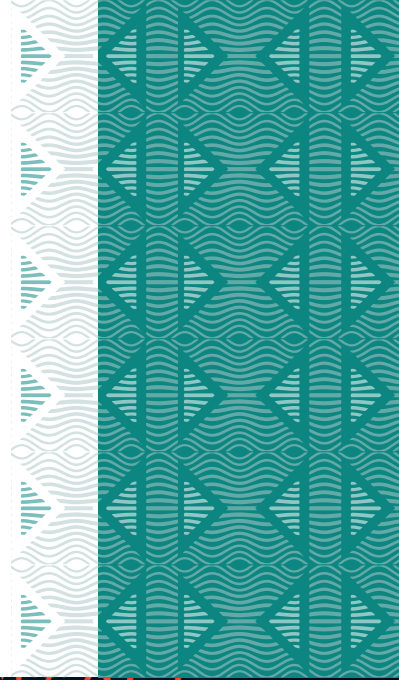


MONETARY POLICY REVIEW

April 2026



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APRIL 2026



SOUTH AFRICAN RESERVE BANK

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Preface

The primary mandate of the South African Reserve Bank (SARB), as set out in section 224 of the Constitution, is to achieve and maintain price stability in the interest of balanced and sustainable economic growth. In addition, the SARB has a complementary mandate to oversee and maintain financial stability.

Price stability helps to protect the purchasing power and living standards of all South Africans. It provides a favourable environment for investment and job creation, and supports international competitiveness. The goal of price stability is quantified through an inflation target, which is set in consultation with government. The target is 3%, with a tolerance band of plus or minus 1 percentage point. The 3% point target was adopted in 2025 and replaced the 3–6% target band set in 2000.

Monetary policy decisions are made by the SARB's Monetary Policy Committee (MPC), which is chaired by the Governor and includes the deputy governors and other senior officials of the SARB.

The inflation-targeting framework is flexible, meaning that policymakers will seek to look through temporary shocks, thereby avoiding excessive volatility in interest rates and economic output. The MPC takes a forward-looking approach to account for the time lags between policy adjustments and economic effects. MPC decisions are communicated at a press conference at the end of each meeting, accompanied by a comprehensive statement.

The *Monetary Policy Review (MPR)* is published twice a year and is aimed at broadening the public's understanding of the objectives and conduct of monetary policy. The *MPR* covers domestic and international developments that affect the monetary policy stance.

The *MPR* is presented by senior officials of the SARB at Monetary Policy Forum meetings held at major centres across South Africa in an effort to develop a better understanding of monetary policy through direct interactions with stakeholders.

Questions about the publication may be directed to Marlene Hugo at Marlene.Hugo@resbank.co.za.



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Anchoring in a storm

Executive summary and overview of the policy stance

The escalating conflict in the Middle East and rising oil prices have renewed upward pressure on global inflation, raising expectations of disinflation reversal. Most major central banks have paused policy easing at recent meetings amid heightened uncertainty and are expected to remain cautious, guided by incoming data and the balance of risks. Domestically, inflation remained contained during the review period (October 2025 – March 2026) and eased to 3% (target) in February 2026. The Monetary Policy Committee (MPC) reduced the policy rate by 25 basis points to 6.75% in November 2025 and has since held rates unchanged. Headline inflation is projected to rise temporarily in the near term as the oil shock feeds through, before returning to target from late 2027. Turning to economic activity, real output is forecast to expand by 1.4% this year, from 1.1% in 2025, rising to about 2% over the medium term. However, the recent oil shock has raised the peril of stagflation.

Global economic developments

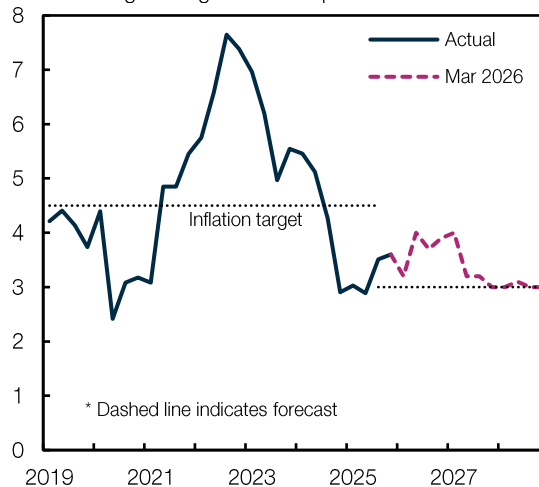
A brewing storm

The escalating conflict in the Middle East has pushed energy prices sharply higher and intensified supply-chain pressure. Brent crude oil prices have risen by about 70% and European natural gas prices by about 75% since the war broke out. Oil futures prices are also up significantly, reflecting uncertainty around supply adequacy over the coming months. The shock has since broadened beyond energy, with fertiliser and aluminium prices also rising markedly amid constrained supply.

Heightened uncertainty also triggered large-scale sell-offs in financial markets and drove volatility higher, ending the pre-conflict calm. Bond yields rose and equities declined in both advanced and emerging economies, more sharply in the latter, as investors moved into safer assets. The United States (US) dollar has benefited from safe-haven demand and higher oil prices. South African assets also sold-off, partially reversing gains of the past six months.

