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The emotional cost of rising prices

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A once-off BER survey suggests that rising prices may be making us miserable and that inflation carries an emotional cost beyond the loss of mere purchasing power

Nobody likes discovering that something they buy regularly has become more expensive, but economists seldom ask how those repeated price increases make people feel. Inflation is usually discussed in percentages: the annual change in consumer prices, food prices, fuel costs or electricity tariffs, often relative to the Reserve Bank's inflation target.

In the field of "the economics of happiness", some overseas studies suggested that people have higher life satisfaction when inflation is lower. We, at the BER, explored how a small group of South African consumers experience rising prices emotionally.

A once-off survey conducted among users of the BER website suggests that rising prices evoke a strongly negative emotional response. The survey, conducted between 22 and 30 June 2026, received 213 usable responses. It was broad in demographic coverage, although it was not designed to secure a representative sample of the South African population. Most respondents were employed, 88% were between 25 and 65 years of age, 78% earned between R20 000 and R160 000 per month, and 83% lived in Gauteng or the Western Cape.

Most striking was respondents' strong emotional reaction to price increases. When the price of something they regularly purchase increased, almost 95% reported feeling either "very negative" or "negative". Only about 4% said a price increase had no impact on them, while virtually nobody reported a positive reaction.

Income increases produced the opposite effect, with about 74% saying an increase in their income made them feel either "positive" or "very positive".

Importantly, respondents did not experience price and income changes with the same frequency. Price increases were most often encountered monthly or weekly, whereas income increases were typically an annual occurrence.

To illustrate how the frequency of these experiences may shape their overall emotional impact, we constructed a simple index. Numerical values were assigned to the five response categories, ranging from -2 for “very negative” to +2 for “very positive”, and these were then multiplied with the reported frequency of the experience.

Fig 1: When you encounter the following, how does it make you feel?

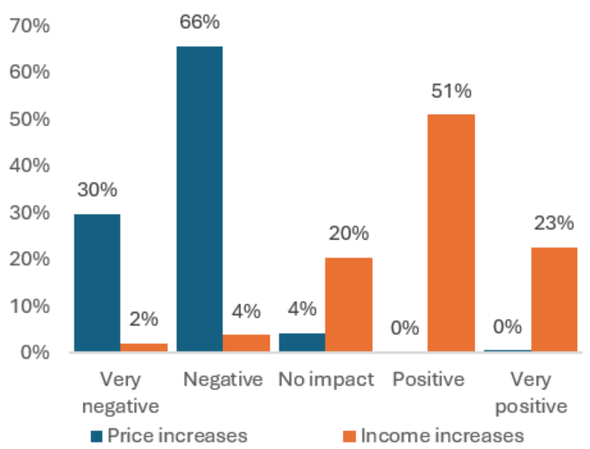
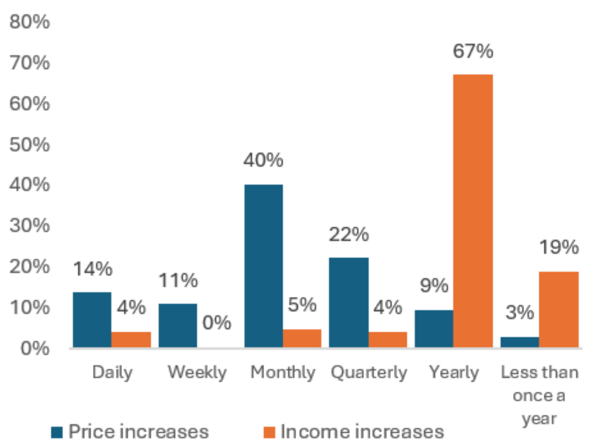


Fig 2: How often do you feel this way?



The resulting figure – a negative score of -89 points for respondents’ experience of inflation against a positive score of +8 points associated with an annual pay rise - should not be taken literally, nor should the net score of -81 be interpreted as a conventional measure of happiness or utility. The purpose of the exercise is simply to illustrate how much more frequently respondents encounter price increases than income increases. Or, to put it differently, the exercise shows that even if a salary increase produces a strong, positive response once a year, repeated price increases can create a much more persistent, negative sense that living costs are rising.

The BER survey also revealed a striking gap between measured and perceived inflation.

Actual consumer price inflation was about 5% in June 2026. Yet respondents estimated that prices had risen by an average of 9.4% over the preceding year, although the median estimate was much lower, at 6%. The difference suggests that a relatively small number of very high estimates pulled up the average. Moreover, two-thirds of the respondents indicated that they expect inflation to increase further from these levels in the coming year.

The gap between measured and perceived inflation is important, but it does not necessarily mean respondents are simply mistaken. Households consume different baskets of goods, while frequent or particularly noticeable price increases can loom larger in people's perceptions than the aggregate CPI measure suggests. That may help explain why consumers can continue to feel intense cost-of-living pressure even when headline inflation appears relatively moderate.

But perhaps the most interesting finding concerns the inflation rate people would actually prefer.

When asked to choose their preferred annual rate of price change from a set of options, and to assume that their income would change at the same rate, respondents selected an average of about 2.1%. The 2% option was by far the most popular, while very few selected any of the deflation options. Taken together, the results point to a simple but important conclusion. Inflation is not experienced by consumers as an abstract annual percentage. It is encountered repeatedly, in individual purchases and household budgets, often far more frequently than income adjustments.

That may help explain why consumers can remain highly sensitive to inflation even when headline inflation appears relatively contained. For policymakers, the lesson is less about identifying a single, ideal inflation rate than about recognising the importance of the lived experience of rising prices, their frequency, and their effect on household sentiment.

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