

Article 4

Unaffordable Water and Energy costs in the future

Over the past 28 years, water and electricity tariffs in South Africa have increased at unsustainable rates, now costing the average household at least R2,038 per month more after considering inflation.

According to a study by PowerOptimal, water tariffs have surged by an astonishing 2,100% since 1996, while electricity tariffs have jumped by 1,710%. These hikes have consistently exceeded inflation, with electricity prices rising almost five times faster and water prices increasing almost six times faster.

As a result, households now face monthly costs that far exceed what their incomes can sustain. The challenge is compounded by the fact that many people remain unaware of just how steep these increases have been, particularly for water. This is partly because water tariffs are often obscured within larger municipal bills, making it difficult for consumers to identify and compare the true cost.

Furthermore, water pricing is more complicated than electricity tariffs, as each municipality sets its own rates. These rates are structured using a "block tariff" system, where the price per unit of water increases in tiers as consumption rises. This system not only complicates matters but also makes it harder for consumers to anticipate how much they will end up paying.

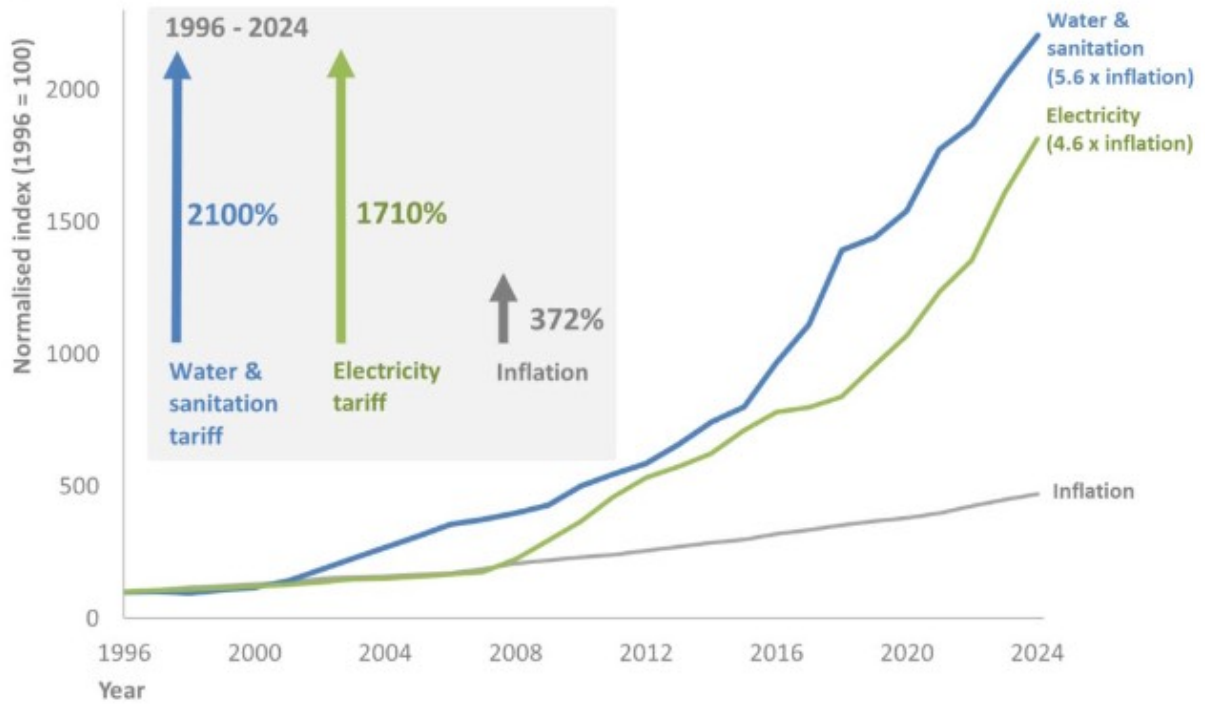
Despite the deterioration in municipal infrastructure, which has led to more frequent power failures and water supply disruptions, the trend of above-inflation tariff hikes for both water and electricity has continued unabated, particularly in the last three years. This deterioration of service quality adds another layer of frustration for consumers, who are paying more but receiving less reliable services in return.

