finance, personal loans and other forms of credit. When interest rates increase, indebted households have less disposable income available for essential expenses such as food, transport, healthcare and utilities. Conversely, lower interest rates reduce borrowing costs and can ease financial pressure on households. While the CPI measures housing costs using owners' equivalent rent, in line with international statistical standards and StatsSA, this approach does not reflect changes in mortgage repayments. As a result, interest rates provide an important complementary indicator of the financial pressures experienced by households with debt..

43. To illustrate this, the Commission compares movements in owners' equivalent rent with the monthly repayment on a hypothetical R100 000 mortgage priced at the prime lending rate. While owners' equivalent rent reflects changes in the cost of consuming housing services, mortgage repayments respond directly to changes in interest rates. Comparing these two measures helps demonstrate how fluctuations in interest rates can affect the monthly expenses of indebted households, even though these changes are not captured in headline inflation.

Figure 9: Cumulative bond payments and owner's equivalent rent



Source: Commission's own using StatsSA

Short-term view

44. In 2026, inflation for bond repayments increased substantially by 9.6% (from January to July). This was significantly above headline inflation which increased by 3.8%. This indicates a notable increase in the cost of borrowing over the period, which may place additional pressure on households with outstanding debt and variable-rate loans. The upward trend is particularly significant given the impact of higher interest costs on household disposable income and the affordability of credit.

Long-term cumulative view

45. The Figure above compares cumulative headline inflation, cumulative bond repayment costs (based on movements in the prime lending rate), and cumulative owners' equivalent rent (OER) between January 2022 and July 2026. Between January and April 2026, cumulative bond repayment inflation initially remained relatively stable at around 22%, reflecting the lower interest rate environment following the repo rate reductions implemented in late 2025.[29] However, from May 2026, cumulative bond repayment inflation increased to approximately 24%, bringing it broadly in line with cumulative headline inflation. Although borrowing costs remained well below the peak of approximately 35% recorded in 2023, the increase towards the end of the review period suggests that the financial relief experienced by indebted households may be beginning to moderate. Should interest rates increase further, bond repayment costs could once again outpace overall inflation, placing renewed pressure on households with mortgage debt.

46. By comparison, cumulative OER continued its gradual upward trend, increasing from approximately 12% in January 2026 to 14.4% by July 2026. As rental values tend to adjust more gradually than interest rates, OER remained substantially below both bond repayment costs and headline inflation over the review period.

47. The divergence between bond repayments and OER demonstrates that the CPI does not fully capture the financial pressures faced by households with debt. While OER provides a measure of the cost of housing services, changes in interest rates have an immediate effect on monthly mortgage repayments and disposable income. The increase in bond repayment costs during the first half of 2026 therefore highlights the continued sensitivity of indebted households to changes in monetary policy and underscores the importance of monitoring interest rate movements alongside CPI when assessing cost-of-living pressures.

29 SABC news. SARB cuts repo rate by 25 basis points. November 2025. Available [Online] https://www.sabcnews.com/sabcnews/live-mpc/

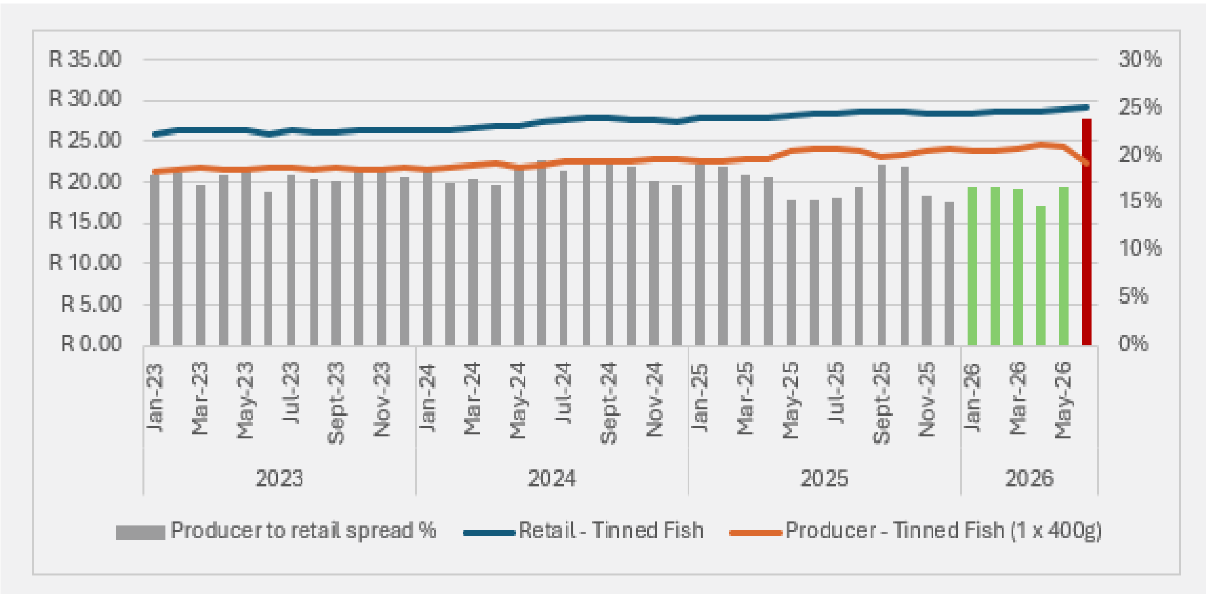
5. RECENT DEVELOPMENTS IN PRICE OF ESSENTIAL FOOD ITEMS

48. The Commission will assess below the pricing trends of essential food items for the period January 2023 to June 2026 with a particular focus in the analysis on the period January 2026 to June 2026.

Canned Pilchards

49. As households continue to navigate elevated living costs, access to affordable and nutritious food remains a key determinant of food security. Protein-rich foods are often among the first items to become less accessible when household budgets are under pressure, making lower-cost alternatives increasingly important. Canned pilchards have long served this role in South Africa, providing a nutritious source of protein that is widely available and relatively affordable. Examining price movements for this product therefore provides valuable insight into the affordability of essential foods for vulnerable consumers.

Figure 10: Producer-to-retail spread of canned pilchards



Source: Commission's own using StatsSA

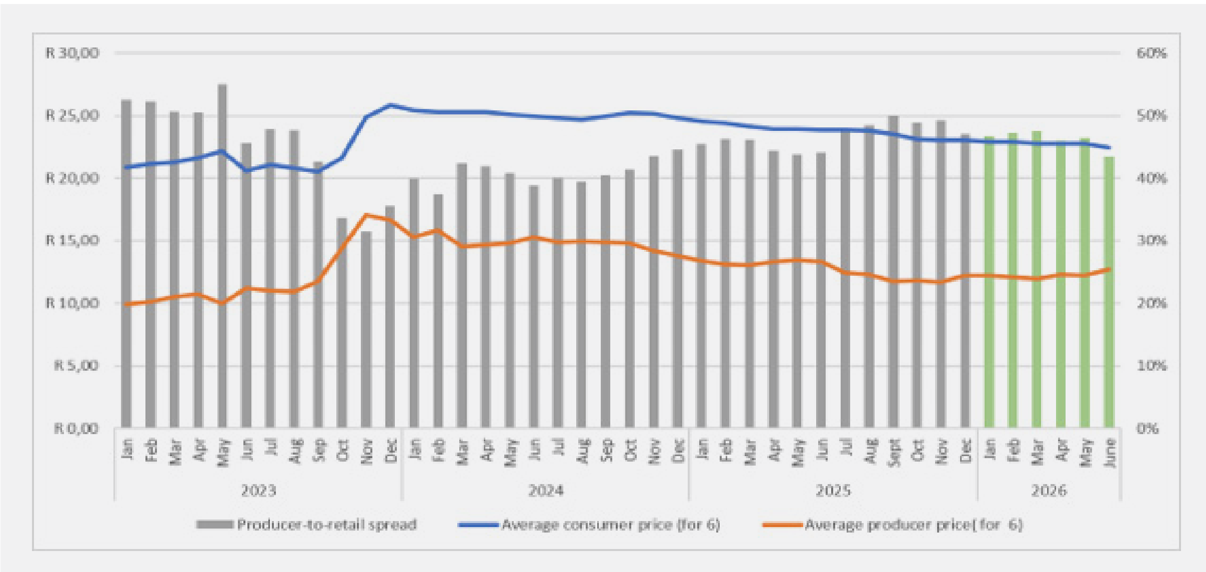
50. As illustrated in the figure above, retail prices for canned pilchards increased steadily between January and June 2026, reaching a high of approximately R29.15 per 400g can in June 2026. Producer prices also increased over most of the review period but declined from May with a significant decline in June 2026, resulting in a divergence between producer and retail price movements. A likely contributor to these price increases in the earlier months was tighter fish supply due to

short-term shortages, as pilchard stocks are influenced by oceanographic and climatic conditions.[30] Global warming has had an impact on fish movement as sardines and pilchards are moving away from their usual spot in search of colder waters.[31] To address some of these supply related issues, in June 2026, the Minister of Forestry, Fisheries and Environment announced an increase in the Total Allowable Catch (TAC) for sardines in some parts.[32] This has already seen a reduction in producer prices and the expectation is that retail prices should also decrease. The Commission is concerned that retail prices have not responded to the lower producer prices and we will monitor this in the upcoming months to ensure retail prices decline in line with producer price declines.