The current outlook contrasts sharply with the past year, where global inflation declined to an average of 4.2%, from 5.8% in 2024. However, disinflation was uneven across countries and regions and largely stalled during the review period. Inflation remained above target in most major advanced economies due to sticky services prices and, in the US, tariff-induced rises in consumer prices. Meanwhile, it moderated notably in emerging economies, supported by softer increases in energy and food prices and a weaker US dollar; however, this trend weakened into 2026.

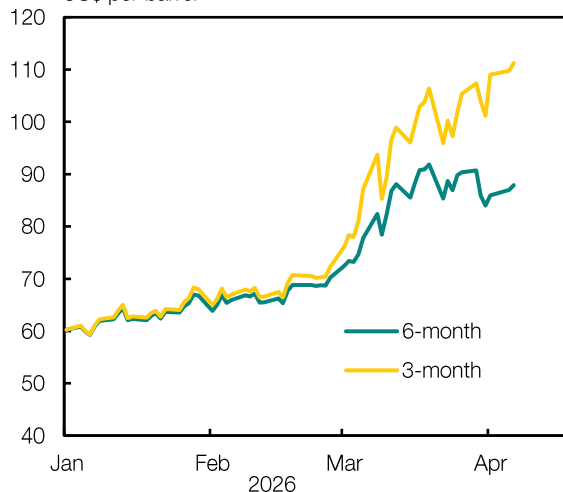
Headline inflation forecast*
Percentage change over four quarters



Sources: Stats SA and SARB

Brent crude oil futures

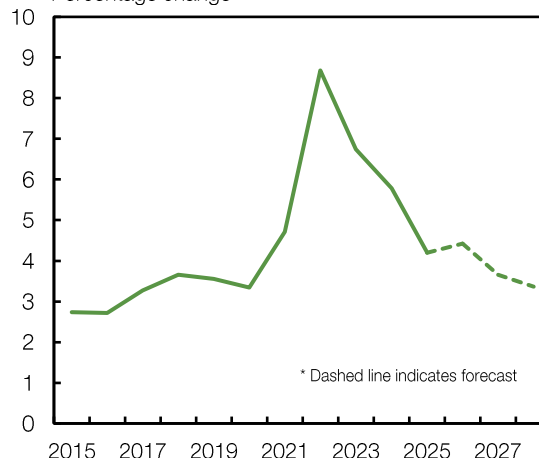
US\$ per barrel



Source: Bloomberg

Global Inflation*

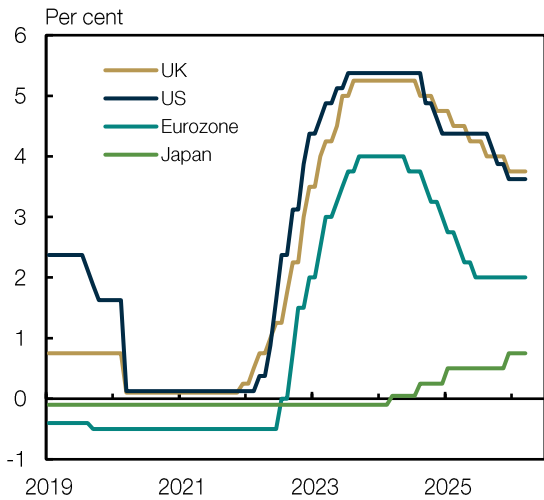
Percentage change



Source: IMF

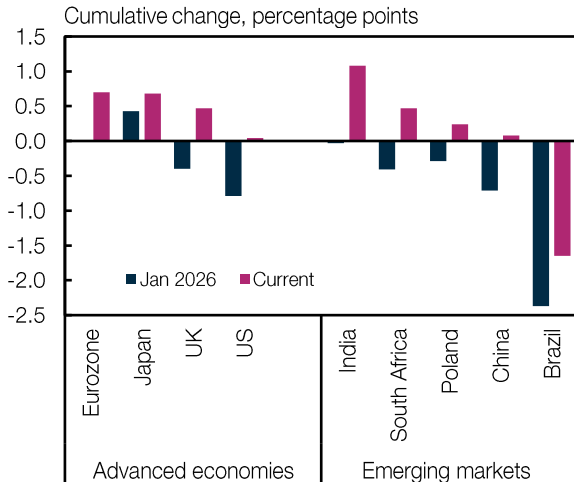


Policy rates in selected advanced economies



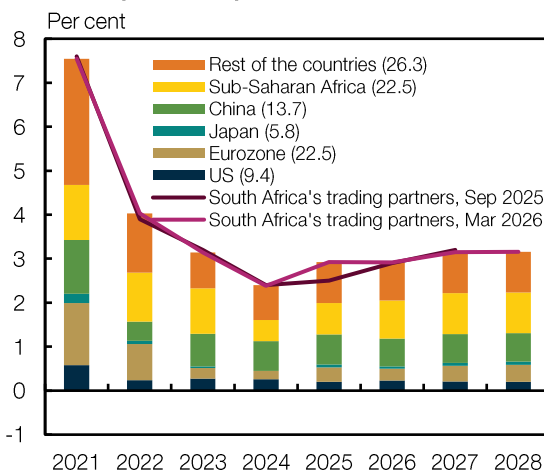
Sources: Central banks

Market-implied policy rate expectations*



* One-year ahead
Source: Bloomberg

Trading-partner growth*



* Weights in brackets
Source: SARB

Against this backdrop, the ongoing conflict in the Middle East has deteriorated the near-term inflation outlook and markedly increased inflation risk. The conflict, together with ongoing trade tensions, may accelerate the establishment of parallel supply chains, potentially raising inflation further as countries trade off efficiency for resilience.¹