In monetary terms, the difference between the cost of water and electricity in 1996 and now is staggering. Adjusted for inflation, the average household in 1996 spent around R638 per month on water and electricity. By 2020, that figure had climbed to R2,028.

Fast forward to 2024, and the average monthly electricity bill alone is R2,948.98.

With Eskom's proposed 36.15% tariff increase slated for 2025, households could see their electricity costs rise to a crushing R4,015.04 per month. These figures have already been adjusted for inflation, meaning the increases are purely the result of the above-inflation price hikes imposed by Eskom and local municipalities.

South African electricity & water tariffs vs. inflation (CPI)



Energy analyst Mthunzi Luthuli has voiced concern over these relentless increases, calling them “ridiculous.” Luthuli has pointed out that despite generating massive revenues,

Eskom has repeatedly failed to turn a profit. He questions why the utility continues to request such large annual increases, including the looming 36% hike.

According to Luthuli, these price increases cannot be justified by normal economic factors, suggesting that deeper issues are at play within Eskom's operations.

However, the most pressing question for South African households is whether they can keep up with these soaring bills.

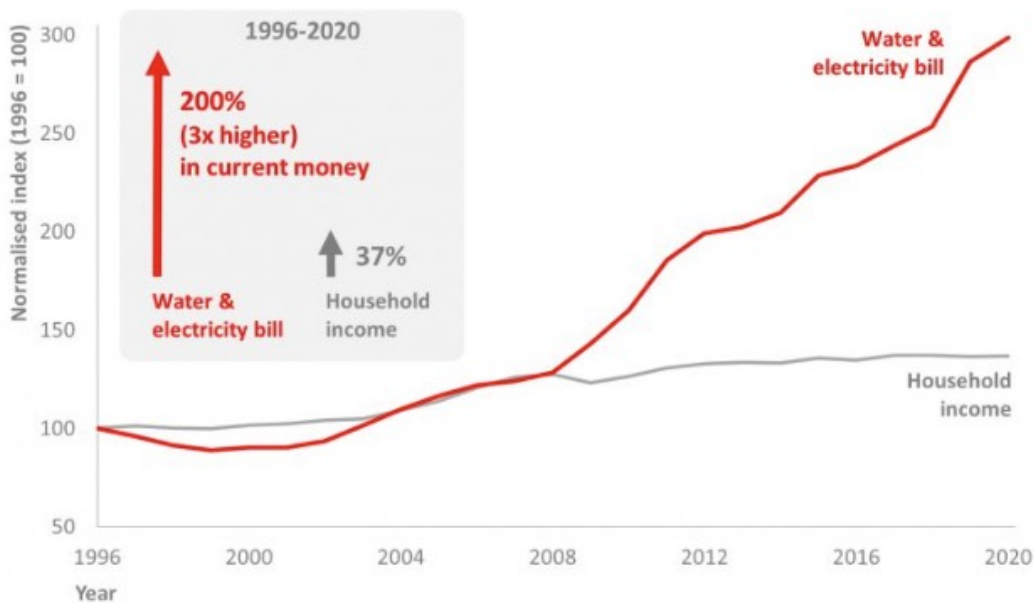
The data reveals a harsh reality: they cannot.

While electricity and water tariffs have increased by over 200% since 1996, average household disposable income has only risen by 37%.

This growing disparity between incomes and utility costs means that more and more households are struggling to make ends meet.

Electricity + water bill vs average household disposable income in South Africa

In real terms (adjusted for inflation)



Since 2020, a series of economic shocks, including geopolitical tensions, rising interest rates, and sluggish economic growth, have exacerbated the situation.

These factors have worsened the divide between stagnant household incomes and the ever-increasing cost of water and electricity.

The relentless above-inflation increases in water and electricity tariffs in South Africa are unsustainable and unaffordable.

Households are being pushed to their financial limits, with monthly utility bills now consuming a significant portion of their income.

Without intervention, this trend will continue to widen the gap between essential living costs and what the average South African household can afford.