Eggs

51. Eggs remain one of the most widely consumed and accessible animal protein products in South Africa, serving as an important dietary staple for households across the income spectrum.[33] Their combination of nutritional value, convenience and relatively low cost makes them a preferred protein choice, particularly for consumers seeking to maximise food value within constrained household budgets. However, the eggs market is susceptible to supply-side disruptions, with disease outbreaks, feed costs and other production-related factors having the potential to affect availability and prices.[34]

Figure 11: Producer-to-retail spread of eggs



Source: Commission's own using StatsSA

30 News24. Business. Nick Wilson. 21 May 2026. Lucky Star promotions on hold as fish supply tightens. Available [Online] https://www.news24.com/business/companies/lucky-star-promotions-on-hold-as-fish-supply-tightens-20260521-0921

31 News24. Business. Nick Wilson. 21 May 2026. Lucky Star promotions on hold as fish supply tightens. Available [Online] https://www.news24.com/business/companies/lucky-star-promotions-on-hold-as-fish-supply-tightens-20260521-0921

32 See https://www.gov.za/news/media-statements/minister-willie-aucamp-2026-increase-commercial-small-pelagics-total accessed 13 August 2026.

33 South African Journal of Animal Science. T.T. Nkukwana. Global poultry production: Current impact and future outlook on the South African poultry industry. University of Pretoria, Department of Animal & Wildlife Sciences, Private Bag X20, Hatfield, 0028, RSA. Available [Online] https://scielo.org.za/scielo.php?script=sci_arttext&pid=S0375-15892018000600007

34 Euromonitor International. Eggs in South Africa. April 2026. Available [Online] https://lp.euromonitor.com/eggs-in-south-africa/report

52. The latest price trends indicate a continuation of the market recovery observed in the second half of 2025 at least until April 2026.[35] From April 2026, producer prices have been increasing coinciding with the significant fuel price increases observed at this time. Retail prices however, continued to decline throughout 2026, falling to approximately R22.44 (for 6) in June 2026, the lowest level recorded in 2026. In the last COL report, the Commission raised concerns that the retail price of eggs were sticky downwards even as producer prices decreased and markets normalised following the avian influenza outbreak.[36] It is encouraging to observe that retail prices have since been on a downward trend. The higher producer prices from April onwards have not been passed on to end consumers suggesting that retailers have been absorbing these costs. As fuel prices decreased in July, it is expected that the producer prices of eggs should come down. The Commission will monitor these changes in the coming months.

Individually Quick Frozen (IQF) Chicken

53. Individually Quick Frozen (IQF) chicken remains one of the most affordable and widely consumed sources of animal protein in South Africa, making it an essential component of household food expenditure, particularly among lower-income consumers. Its affordability, convenience and versatility have contributed to strong and sustained demand, positioning IQF chicken as a key substitute for higher-priced meat products during periods of economic pressure. Given its prominence in household consumption, movements in IQF chicken prices have important implications for food affordability and consumer welfare. The market is influenced by a range of domestic and international factors, including feed costs, exchange rate movements, poultry production conditions and import competition, all which shape pricing dynamics throughout the value chain.

35 The Competition Commission of South Africa. Cost of Living Report. March 2026. Available [Online] https://www.compcom.co.za/wp-content/uploads/2025/09/CC_Cost-of-Living-Report.pdf
Information received from Stats SA.

36 See The Competition Commission of South Africa. Cost of Living Report. March 2026. Available [Online] https://www.compcom.co.za/wp-content/uploads/2025/09/CC_Cost-of-Living-Report.pdf and News24. Business. Nick Wilson. Watchdog sounds alarm on stubborn egg, poultry prices as producer costs drop. 02 April 2026. Available [Online] https://www.news24.com/business/watchdog-sounds-alarm-on-stubborn-egg-poultry-prices-as-producer-costs-drop-20260401-1050

Figure 12: Producer-to-retail spread of Individually Quick Frozen (IQF) Chicken

Source: Commission's own using StatsSA

54. The latest price trends suggest an improvement in pricing dynamics compared with the latter half of 2025. Between June and December 2025, producer prices remained broadly stable at around R45.00 per kilogram, while retail prices increased from R96.38 to R101.56, widening the producer-retail price spread. At the time, the increase in retail prices was likely driven by higher import costs following South Africa's temporary suspension of poultry imports from Brazil after the avian influenza outbreak, despite imports resuming in July 2025.[37] In 2026, producer prices have continued to remain largely stable, while retail prices have declined in the last few months after an initial period of increases. However, in June 2026, retail prices have once again increased despite relatively stable producer prices. The Commission has previously highlighted concerns with the increasing prices of IQF chicken at the retail level despite stable producer prices and we remain concerned that this trend is recurring again in the more recent months.

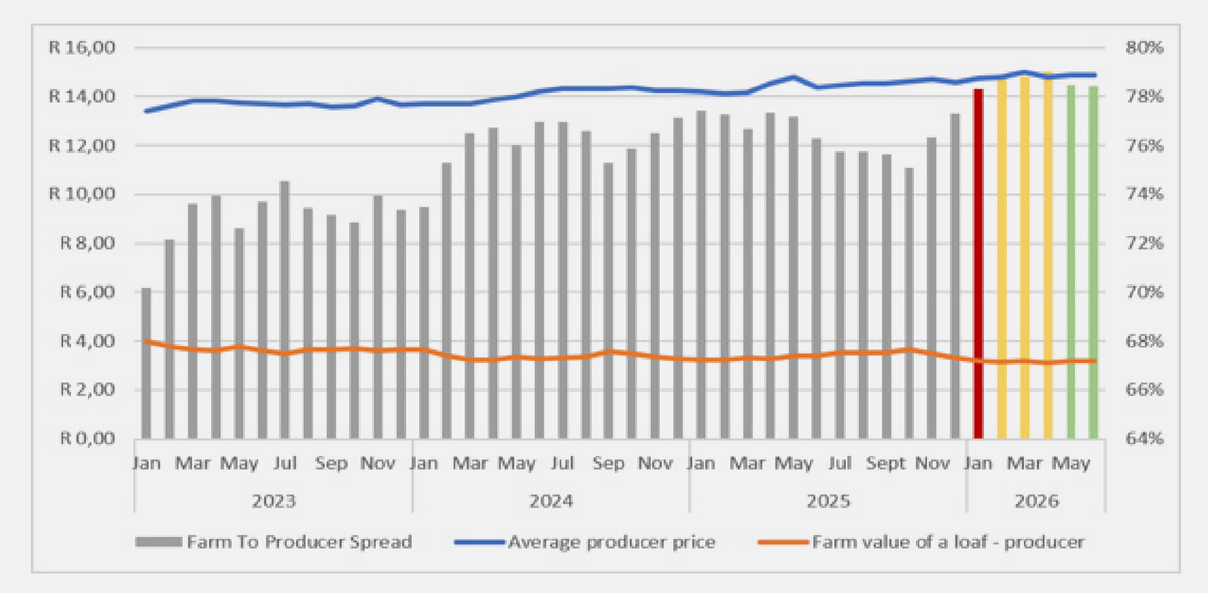
Brown Bread

55. Bread occupies a central position in South Africa's food system, featuring prominently in the diets of households across all income groups and consumed as part of daily meals throughout the country. Owing to its widespread consumption, even relatively small

37 Chicken Facts. Poultry Pricing Review 2025: What the Data Shows About Prices, Imports, Feed Costs, and Producer Power. July 2026. Available [Online] https://www.chickenfacts.co.za/poultry-pricing-review-2025-what-the-data-shows-about-prices-imports-feed-costs-and-producer-power/

changes in bread prices can have a meaningful impact on household food expenditure, particularly for consumers with constrained budgets.[38] The price of bread is influenced by a range of factors across the value chain, including wheat prices, milling and baking costs, energy, transport and labour expenses.