Amid shifting uncertainty, major central banks remained cautious, generally keeping rates unchanged at recent meetings. Earlier in the review period, the Federal Reserve (Fed) cut rates by 50 basis points and the Bank of England (BoE) by 25 basis points; the European Central Bank (ECB) kept rates steady as inflation remained at target, while the Bank of Japan (BoJ) normalised rates further, hiking by 25 basis points to a 30-year high of 0.75%. The modest pace of rate adjustments may also reflect uncertainty about the level of the neutral interest rate, which is estimated to have risen since the COVID-19 pandemic.²

Central banks are generally anticipated to pause rate cuts this year, reflecting still high uncertainty and the upward shift in short-term inflation expectations. Markets are now pricing in rate increases in many jurisdictions – a marked reversal from their expectations as of January this year. Whether the present shock proves temporary will depend on the duration of the conflict, the scale of damage to energy infrastructures and the extent of second-round effects. Reports already indicate significant infrastructure damage, implying a delayed return to full production when the conflict ends.³

The global economy was resilient this past year, absorbing the US tariff shock and broader geopolitical tensions with limited loss of momentum. Growth is estimated at 3.4% in 2025, unchanged from 2024.⁴ This resilience reflected supportive fiscal policies, less restrictive monetary conditions and strong investment in technology, mostly artificial intelligence (AI).

However, risks to global growth and inflation have risen significantly. Sharply higher energy-related commodity prices and supply-chain disruptions have heightened near- to medium-term stagflation concerns.

¹ See C Criscuolo and J Timmis, 'The relationship between global value chains and productivity', *International Productivity Monitor* 32, 2017, pp 61–83. See also Organisation for Economic Co-operation and Development (OECD), *OECD Supply Chain Resilience Review*, 2025.

² See I Schnabel, 'No longer convenient? Safe asset abundance and r*', Speech by Isabel Schnabel, Member of the Executive Board of the ECB, at the Bank of England's 2025 BEAR Conference, London, 25 February 2025. See also G Benigno, B Hofmann, G N Barrau and D Sandri, 'Quo vadis, r*? The natural rate of interest after the pandemic', *BIS Quarterly Review*, March 2024.

³ See Goldman Sachs Investment Research, Top of mind Iran conflict: How long and how bad?, 2026.

⁴ International Monetary Fund (IMF), *World Economic Outlook*, April 2026.



The South African Reserve Bank (SARB) anticipates trading-partner growth of 2.9% this year, rising to 3.2% in 2027 and 2028.

Domestic economic outlook

Domestic headline inflation slowed to 3% in February 2026, with broad-based moderation across core and non-core components. Headline inflation averaged 3.2% in 2025 – a 21-year low, from 4.4% in 2024, extending the disinflation trend since the 2022 peak. Repeated undershooting of forecasts over the past two years points to easing underlying inflation pressures (see Box 7). However, conflict-induced headwinds are expected to push domestic inflation temporarily above target in the near term.

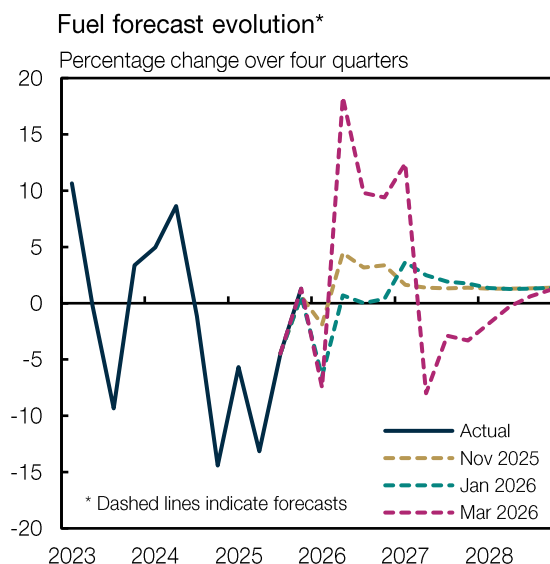
Core inflation, which also averaged 3.2% last year, and over the review period, benefited from subdued core goods price increases, reflecting rand strength and muted global goods inflation. Softer core goods inflation helped offset upward momentum in services inflation due to elevated health insurance and rising rental price increases. Inflation expectations eased markedly following the adoption of the 3% inflation target, declining to 3.6% in the first quarter of this year – a record low (Box 2) – while unit labour costs (ULC) remained contained.

The near-term inflation outlook has deteriorated significantly, while uncertainty regarding the duration of the Middle East conflict, the extent of infrastructure damage and the magnitude of second-round effects skews risks to the upside. Alternative oil-price paths imply materially different inflation trajectories, with non-linear pass-through likely.⁵ For example, sustained Brent crude oil prices above US\$100 per barrel could raise inflation sharply to an average of 4.6% this year, remaining above target until the fourth quarter of 2028 (Box 1). However, the temporary fuel levy relief of R3 per litre should moderate the inflationary impact somewhat.

In the SARB's baseline forecast, which assumes a less protracted conflict, headline inflation peaks at 4% in the second quarter of this year and averages 3.7% for the year; before easing to target by late 2027. This near-term path is materially higher than that projected in the January 2026 forecast. Core inflation is also projected higher but remains within the tolerance band. With energy-price uncertainty high and the rand slightly depreciated, markets are now anticipating policy rate increases this year, compared with two cuts expected before the start of the conflict.