Figure 13: Farm-value to producer spread for brown bread



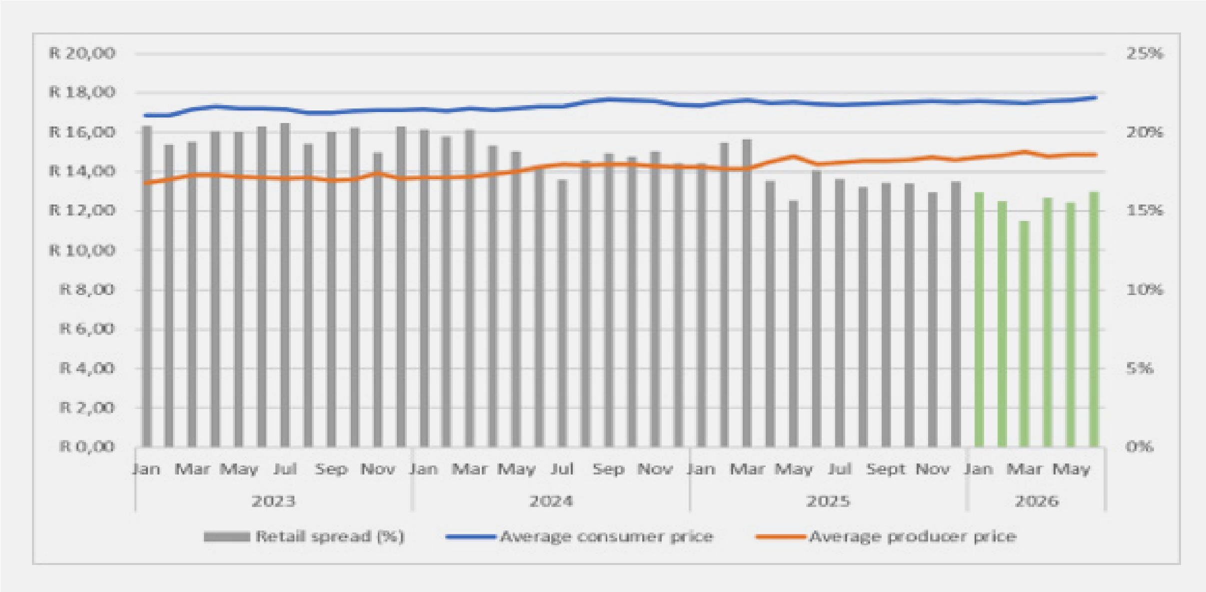
Source: Commission's own using StatsSA and GrainSA

56. In the last COL report, the Commission noted that the farm to producer spread had decreased to normal ranges and towards the end of 2025, producer prices seemed to have started responding to the global decrease in wheat prices after earlier concerns of high producer prices despite a fall in global wheat prices. However, in the current period, although the farm value has remained relatively stable, fluctuating around R3.20 with only minor month-to-month variations, the producer price of bread was on an upward trend in the first few months of 2026. This resulted in a significant widening of the spread, especially compared to historic spread levels. The farm to producer spread increased significantly to about 79%, the highest it has been since 2023. The producer price has since stabilised in May and June at around R14.90 but with the spread still elevated compared to normal ranges.

57. At the retail level, the spread remains within normal ranges and decreased from January to March 2026 as retail prices declined. However, from April onwards, the retail price of brown bread has been on an upward trend which may reflect the pass through of higher producer prices. The Commission will monitor whether the producer prices start to decrease and whether that is passed through by the retail layer.

38 The Star. Ashley Lechman. Rising Food Prices Choke South Africans. July 2025. Available [Online] https://thestar.co.za/business-report/economy/2025-05-28-rising-food-prices-choke-south-african-households/

Figure 14: Producer-to-retail spread of brown bread

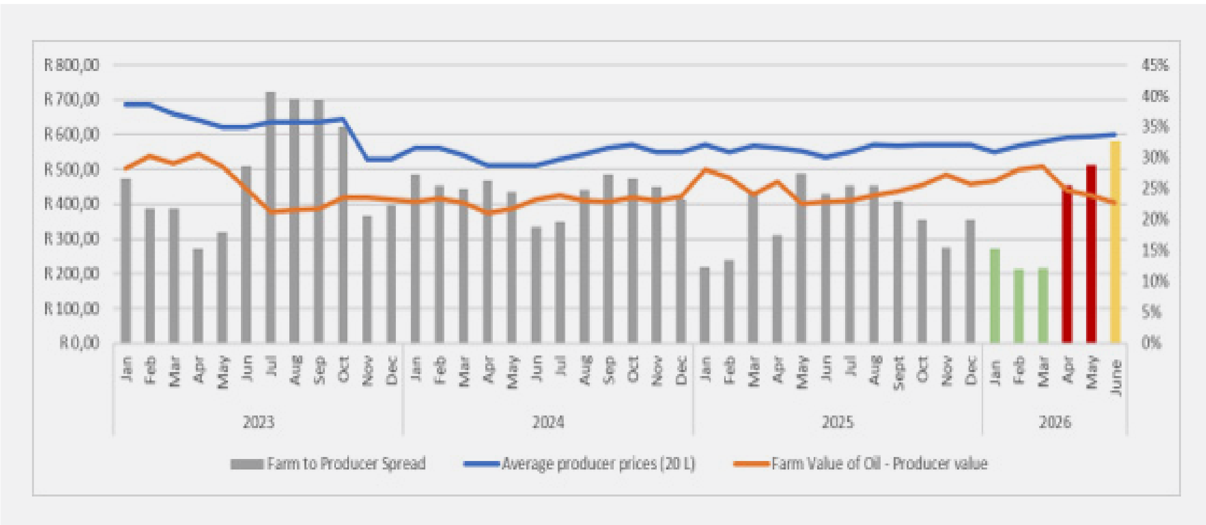


Source: Commission's own using StatsSA

Sunflower Oil

58. Sunflower oil is an essential grocery item in South African households and a key input in the preparation of a wide variety of foods consumed daily. As a product derived from an agricultural commodity that is actively traded in both domestic and international markets, its price is particularly responsive to changes in seed production, global vegetable oil markets, exchange rate movements and processing costs. These characteristics make sunflower oil an important indicator of how commodity price fluctuations are transmitted through the food value chain.

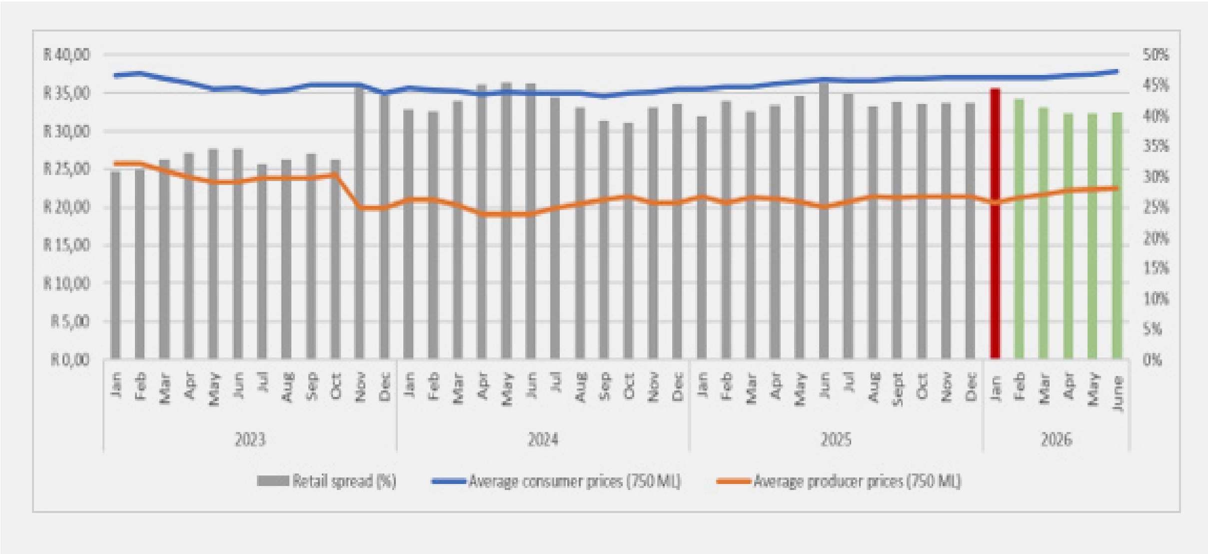
Figure 15: Farm-value-to-producer of sunflower



Source: CCommission's own using StatsSA and GrainSA

59. Sunflower seed prices increased significantly from January to March 2026 while the producer prices of sunflower oil increased at a moderate level resulting in a decrease in the spread. However, from April 2026, sunflower seed prices have decreased significantly. During this period, the producer prices of sunflower oil have been on an upward trend. This has significantly widened the farm to producer spread. Although some of the increase in producer prices may be attributable to higher fuel costs around this period, the increase in margins is very significant given the substantial decrease in seed prices and requires closer scrutiny as it is now far above historic levels.

Figure 16: Producer-to-retail spread of sunflower oil



Source: Commission's own using StatsSA

60. At the retail level, prices remained relatively stable with moderate increases from April to June 2026. The average retail price of a 750ml bottle of sunflower oil remained largely around the R37 mark (increasing from R37.05 in January to R37.77 in June), while the average producer price rose from around R20.61 in January 2026 to R22.47 in June 2026. The narrowing retail spread indicates that retailers absorbed a portion of these upstream cost increases.

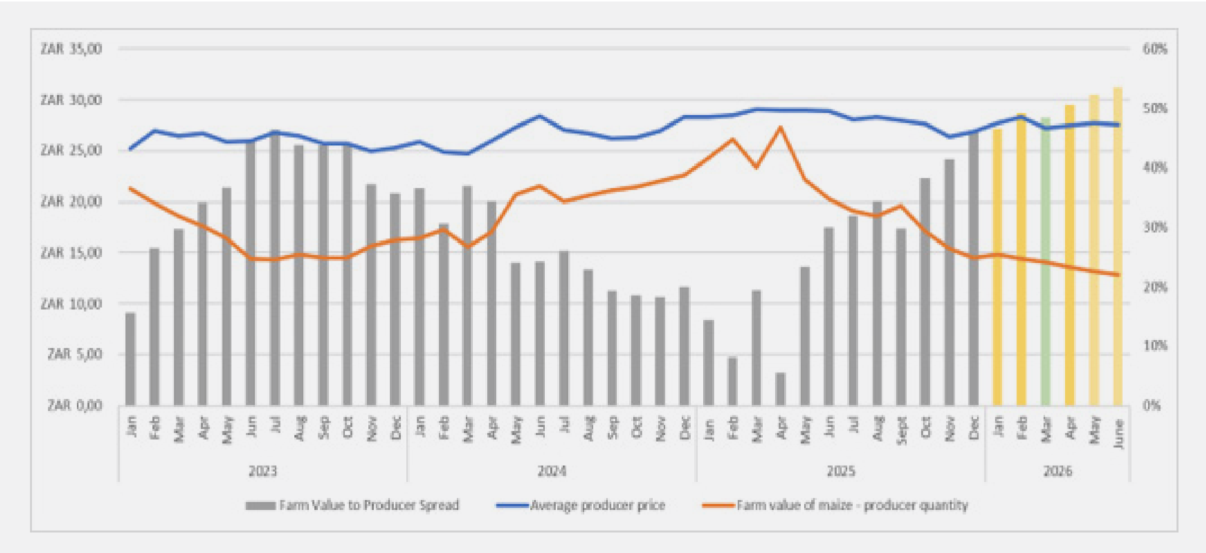
61. Overall, the January to June 2026 trends suggest that although spreads continued to increase at the manufacturing level, retail price increases remained relatively

contained with some increases from April. The narrowing retail spread therefore points to greater absorption of cost pressures by retailers, limiting the extent to which higher producer costs translated into higher prices for consumers. The increase at the producer level is a concern and will be monitored closely by the Commission.

Maize Meal

62. Maize meal is one of South Africa's most important staple foods and remains a significant contributor to household food expenditure, particularly among lower-income households. Given its widespread consumption and limited scope for substitution, changes in maize meal prices have an immediate impact on the affordability of basic diets and are often viewed as an indicator of broader food cost pressures. Price movements in this market are influenced by developments across the maize value chain, including producer prices, milling costs, transport and energy expenses, as well as prevailing market conditions.

Figure 17: Farm value to producer spread for maize



Source: Commission's own using StatsSA and GrainSA

63. In 2026, maize seed prices have been on a continuous downward trend due to an increase in supply.[39] Further, the current harvest season has also yielded record produce which means the price of maize seed is likely to remain low.[40] However, the decrease in maize seeds has not translated into lower producer prices for maize meal. Producer prices of maize meal have been on an upward trend since late last year with a temporary decrease in March 2026. From April 2026 onwards, the producer prices have generally remained stable. Given the significant decline in maize seed prices, it is concerning that producer prices

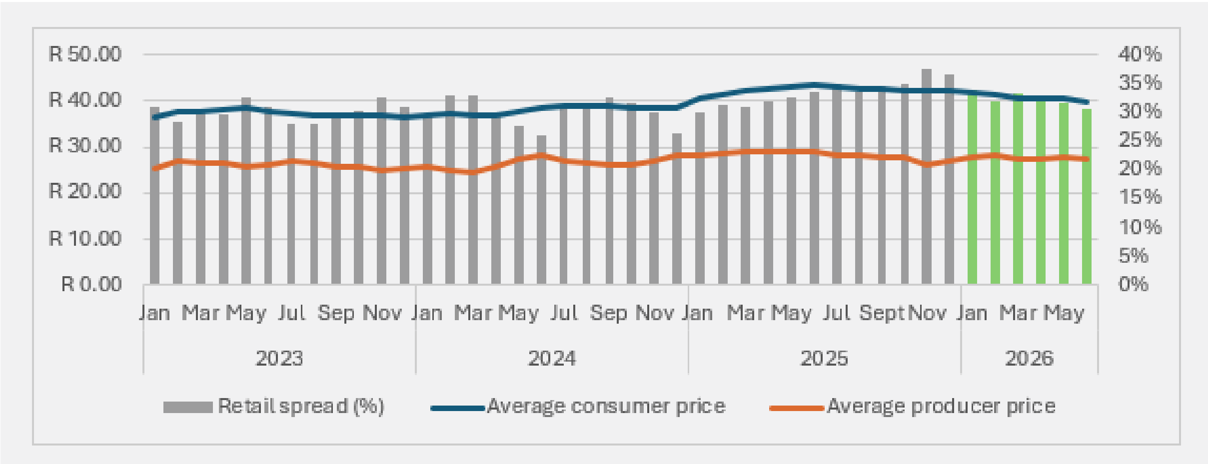
39 See https://www.grainsa.co.za/news-headlines/press-releases/low-maize-prices-bring-consumer-relief-but-push-grain-producers-under-severe-financial-pressure accessed 13 August 2026.

40 See https://www.fao.org/giews/food-prices/regional-roundups/detail/en/c/1760038/ accessed 13 August 2026.

of maize meal have not responded. While higher fuel and transport costs may contribute to increasing costs, it is concerning that the prices were on an upward trajectory even before the April 2026 fuel price hikes and that spreads are now at unprecedented highs which fuel price alone cannot justify.

64. At the retail level, the price of maize meal has been declining at a moderate level even during months where producer prices were increasing suggesting that retailers have been absorbing some of the price increases. From January 2026 to June 2026, the retail price of maize meal decreased from R41.90 to R39.79. Although retail prices have somewhat decreased and have not responded to the increase in producer prices, it is concerning that consumers may not be fully seeing the benefits of record low maize seed prices. The producer price of maize meal requires closer scrutiny to understand the drivers behind the high producer prices of maize meal.

Figure 18: Producer-to-retail spread of maize meal



Source: Commission's own using StatsSA

6. DEEP DIVE: WATER PRICE FORMATION

6.1 INTRODUCTION

65. Water is a fundamental resource that underpins human well-being, economic activity and environmental sustainability.[41] In South Africa, access to sufficient water is enshrined as a constitutional right, requiring the state to ensure that all citizens have access to basic water services.[42] At the same time, water is an economic good that must be abstracted, treated, transported and distributed through extensive infrastructure systems that require substantial investment, operation and maintenance. This dual role creates an ongoing policy challenge: balancing affordable and equitable access to water with the need to recover costs, maintain infrastructure and ensure long-term water security. [43]

66. Water tariffs are determined through a complex value chain that spans the abstraction of raw water, its storage, treatment, bulk conveyance and finally its distribution to households, businesses and other end users. At each stage of this process, different institutions perform distinct functions and incur specific costs, all of which contribute to the final price consumers pay for water. Understanding this value chain provides important context for how water tariffs are formed and why they vary across municipalities and regions within the country.

67. As South Africa grapples with a high cost of living and rising water tariffs, understanding how water prices are determined has become increasingly important. Factors such as water scarcity, ageing infrastructure, escalating operating costs and growing demand for reliable water services are placing significant pressure on the cost of water provision.[44] Rather than being set by market forces alone, water tariffs are shaped by policy priorities, regulatory requirements, institutional structures and cost-recovery principles.