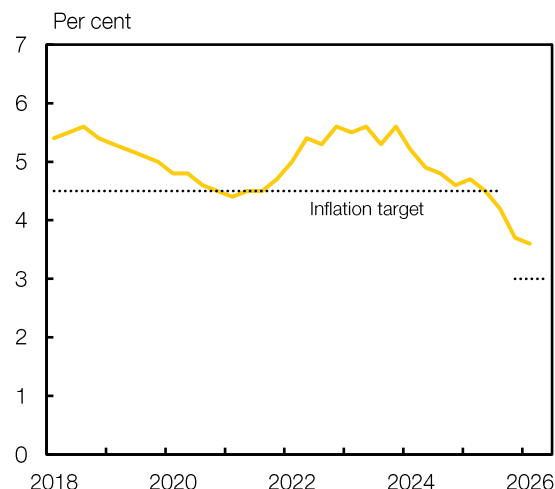
Easing inflation and declining interest rates supported consumer spending and thus domestic economic activity last year. Gross domestic product (GDP) expanded by 1.1%, more

⁵ Non-linear effects are present when an unusually large shock (here fuel price increase) causes price- and wage-setting behaviours to deviate from normal or expected patterns.



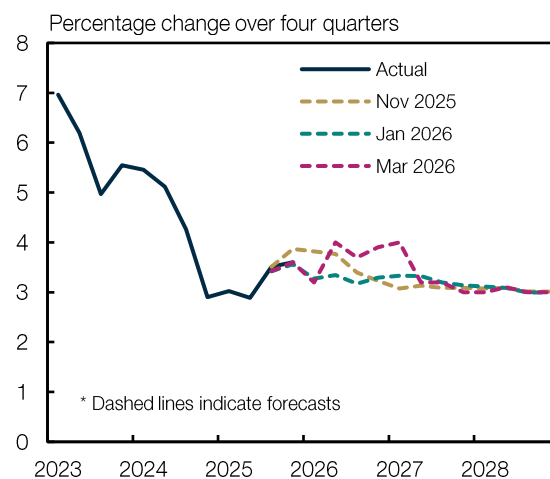
Sources: Stats SA and SARB

Two-years-ahead inflation expectations - all groups



Sources: BER and SARB

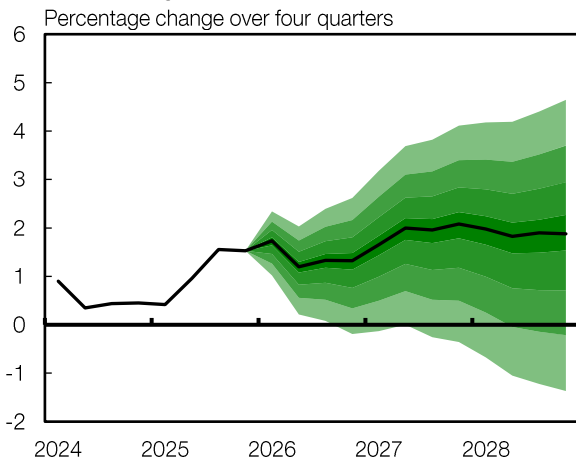
Headline inflation forecast evolution*



Sources: Stats SA and SARB

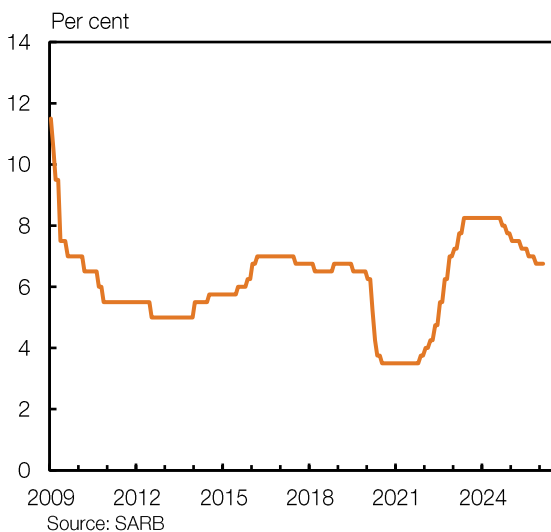


Real GDP growth*



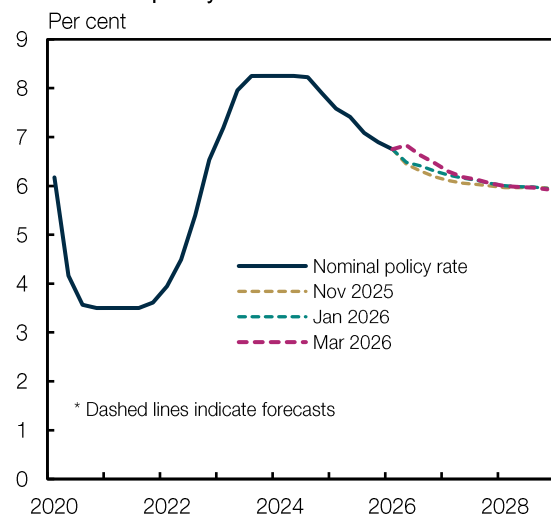
* The bands around the central projection show confidence intervals of 10%, 30%, 50% and 70%. This chart shows seasonally-adjusted data, as used in the QPM. Sources: Stats SA and SARB

Nominal policy rate



Source: SARB

Nominal policy rate with forecasts*



Source: SARB

than double the growth rate in 2024. Spending was also buoyed by equity-related wealth gains and two-pot retirement withdrawals. Meanwhile, investment detracted from growth in 2025, despite positive growth in the third and fourth quarters.