6.2 THE SOUTH AFRICAN WATER VALUE CHAIN

68. The Figure below illustrates the water value chain, which describes the process through which water moves from source to households. Together, these activities ensure the reliable provision of water services.[45]

41 Auditor – General South Africa. Source to supply. A shared responsibility for a water-resilient future. 9 December 2025. Available [Online] https://www.agsa.co.za/Portals/0/Reports/Special%20Reports/Water%20board/2025%20WR/Water%20Report%20AGSA%20Interactive.pdf?ver=f3ij9nIpVHAMcRn9CvIJWQ%3d%3d

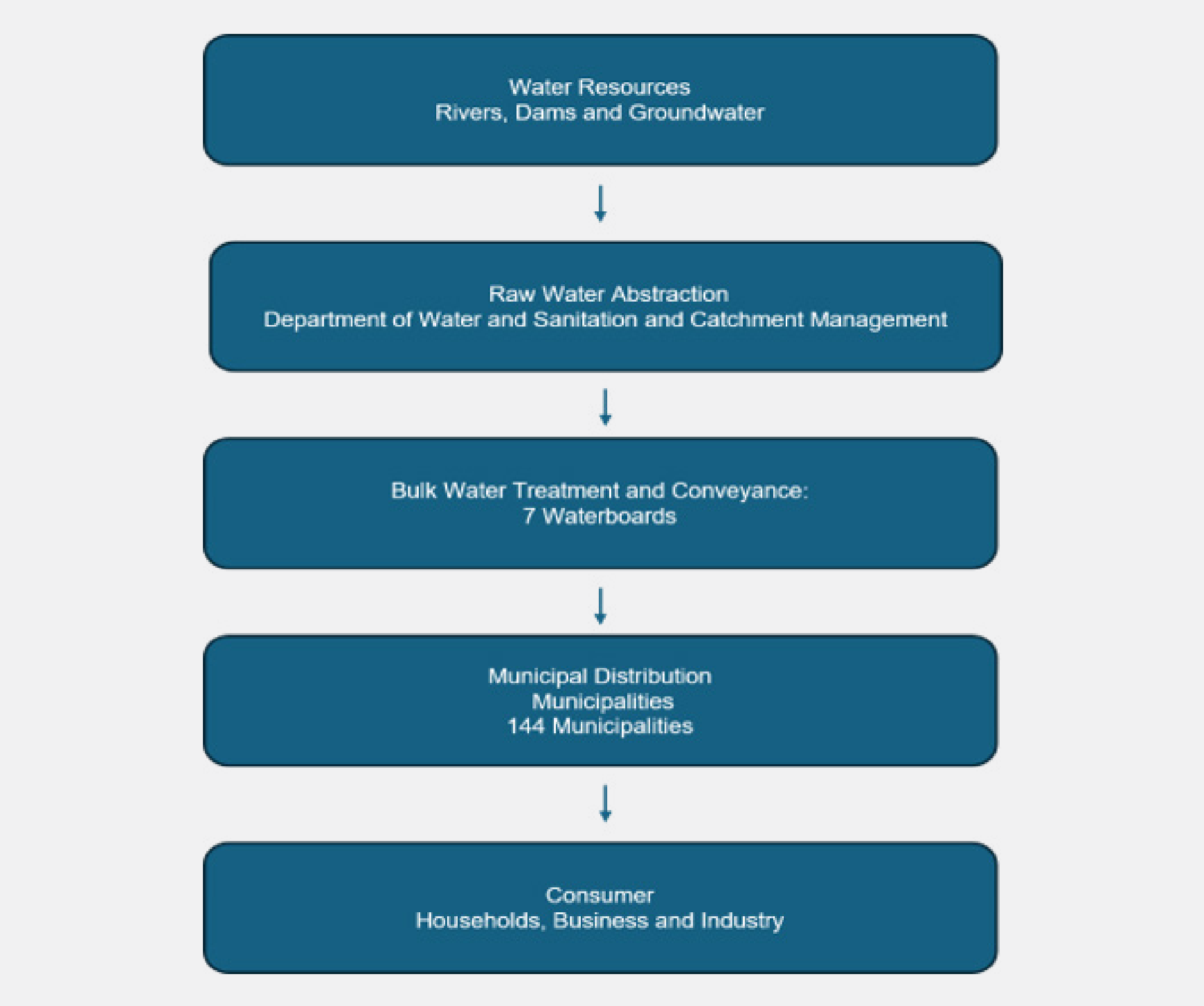
42 Republic of South Africa. The Constitution. Section 27. 1996. Available [Online] https://www.justice.gov.za/legislation/constitution/saconstitution-web-eng.pdf

43 Republic of South Africa. The Constitution. Section 27. 1996. Available [Online] https://www.justice.gov.za/legislation/constitution/saconstitution-web-eng.pdf

44 Cliff Dekker Hoffmeyer (CDH). Water infrastructure in South Africa: The promise and limitations of the new South African Water Resources Infrastructure Agency. 9 April 2025. Available [Online] https://www.cliffedekkerhofmeyr.com/en/news/publications/2025/Practice/Corporate-Commercial/corporate-and-commercial-alert-9-april-water-infrastructure-in-south-africa-the-promise-and-limitations-of-the-new-south-african-water-resources-infrastructure-agency

45 The Republic of South Africa. Department: Water and Sanitation. National Water Act (Act No 36 of 1998). Revised Pricing Strategy for raw water use charges in terms of section 56(1) of the National Water Act. Available [Online] https://www.gov.za/sites/default/files/gcis_document/202406/50852gon4992.pdf

Figure 19: Water value chain in South Africa



Source: Commission's own using the Revised Pricing Strategy for water use charges in terms of section 56(1) of the National Water Act.

69. The first stage of the water value chain is the source of raw water such as rivers, dams, reservoirs and groundwater aquifers.[46] These sources form the foundation of South Africa's water supply system and require effective management to ensure long-term water security, sustainability, and resilience in the face of growing demand and climate-related pressures.[47]

70. The second stage is the abstraction and management of raw water, which is primarily undertaken by the Department of Water and Sanitation (DWS).[48] The DWS is responsible for developing, operating,

46 James Gee. Understanding the water value chain. 11 June 2025. Available [Online] https://www.linkedin.com/pulse/understanding-water-value-chain-james-gee-v49rc/
47 MDPI. Landry S. Omalanga and Ednah K. Onyari. Management of Water Resources in South Africa: A Systematic Review. Available [Online] https://www.mdpi.com/2300-7575/25/4/50
48 The Republic of South Africa: South African Government gov.za. Water and Sanitation. Available [Online] https://www.gov.za/about-sa/water-affairs

and maintaining national water resource infrastructure, including dams, reservoirs, and inter-basin transfer schemes.[49] The department also oversees water allocation, resource planning, water quality management, and the sustainable use of the country's water resources.[50]

71. The third stage involves the treatment and bulk distribution of water. This function is largely carried out by South Africa's water boards (e.g. Rand Water), which are state owned entities that form part of the DWS. Water boards are key institutions, serving as bulk water utilities responsible for ensuring the reliable supply of potable water to municipalities, industries, mines and other large users.[51] They are primarily responsible for abstracting raw water, treating it to potable standards, and transporting it through bulk distribution networks. It must be noted that some municipalities such as City of Cape Town source their own bulk water and do not depend on a water board for bulk water supply.[52]

72. South Africa has seven water boards serving different regions across the country and they play a critical role in ensuring the bulk supply of water across the country. The Table below shows the distribution of South Africa's water boards across the provinces.[53]

Table 2: List of Waterboards in South Africa

Water board	Province
Rand Water	Gauteng, Free State, North West and Mpumalanga
Amatola Water	Eastern Cape
Magalies Water	North West, Limpopo and Gauteng
Vaal Central Water	Free State and Northern Cape
uMngeni-uThukela Water	KwaZulu Natal
Overberg Water	Western Cape
Lepelle Northern Water	Limpopo

Source: Sunday Times, SA Waterboards set for private sector review

73. Beyond water treatment and bulk distribution, water boards play an important role in water resource management and infrastructure development. Several water boards also provide technical, operational and engineering support to municipalities to strengthen service delivery and improve the sustainability of local water services.[54]

74. The fourth stage is the supply of water to consumers including households by municipalities. Reporting to their respective provincial and local governance structures, municipalities are responsible for ensuring access to water and sanitation services within

49 The Republic of South Africa: South African Government gov.za. Water and Sanitation. Available [Online] https://www.gov.za/about-sa/water-affairs
50 The Republic of South Africa: South African Government gov.za. Water and Sanitation. Available [Online] https://www.gov.za/about-sa/water-affairs
51 Infrastructure News. The role of municipalities and department in the water sector. Duncan Nortier. 21 August 2024. Available [Online] https://infrastructurenews.co.za/2024/08/21/the-role-of-municipalities-and-the-department-in-the-water-sector/
52 See https://www.capetown.gov.za/Departments/Water%20and%20Sanitation accessed 01 July 2026.
53 List of Water boards in South Africa. Available [Online] https://unisasapplication.co.za/list-of-water-boards-in-south-africa/
54 Infrastructure News. The role of municipalities and department in the water sector. Duncan Nortier. 21 August 2024. Available [Online] https://infrastructurenews.co.za/2024/08/21/the-role-of-municipalities-and-the-department-in-the-water-sector/

their jurisdictions.[55] In terms of the Constitution and the Water Services Act, municipalities are mandated to provide reliable, sustainable, and equitable water and sanitation services to households, businesses, and institutions within their service areas.[56]

75. In fulfilling this mandate, municipalities are responsible for planning, operating, maintaining, and expanding local water and sanitation infrastructure.[57] This includes the reticulation and distribution of potable water to consumers, the collection and treatment of wastewater, the maintenance of water and sewer networks, and the management of customer connections and metering systems. Municipalities also undertake billing and revenue collection functions, set retail water and sanitation tariffs (subject to applicable legislation and regulatory requirements), and implement indigent support programmes to ensure that basic services remain accessible to vulnerable households.[58] Municipalities serve as the key interface between the water sector and end users, with a responsibility to ensure that water services are delivered efficiently, sustainably and in accordance with national policy objectives.