On a quarter-on-quarter basis, output expanded by 0.3% in the third quarter of 2025 and by 0.4% in the fourth quarter. This momentum is expected to continue into the first quarter of 2026 and to gradually strengthen over the medium term.

On an annual basis, real output is forecast to expand by 1.4% this year, rising to around 2% by 2028, broadly in line with the pace of potential GDP.⁶ Household consumption is expected to underpin growth, supported by investment as domestic demand firms and structural bottlenecks ease. Credible commitments to lower inflation and stabilise public debt have reduced macroeconomic risk and lowered long-term borrowing costs, lifting sentiment.

However, risks to growth are skewed to the downside. A sustained rise in fuel prices could significantly erode household real disposable income, while fuel shortages could disrupt production and weaken activity.

Overview of the monetary policy stance

The MPC reduced the policy rate by 25 basis points to 6.75% at the November 2025 meeting, but kept it unchanged at the January and March 2026 meetings. Since September 2024, the policy rate has been lowered by a cumulative 150 basis points; the policy stance remains moderately restrictive.

With the real neutral interest rate broadly unchanged, the Quarterly Projection Model (QPM)-implied real policy-rate gap has narrowed sharply in the near term as inflation is projected markedly higher (albeit temporarily) in three to four quarters. The real policy rate is projected to converge to its neutral level by 2028 as inflation returns to target and the output gap closes – rendering the policy stance neither restrictive nor expansionary.

The unchanged policy rate at the January 2026 meeting mostly reflected caution amid rising geopolitical tensions as well as uncertainty about the outlook for inflation and inflation expectations. The QPM had suggested a cut in the first quarter (which includes the March meeting). The MPC’s risk assessment and judgement around the QPM baseline forecast enable more robust policy decisions than reliance on the model alone would allow.

By March’s MPC meeting, the near-term inflation outlook had deteriorated markedly. Uncertainty was heightened, particularly around oil and commodity price spikes, the duration of the conflict and extent of supply-chain disruptions, along with the

⁶ Potential growth is estimated to rise from 1.4% in 2026 to 1.7% and 1.8% in 2027 and 2028 respectively.

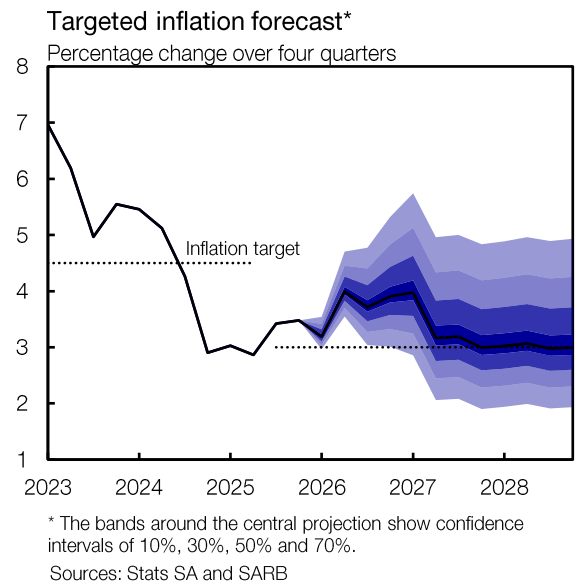
scale of second-round effects. Weighing these dynamics, the MPC kept the policy rate unchanged while monitoring the increasingly adverse environment.

Conclusion

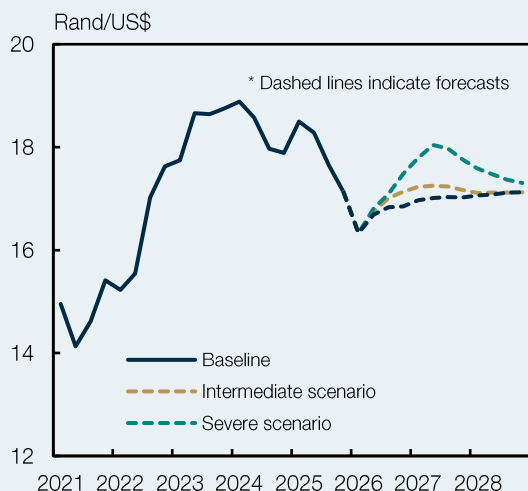
Global disinflation, which had largely stalled prior to the start of the conflict, is now at risk of reversing. The sharp rise in energy prices and supply-chain pressures presents policy challenges similar to those of 2021–22, although currently restrictive policy settings should help. Markets are now pricing in rate increases this year for economies where inflation risk is deemed significant. Major central banks have generally paused easing cycles as they wait for more information.

The near-term domestic inflation outlook has shifted higher, although inflation is forecast to return to target by late 2027. The SARB remains committed to achieving the 3% inflation target over the medium term and will continually evaluate policy settings as new data is received.

The global environment has become increasingly less supportive, suggesting a stronger role for domestic factors in driving resilience and growth. Credible policy commitments, including the adoption of the 3% inflation target and ongoing fiscal consolidation, have driven long-term borrowing costs down and strengthened the rand. More benefits would accrue from additional reforms, such as aligning administered price increases with headline inflation, expediting electricity and logistics reforms as well as stabilising public debt.