6.3 PRICING OF WATER IN SOUTH AFRICA

76. The price of water in South Africa is currently not regulated by an independent regulator as is the case with energy. The price of water across the value chain is essentially self-regulated. Each water board determines its own bulk water tariff in line with its own cost structures subject to approval by the DWS.[59] Similarly, each municipality determines its own retail tariff also based on its individual cost structures and overall revenue requirements subject to approval by the municipality's council.[60] Given that at the retail level, tariffs are determined by municipalities based on their overall budget requirements, it is possible that there may be some

55 Helen Suzman Foundation (HSF). The institutional structure for delivering water services. Available [Online]https://hsf.org.za/publications/hsf-briefs/the-institutional-structure-for-delivering-water-services

56 The Republic of South Africa. Department: Water and Sanitation. Water Services Act 108 of 1997. Available [Online] https://www.gov.za/documents/water-services-act

57 Infrastructure News. The role of municipalities and department in the water sector. Duncan Nortier. 21 August 2024. Available [Online] https://infrastructurenews.co.za/2024/08/21/the-role-of-municipalities-and-the-department-in-the-water-sector/

58 The Republic of South Africa. Department: Water and Sanitation. Local Government: Municipal Systems Act 32 of 2000. Available [Online] https://www.gov.za/documents/local-government-municipal-systems-act

59 The water boards report to the DWS.

60 SARB Special Occasional Bulletin of Economic Notes, OBEN/23/01, https://www.resbank.co.za/content/dam/sarb/publications/special-occasional-bulletins/2023/special-occasional-bulletin-of-economic-notes-2301-review-of-administered-prices-in-south-africa-water-tariffs-august-2023.pdf accessed 01 July 2026.

cross-subsidisation across the various municipal services.

77. Essentially, the price of water is determined across a layered value chain (raw water, bulk water and retail water) that reflects the movement of water from its source to the end user considering the various costs at each level.

Raw Water

78. The DWS grants water boards and other authorised users, licences to abstract water from rivers, dams, reservoirs and groundwater sources and sets raw water charges. The price of raw water is determined annually by the DWS after public consultation with various users including mines, agriculture, energy and domestic users and the increase is implemented on 1 April.[61] In 2024, the DWS revised the pricing strategy for raw water use charges.[62] Under this new pricing strategy, the DWS has introduced the polluter-pay, user-pay principle, which according to the DWS, is more reflective of economic costs and encourages conservation.[63]

79. It appears this new strategy will be rolled out in phases over a 10-year period.[64] Guided by the user-pay principle, this pricing strategy seeks to recover the full costs of managing, developing, conserving and using South Africa's water resources, including the associated administrative and institutional costs.[65] Accordingly, raw water charges now seek to recover the costs of water resource and catchment management, environmental monitoring, dam infrastructure and regulatory oversight. The level of these charges varies according to factors such as water availability, geographic location, infrastructure requirements and the cost of supplying water within a particular catchment.[66] Raw water charges account for a small proportion (approximately 3%[67]) of the final water tariff faced by consumers.

Bulk Water

80. The DWS has developed norms and standards which provide a framework for bulk water tariff setting. The norms and standards basically indicate a cost-plus pricing model for the determination of bulk water tariffs. Water boards determine their proposed bulk water tariffs using a cost-reflective methodology that aims to recover the costs of providing bulk water services, including water treatment, pumping, bulk distribution, operations and maintenance, asset

61 See https://www.gov.za/news/media-statements/water-and-sanitation-consultations-raw-water-tariffs-increase-20262027 accessed 01 July 2206.
62 Revised water pricing strategy: DWS briefing with deputy ministers on 15 July 2025, available at https://pmg.org.za/committee-meeting/41283/ accessed 01 July 2026.
63 Revised water pricing strategy: DWS briefing with deputy ministers on 15 July 2025, available at https://pmg.org.za/committee-meeting/41283/ accessed 01 July 2026.
64 See https://infrastructurenews.co.za/2025/11/25/new-raw-water-pricing-strategy-balancing-cost-recovery-with-human-rights/ accessed 03 July 2026.
65 The Republic of South Africa. Department: Water and Sanitation. Erratum: Revised Pricing Strategy for Raw Water use Charges. Gazette number 50852. Notices Number 4992. Revision of the Pricing Strategy for Raw Water Use Charges in terms of Section 56(1) of the National Water Act, 1998. Available [Online] https://www.gov.za/sites/default/files/gcis_document/202503/52350gen3079.pdf
66 The Republic of South Africa. Department: Water and Sanitation. Erratum: Revised Pricing Strategy for Raw Water use Charges. Gazette number 50852. Notices Number 4992. Revision of the Pricing Strategy for Raw Water Use Charges in terms of Section 56(1) of the National Water Act, 1998. Available [Online] https://www.gov.za/sites/default/files/gcis_document/202503/52350gen3079.pdf
67 National Treasury 2020 presentation by Misaveni Ngobeni on the "Cost of water resources and services in South Africa".

refurbishment, debt servicing and future capital investment.[68] In developing these tariffs, water boards consider key cost drivers such as projected water demand, electricity and chemical costs, labour, depreciation, financing costs and planned infrastructure upgrades.[69]

81. In recent years, however, water boards have faced growing financial pressures that have increased the cost of supplying bulk water. One of the most significant challenges has been the persistent non-payment of bulk water accounts by municipalities. Several municipalities have accumulated substantial debt to water boards, weakening the financial position of these entities and constraining their ability to maintain infrastructure, finance capital projects and meet their own operational obligations.[70] Other challenges include ageing infrastructure and electricity costs. These challenges ultimately increase the cost of providing bulk water and as such lead to higher water tariffs.

82. The proposed tariffs are then submitted to the DWS for consideration and approval in accordance with the regulatory framework established under the Water Services Act.[71] The DWS assesses whether the tariffs are cost-reflective, financially sustainable and aligned with government pricing policies and national policy objectives before approving. The process also involves input from the South African Local Government Association (SALGA) and National Treasury. Interestingly, the water boards report to the DWS and the DWS is responsible for approving the proposed bulk water tariffs for each water board. Bulk water tariff increases are implemented annually on 1 July.

83. It is important to note that the bulk water tariffs differ per water board as each water board has its own cost structures and revenue requirements. These bulk water tariffs then feed into the retail tariffs set by the various municipalities served by each water board. The Table below shows the proposed tariff increases by 3 water boards for the 2026/27 financial year.

68 Palmer Development Group (Pdg). Assessment of Bulk Water Tariffs 2022/23. Available [Online] https://pdg.co.za/wp-content/uploads/2023/11/SABT6.pdf
69 Palmer Development Group (Pdg). Assessment of Bulk Water Tariffs 2022/23. Available [Online] https://pdg.co.za/wp-content/uploads/2023/11/SABT6.pdf
70 Parliamentary Monitoring Group (PMG). Solutions for municipal debt to water boards; with Water & COGTA Ministers. November 2024. Available [Online] https://pmg.org.za/committee-meeting/39888/
71 Cramer Media's Engineering News. DWS starts consultations on 2026/27 raw water tariffs increases. July 2025. Available [Online] https://www.engineeringnews.co.za/article/dws-starts-consultations-on-202627-raw-water-tariffs-increases-2025-07-09

Table 3: Water boards' tariff increase proposal for bulk water supply to municipalities (2026/27)

Year	Rand Water	uMngeni-u Thukela Water	Vaal Central Water
2026/27	10%	13% [72]	8.5% - 9.5%[73]

Source: Commission's own based on the water boards' tariff increase proposals[74]

84. The Table below shows the actual tariff increases for bulk water for some water boards based on an assumption of an average of 30KL of consumption of water by an average household of 4 individuals.[75]

Table 4: Actual Bulk Water Tariffs for selected water boards 2026/27

Waterboard	Bulk Tarriff 2026/27	Bulk cost for 30KL
Rand Water	R16,73	R501,90
City of Cape Town	R9,30	R279
Umgeni -u Thukela	R12, 09	R362,7

Commission's own using publicly available information

85. The final stage is retail water pricing, where municipalities distribute water to end-users through local reticulation networks. Similar to bulk water tariffs, retail water tariffs are also subject to norms and standards developed by the DWS which basically allow for a cost-plus pricing model. The norms and standards generally allow the tariffs to cover all reasonable costs including loan payments and allow for a net surplus on revenue that is justifiable and material to ensure that the municipality is sustainable.[76] In essence, retail water tariffs are determined as part of the overall annual municipal budget process and increases are implemented on 1 July annually.[77] The local municipal council

72 It is not clear whether this proposal of 13% was subsequently revised before implementation on 1 July 2026, as uMngeni-u Thukela faced significant pushback on this proposal. See https://www.news24.com/southafrica/news/ethekwini-rejects-13-water-tariff-hike-after-public-backlash-20260523-0587 and https://iol.co.za/mercury/news/2026-05-18-ethekwini-mayor-challenges-eskom-and-umngeni-uthukelas-bulk-tariff-hikes/.

73 There are different increases proposed to different municipalities served by Vaal Central.

74 See Rand Water tariff increase proposal, https://randwater.co.za/media/forums/presentations/Rand%20Water%20Tariff%20Consultation%20-%202026%20-%2027%20-%20November%202025.pdf, uMngeni-u Thukela tariff increase proposal, https://www.parliament.gov.za/storage/app/media/Docs/ann_rep/01dx3n75avyxw6xkuzpzbk5qo3wqubskrr.pdf, Vaal Central Water tariff increase proposal, https://www.parliament.gov.za/storage/app/media/Docs/ann_rep/01dx3n75dp5ku75b4eirdyoz6m3z3jkrcg.pdf.

75 Official Journal of the World Water Council Water Policy. Genius Murwirapachena. Understanding household water-use behaviour in the city of Johannesburg, South Africa. Available [Online] https://iwaponline.com/wp/article/23/5/1266/84084/Understanding-household-water-use-behaviour-in-the or ISO. Managing South Africa's water for a better tomorrow
Renowned water expert sheds light on the many opportunities associated with sustainable solutions. Mario Carelse. Available [Online] https://www.iso.org/contents/news/2023/06/managing-south-africa-water.html

76 See https://www.gov.za/sites/default/files/gcis_document/202405/50716gen2524.pdf accessed 06 July 2026.

77 SARB Special Occasional Bulletin of Economic Notes, OBEN/23/01, https://www.resbank.co.za/content/dam/sarb/publications/special-occasional-bulletins/2023/special-occasional-bulletin-of-economic-notes-2301-review-of-administered-prices-in-south-africa-water-tariffs-august-2023.pdf accessed 01 July 2026.

approves these tariffs as part of the overall budget approval which includes a public participation process. Retail water tariffs are not subject to approval by any regulatory body or DWS. Each municipality simply determines its own retail tariff increase and there is no standard tool or methodology applied.[78] It appears the tariff-setting process is rarely based on an analysis of the change in the cost of providing water services.[79]

86. For domestic consumers, municipalities generally use increasing block tariffs and may also charge an additional monthly fixed fee regardless of consumption levels e.g. City of Tshwane charges a network access charge and City of Johannesburg charges a water demand management levy. Some of the factors taken into consideration when determining municipal retail tariffs are the cost of bulk water purchases together with the costs of operating and maintaining distribution infrastructure, reservoirs, pumping stations, metering systems, billing services, customer administration and future infrastructure investment.[80] Retail tariffs also accommodate losses arising from leakage and non-revenue water.[81] There is growing concern that infrastructure at municipal level has not been adequately maintained over the years resulting in expensive emergency interventions.[82] This contributes to high tariff increases.

87. The Table below shows the tariff increases implemented by some municipalities in 2026/27. As shown in the Table, each municipality determines its own increase and the increases vary significantly. Interestingly, even if two municipalities (e.g. City of Johannesburg and Ekurhuleni) are served by the same water board and therefore face the same price for bulk water purchases, their retail tariffs may not be aligned.

Table 5: Municipal retail tariff increases for households (2026/27)

Municipality	Tariff increase (%)
City of Johannesburg	12.5%
City of Ekurhuleni	11%
City of Tshwane	10%
eThekwini municipality	12%
City of Cape Town	4.5%
Chris Hani District	83.88%[83]
Nelson Mandela Bay	6.5%
Polokwane	7.43%
Manguang Metro	14.4%

Source: Commission using publicly available tariff increases for each municipality

78 See https://limpopo.da.org.za/2026/04/da-concerned-over-tariff-increases-in-polokwane-without-proper-cost-analysis and SARB Special Occasional Bulletin of Economic Notes, OBEN/23/01, https://www.resbank.co.za/content/dam/sarb/publications/special-occasional-bulletins/2023/special-occasional-bulletin-of-economic-notes-2301-review-of-administered-prices-in-south-africa-water-tariffs-august-2023.pdf accessed 01 July 2026.

79 SARB Special Occasional Bulletin of Economic Notes, OBEN/23/01, https://www.resbank.co.za/content/dam/sarb/publications/special-occasional-bulletins/2023/special-occasional-bulletin-of-economic-notes-2301-review-of-administered-prices-in-south-africa-water-tariffs-august-2023.pdf accessed 01 July 2026.

80 Map Forum. The Cost of Clean Water: Understanding Tariffs, Infrastructure, and Public Trust. August 2025. Available [Online] https://mapforum.co.za/the-cost-of-clean-water-understanding-tariffs-infrastructure-and-public-trust/

81 Acts Online. Water Services Act, 1997 (Act No. 108 of 1997). Notices: Norms and Standards for Tariff Setting, 2024 - effective 1 April 2026. Norms and Standards in respect of Tariffs for Water Supply Services directly to consumers. 14. Procedure for setting tariffs. Available [Online] https://source.acts.co.za/water-services-act-1997/index.html?n2524_14__procedure_for_settin.php

82 See https://www.businessday.co.za/opinion/2026-06-04-kevin-allan-municipal-tariffs-becoming-an-inflation-risk-sa-can-no-longer-ignore/ accessed 07 July 2026.

83 It is not clear whether this rate was decreased prior to the 1 July 2026 implementation date as residents raised concerns with this significant increase. The initial increase proposed was 342% which was later reduced to 83.88% following several objections.

88. The Table below shows the actual tariffs payable by a household consuming 30KL of water.

Table 6: Actual Municipal Water Tariffs for 30 KL of Household Water Consumption 2026

Municipality	2026
Polokwane[84]	R722,50[85]
City of Johannesburg[86]	R1196,13 to R1 341,97[87]
City of Tshwane[88]	R1 112,55[89]
City of Cape Town[90]	R1 327,56[91]
City of Ekurhuleni[92]	R1 481,84[93]
eThekwini municipality	R1 083,10[94]

Commission's own publicly available information

89. The Table above shows the actual tariffs payable by a household consuming 30KL of water per month.[95] The Table illustrates that a higher percentage increase may not necessarily translate into higher actual tariffs. For example, Cape Town had a 4.5% increase in tariffs in 2026 while Johannesburg implemented a 12.5% increase. However, the tariffs payable in Johannesburg are comparable (slightly lower) to those paid in Cape Town. Further, the comparison with bulk water tariffs illustrates that bulk water costs do not translate directly or proportionately into municipal tariffs. For example, the bulk water tariff in Cape Town represents 21% of the actual municipal tariff whereas the bulk water tariff in Johannesburg represents between 37.4% and 41.9%.

90. It is also important to note that although municipalities usually implement the same percentage increase for its block tariffs and fixed charges, this is not always the case. For example, in 2026, the City of Johannesburg proposed a 65.6% increase to the fixed charge (from R65.08 to R107.74 per month) which is separate from the block increase of 12.5% and it is applied to all paying residents regardless of their consumption level.[96] Consequently, consumers may experience a significantly larger increase in the fixed component of their water

84 Polokwane: not clear if VAT is included. Not clear if a basic charge is added to the water usage fee for residential customers. We have used the tariffs applicable to domestic supply to an erf, stand, premises or other area served by a separate meter.
85 See: Available [Online] https://www.polokwane.gov.za/wp-content/uploads/2023/07/Draft-Tariffs-2023_24.pdf
86 City of Johannesburg: not clear if VAT is included. There is a levy of R107,74 added to the block tariff. There are two rates depending on the type of meter.
87 See: https://joburg.org.za/documents_/Documents/Approved-Tarrifs-for-2026-27/Combined-tariffs-2026-2027-final.pdf
88 City of Tshwane: not clear if VAT is included. There is a levy of R203,7 added to the block tariff.
89 City of Tshwane. It's hike time: Tariff increases to hit Tshwane residents. See: Available [Online] https://www.tshwane.gov.za/?p=102188
90 City of Cape Town: data is inclusive of VAT. we have used the domestic full and domestic cluster (non-indigent) tariffs. There is a fixed basic fee of R103,65 for meters up to 22mm that has been added to the block tariff.
91 City of Cape Town - 2026/27 Budget (June 2026) Annexure 6 - Tariffs, fees and charges book. See: Available [Online] https://www.capetown.gov.za/_documents/resource.capetown.gov.za/documentcentre/Documents/Financial%20documents/Water%20and%20Sanitation-Water%20Tariffs.pdf
92 Ekurhuleni: data is inclusive of VAT. We have used the tariffs for household use. It is not clear if a fixed charge is added to the block tariff.
93 City of Ekurhuleni. City of Ekurhuleni (COE) tariffs: water supply services and incidental charges draft 2026/2027 tariffs: water supply services and incidental charges. See: Available [Online] https://www.ekurhuleni.gov.za/wp-content/uploads/2026/07/Schedule-3-Water-Tariffs-2026-27.pdf
94 eThekwini Municipality: Tariff Table 2025/26. See: Available [Online] https://www.durban.gov.za/uploads/0000/6/2025/08/10/final-tariff-tables-2025-2026.pdf
95 The tariffs may be higher in some municipalities where it is not clear if a fixed charge is applied.
96 See https://www.news24.com/southafrica/news/joburg-a-city-that-cannot-do-maths-a-125-levy-increase-that-is-actually-656-20260601-1142 and WaterCAN opposes hidden water levy increase of 65.6% | watercan.org.za accessed 01 July 2026. Also see https://joburg.org.za/documents_/Documents/Approved-Tarrifs-for-2026-27/Water-Tariffs-2026-2027-final.pdf accessed 03 July 2026.