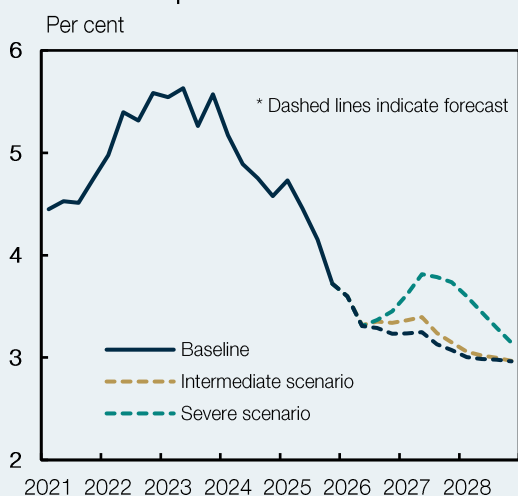


Nominal US\$ exchange rate*



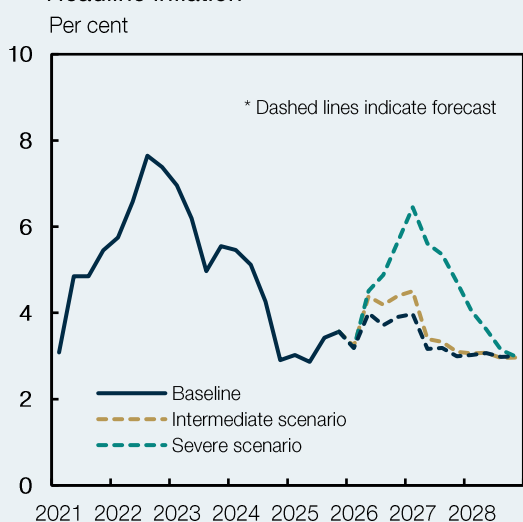
Source: SARB

Inflation expectations*



Source: SARB

Headline inflation*



Source: SARB

Box 1 Middle East conflict scenarios

The conflict in the Middle East has disrupted global energy markets and raised energy-commodity prices, particularly oil. As South Africa is a net importer, higher fuel costs pose upside risk to inflation. The evolution of the conflict remains highly uncertain, implying several possible price paths for energy commodities. This box outlines two scenarios considered by the Monetary Policy Committee (MPC) at the March 2026 meeting, which differ in the severity and duration of the energy shock.

The intermediate scenario assumes a short conflict of about two months, after which the Strait of Hormuz reopens, oil flows gradually normalise and prices ease. The risk premium is assumed to rise by 10% at its peak and the rand to depreciate by about 5% at its peak, relative to the first quarter of 2026.

The severe scenario assumes a conflict lasting more than a year, significant damage to energy infrastructure across Gulf states as well as a prolonged closure of the Strait of Hormuz and continued disruption in the Red Sea corridor. Accordingly, energy-commodity prices are materially higher and more persistent. The risk premium is assumed to increase by 20% at its peak and the rand to depreciate by around 10% at its peak, relative to the first quarter of 2026.

In the intermediate scenario, price pressures will rise relative to the baseline but will be less persistent, with inflation converging to target by 2028, consistent with the South African Reserve Bank's convergence horizon when the 3% target was announced. The Quarterly Projection Model (QPM)-implied rate path indicates modest tightening.

In the severe scenario, inflation is expected to be sharply higher and the target will not be achieved within the forecast horizon, reflecting a larger and longer-lasting shock.¹ Second-round effects are stronger and the risk of de-anchored inflation expectations is higher, requiring a more forceful policy response to prevent inflation from becoming entrenched.

Monetary policy response to supply shocks

Monetary policy cannot prevent the direct impacts of higher energy prices as these reflect in surveyed inflation immediately. Its role is to prevent broader and persistent inflation pressures through second-round dynamics in wages and inflation expectations. These risks increase when shocks are large or prolonged, as price- and wage-setting behaviours may deviate materially from expected patterns. In the severe scenario, the QPM-implied front-loading of rate increases does not indicate a direct response of monetary policy to the supply shock. Instead, front-loaded rate increases reflect the long and variable lags of monetary policy; action must be taken early to limit second-round effects, as it will be too late once they appear in inflation data.

Despite uncertainty around the conflict's duration and the energy price path, South Africa is in a stronger position than during the 2022 energy price shock. De-risking measures, including the 3% inflation target and ongoing fiscal consolidation, have contributed to lower risk premiums and a more resilient exchange rate, exerting some disinflationary impetus.

Inflation is at target as of February 2026 and inflation expectations are at historical lows. A lower target and better-anchored inflation expectations provide a buffer, allowing monetary policy to accommodate typical cost-push shocks with less risk of secondary inflationary pressures (Box 2).

¹ Inflation is anticipated to return to target only in the fourth quarter of 2028.



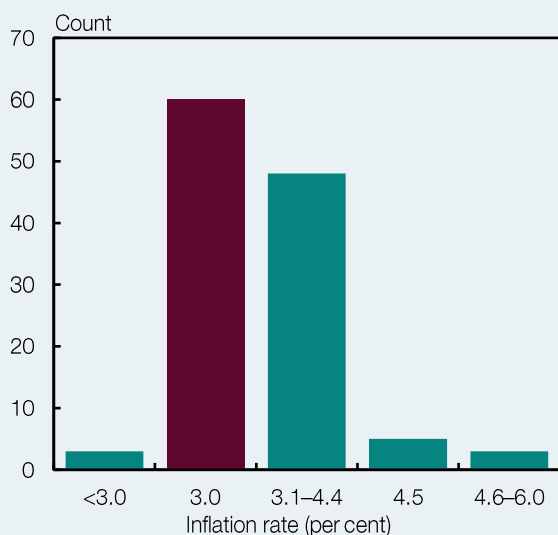
Scenario results

Variable		2026	2027	2028
Brent crude oil* (US\$)	Baseline	78.00	68.00	65.00
	Intermediate scenario	85.00	72.00	67.00
	Severe scenario	97.00	118.00	103.33
Headline inflation (%)	Baseline	3.70	3.33	3.02
	Intermediate scenario	4.05	3.58	3.01
	Severe scenario	4.56	5.53	3.45
Nominal policy rate (% , end of period)	Baseline	6.47	6.05	5.93
	Intermediate scenario	6.67	6.12	5.93
	Severe scenario	8.17	7.13	6.19

* Scenario assumption
Source: SARB

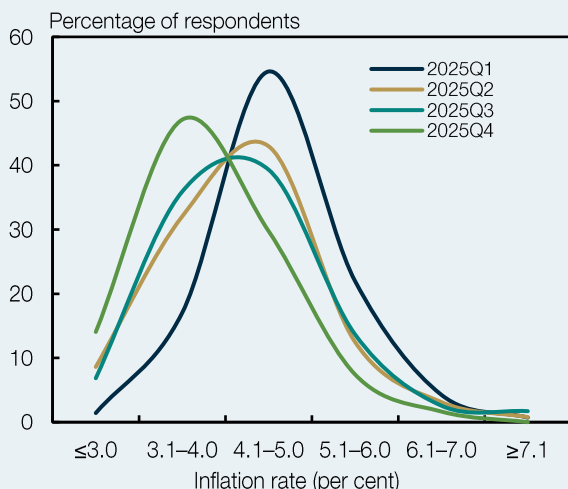


Firms' view of SARB's preferred target



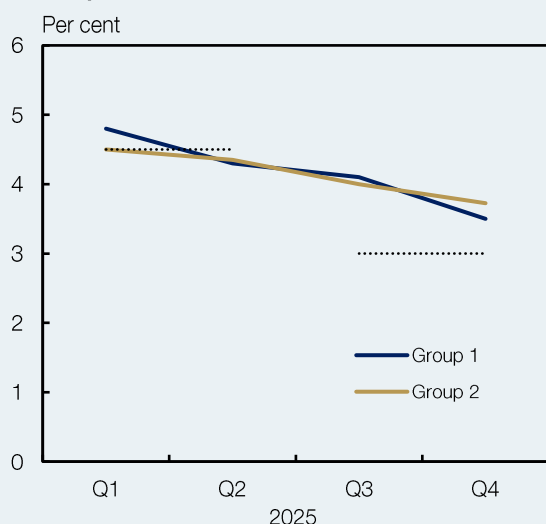
Sources: BER and SARB

Distribution of two-years-ahead business inflation expectations



Sources: BER and SARB

Mean two-years ahead inflation expectations for group 1 and 2*



* Dotted lines indicate inflation target
Sources: BER and SARB

Box 2 Desirable attention

The management and anchoring of inflation expectations around the target is a key intermediate objective in achieving the South African Reserve Bank's (SARB) price stability mandate. Greater attentiveness by agents to macroeconomic conditions would accelerate the adjustment of inflation expectations (and inflation) towards the 3% target, thereby reducing the real economic costs associated with the transition.^{1,2}

A key question is the extent to which South African price setters (firms) are attentive to inflation and monetary policy communications. Recent episodes of elevated inflation, concerted SARB communication and the public discourse that preceded the reduction of the inflation target to 3% are likely to have increased firms' attentiveness. To assess this more systematically, the SARB and the Bureau for Economic Research (BER) surveyed price setters on their knowledge of the SARB's preferred inflation target as of the fourth quarter of 2025.³

Nearly half of surveyed firms (48%; Group 1) correctly identified the preferred inflation target as 3%, while a further 38% (Group 2) reported a value between 3% and 4.5%, with a cluster at 3.5%.⁴ Firms in Group 1 primarily cited the Minister of Finance's official announcement during the November 2025 *Medium-Term Budget Policy Statement*, whereas Group 2 respondents referred to broader macroeconomic conditions.⁵

Taken together, these results indicate that the majority of surveyed firms believe (correctly) that the SARB's preferred inflation rate has declined.⁶ Consistent with this perception, the distributions of firms' inflation expectations have progressively shifted towards 3%.

Among the firms reporting a preferred target below 4.5%, those surveyed in all four quarters of 2025 revised their inflation expectations downwards in each successive round, with larger average revisions among firms correctly identifying the 3% target. This indicates that firms are not only informed but are also adjusting their beliefs and, likely their behaviours.

¹ See C Loewald, R Steinbach and J Rakgalakane, 'Less risk and more reward: Revising South Africa's inflation target', *SARB Working Paper Series* No. WP/25/05, May 2025.

² O Pfauti, 'The inflation attention threshold and inflation surges', *American Economic Review*, forthcoming.

³ The SARB included a one-off question in the BER survey of firm inflation expectations for the fourth quarter of 2025. Respondents were asked the following: "In your opinion, at what level of inflation (percentage change) does the South African Reserve Bank prefer to keep inflation?" They were also asked to provide a reason for their answer.

⁴ The bunching at 3.5% is somewhat surprising but may reflect attentiveness by firms to headline inflation, which was around this level at the time of the survey.