bill than suggested by the headline tariff increase.[97]

91. While these tariff increases apply to most households, South Africa's water pricing framework does incorporate social protection measures through municipal indigent support programmes such as the Free Basic Water (FBW) policy.[98] Under the Free Basic Water policy, qualifying households are entitled to receive a minimum allocation of water, free of charge, typically up to 6 kilolitres (6,000 litres) per household per month.[99] This allocation is intended to meet essential domestic needs and gives effect to the constitutional right of access to sufficient water. Beyond this basic allocation, water is generally charged according to the municipality's approved tariff structure, which often applies increasing block tariffs whereby higher levels of consumption are charged at progressively higher rates.[100]

92. Despite these measures, affordability pressures remain a significant concern. Many eligible households are not registered on municipal indigent databases, while rising bulk water costs, ageing infrastructure, increasing electricity prices, and higher operating and maintenance expenses continue to drive tariff increases. As a result, even with social protection measures, tariff increases that exceed inflation can place considerable pressure on household budgets, highlighting the ongoing challenge of balancing universal access to affordable water with the financial sustainability of water service providers.

97 See https://www.news24.com/southafrica/news/joburg-a-city-that-cannot-do-maths-a-125-levy-increase-that-is-actually-656-20260601-1142 and WaterCAN opposes hidden water levy increase of 65.6% | watercan.org.za accessed 01 July 2026. Also see

98 Palmer Development Group (PDG). Department of water affairs and forestry directorate: policy and strategy. Free Basic Water. Implementation Strategy 2007: Consolidating and maintaining Version 4. April 2007. Available [Online] https://www.gov.za/sites/default/files/gcis_document/201409/fbw-strategy-version-4-final-20070402-mk0.pdf

99 Palmer Development Group (PDG). Department of water affairs and forestry directorate: policy and strategy. Free Basic Water. Implementation Strategy 2007: Consolidating and maintaining Version 4. April 2007. Available [Online] https://www.gov.za/sites/default/files/gcis_document/201409/fbw-strategy-version-4-final-20070402-mk0.pdf

100 SSWM.info. Water Pricing- Increasing Block Tariffs. Available [Online] https://sswm.info/water-nutrient-cycle/water-use/softwares/economic-tools/water-pricing---increasing-block-tariffs

6.4 WATER SECTOR REFORM AND INSTITUTIONAL MODERNISATION

93. On 23 July 2026, President Cyril Ramaphosa released the National Water Action Plan (NWAP) which sets out a focused programme of priority interventions designed to establish new foundations for sustainable water service delivery.[101] The NWAP includes a number of reforms to address the systemic causes of the water crisis.[102] These reforms seek to address persistent challenges including ageing infrastructure, financial sustainability concerns, institutional weaknesses, and fragmented tariff-setting processes, while creating a more efficient, transparent, and resilient water sector.[103]

94. A key pillar of the reform agenda is the establishment of an independent economic regulator for the water sector.[104] The proposed regulator is expected to strengthen tariff oversight, improve transparency and accountability, and introduce greater consistency in tariff-setting methodologies across the sector. By providing a more predictable and transparent regulatory framework, the regulator will help balance consumer affordability with the financial sustainability of water services.[105] Improved regulatory certainty is also expected to enhance investor confidence and support greater investment in water infrastructure.[106] Importantly, the regulator will play a central role in promoting more rational, cost-reflective, and transparent water pricing practices throughout the water value chain.

95. The action plans set out by the NWAP are much needed and will assist in addressing the water challenges. The establishment of the independent economic regulator is a necessary step in addressing the high tariffs faced by consumers and may bring some uniformity in pricing across municipalities. With regards to setting tariffs, it is important that the regulator, once established, considers the current cost-plus pricing methodology that seems to be the standard across the water value chain. As highlighted in the previous COL report, a cost-plus pricing methodology 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.

101 See https://www.thepresidency.gov.za/president-ramaphosa-releases-national-water-action-plan accessed 18 August 2026.
102 See https://presidency.gov.za/sites/default/files/2026-07/National%20Water%20Action%20Plan.pdf accessed 18 August 2026.
103 Cliff Dekker Hoffmeyer. Water infrastructure in South Africa: The promise and limitations of the new South African Water Resources Infrastructure Agency. 9 April 2025. Available [Online] https://www.cliffedekkerhofmeyr.com/en/news/publications/2025/Practice/Corporate-Commercial/corporate-and-commercial-alert-9-april-water-infrastructure-in-south-africa-the-promise-and-limitations-of-the-new-south-african-water-resources-infrastructure-agency
104 South African Business. The case for an independent water and sanitation regulator in South Africa. 28 May 2025. Available [Online] https://www.southafricanbusiness.co.za/05/2025/south-africa/the-case-for-an-independent-water-and-sanitation-regulator-in-south-africa/
105 South African Business. The case for an independent water and sanitation regulator in South Africa. 28 May 2025. Available [Online] https://www.southafricanbusiness.co.za/05/2025/south-africa/the-case-for-an-independent-water-and-sanitation-regulator-in-south-africa/
106 Cliff Dekker Hoffmeyer. Water infrastructure in South Africa: The promise and limitations of the new South African Water Resources Infrastructure Agency. 9 April 2025. Available [Online] https://www.cliffedekkerhofmeyr.com/en/news/publications/2025/Practice/Corporate-Commercial/corporate-and-commercial-alert-9-april-water-infrastructure-in-south-africa-the-promise-and-limitations-of-the-new-south-african-water-resources-infrastructure-agency

96. Collectively, these reforms represent a significant shift towards a more transparent, accountable, and financially sustainable water sector. By strengthening regulatory oversight, improving infrastructure investment, enhancing institutional performance, and promoting more effective pricing mechanisms, the current water challenges can start to be addressed.

7. CONCLUSION

97. South African households continue to face significant and persistent cost-of-living pressures, with the cumulative increase in the prices of essential goods and services continuing to erode household purchasing power. The findings of this report demonstrate that while price pressures vary across different categories, essential expenditure remains a significant constraint on household affordability.

98. The first half of 2026 was characterised by a significant increase to the cost of fuel. Geopolitical tensions and disruptions to global oil supply chains contributed to sharp increases in international crude oil and refined petroleum prices, compounded by exchange-rate pressures. The resulting increase in fuel and transport costs extended beyond the cost of commuting, raising production, logistics and distribution costs across the economy and placing additional upward pressure on the prices of basic necessities. The transmission of these costs was evident in several of the food products examined in this report, although expanding margins at either the producer or retail level to historic highs raises concerns that these increases were not cost-reflective. Given historic evidence of 'rocket and feather' pricing strategies, there are legitimate concerns that prices may not decline once the fuel price stabilises. For instance, for protein sources the producer prices for eggs have been increasing substantially whereas the retail price of IQF chicken and canned pilchards remains a concern despite stable or declining producer prices over the period. Other concerns include grains and oilseeds where the producer prices of bread, sunflower oil and maize meal remain elevated despite significant decreases in the price of wheat, sunflower seed and maize. At the same time, administered prices remained a significant and persistent source of cost-of-living pressure. The above inflation price increases in primary healthcare services and basic education are a concern given the importance of these services.

99. The report's deep dive into water price formation demonstrates that similar affordability concerns arise with regards to water. Water tariffs are primarily shaped by the costs and institutional arrangements across the water value chain. These include raw water charges, bulk water tariffs, treatment and distribution costs, ageing infrastructure,

electricity and operating costs, non-revenue water, infrastructure investment requirements and the financial position of municipalities and water boards. The water analysis highlights an important policy challenge: the need to ensure that water services are financially sustainable without placing an excessive affordability burden on households. While municipal indigent support programmes provide an important safety net, affordability pressures remain where tariff increases exceed inflation and where vulnerable households are not effectively reached by existing support mechanisms. At the same time, persistent underinvestment, infrastructure deterioration and high levels of non-revenue water can increase the cost-of-service provision and ultimately place further upward pressure on tariffs.

100. The reforms to the sector provide an important opportunity to address these challenges. Greater transparency and consistency in tariff setting, stronger oversight across the water value chain, improved infrastructure investment and incentives for greater operational efficiency will be critical to ensuring that future tariff increases are justified by the efficient cost of providing services.

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a competitive, dynamic, deconcentrated and nclusive economy