⁵ Respondents cited weak economic growth, unemployment and elevated debt, among other factors.

⁶ Until July 2025, the SARB's preferred inflation target was 4.5%, with a target range of 3-6%.



Box 3 Towards a self-stabilising inflation regime

High- and low-inflation regimes have distinct characteristics.¹ This box distinguishes South Africa's inflation regimes and evaluates their persistence and policy implications.

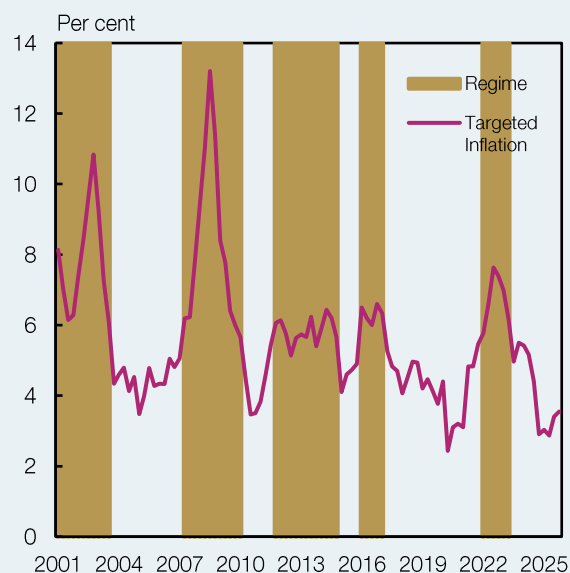
Over the past quarter century of inflation targeting in South Africa, inflation has alternated between high- and low-inflation regimes, spending broadly equal time in each.² On average, the regimes have exhibited a high degree of persistence, requiring large shocks for inflation to transition from one to the other. For instance, inflation shifted into high-inflation regimes in the aftermath of the 2008 global financial crisis, the 2011–14 oil shock and the post-COVID-19 global inflation surge. In each case, large policy rate increases were required to bring inflation out of the 'high' regime.

Regime persistence implies that both high and low inflation tend to be self-reinforcing. South African evidence indicates that the low-inflation regime is more stable, as exit probabilities are lowest for this regime. When the economy is in a low-inflation regime, the probability of remaining in this state is 0.88 and that of exiting and transitioning to high inflation is 0.12. However, when starting in a high-inflation regime, the probability of remaining is 0.79 and that of transitioning to low inflation is 0.21, nearly double that of the low-inflation regime.³

In a low-inflation regime, measured inflation mostly reflects relative price movements and these tend to be weakly correlated across sectors and; wages and prices are also loosely correlated.⁴ This implies a muted inflationary impetus in the economy. Intuitively, in a low-inflation regime, typical inflation shocks are less likely to persist and thus push inflation out of this state. Only large or positively correlated shocks could destabilise inflation.⁵ The implication is that monetary policy can look through most typical shocks when in a low-inflation regime.

The self-stabilising properties of low-inflation regimes are particularly important in a shock-prone environment, as they provide greater policy flexibility. Accordingly, central banks should seek to avoid shifts into high-inflation regimes and should respond decisively when such risks increase.⁶ For South Africa, achieving the 3% target should reduce macroeconomic volatility, better anchor inflation expectations and subdue the common component of inflation across sectors.^{7,8}

High- and low-inflation regimes in South Africa



Source: Foresto, Reid and Rakgalakane (2025)

¹ C Borio, 'The two-regime view of inflation', *Bank for International Settlements (BIS) Working Papers* No. 133, March 2023. See also C Borio and M Chavaz, 'Moving targets? Inflation targeting frameworks 1990–2025', *BIS Quarterly Review*, March 2025.

² High-inflation regimes are realised when headline inflation exceeds a model estimated, time-varying threshold value, with periods of headline inflation below the thresholds classified as low-inflation regimes. See A Foresto, M Reid and J Rakgalakane, 'State dependence of the Phillips curve: What does this mean for monetary policy?', *SARB Working Paper Series* No. WP/25/06, June 2025.

³ Foresto et al. (2025). *Ibid.*

⁴ C. Borio, *op cit.*

⁵ Typical inflation shocks are defined as one standard deviation shocks. See Box 1 in the October 2025 *MPR*. *Ibid.*

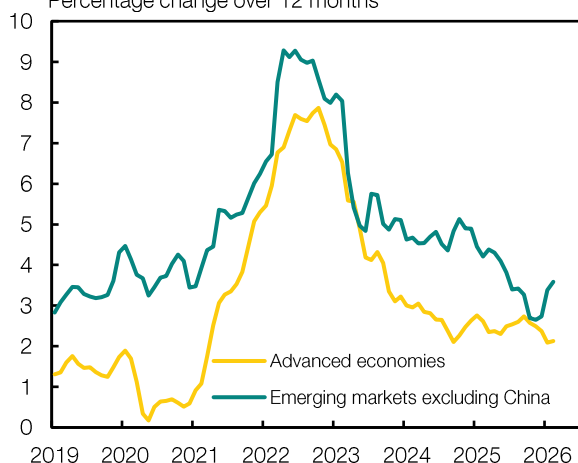
⁶ C. Borio, *ibid.*

⁷ See C Loewald, R Steinbach and J Rakgalakane, 'Less risk and more reward: revising South Africa's inflation target', *SARB Working Paper Series* No. WP/25/05, May 2025.

⁸ See L Kganyago, 'From fragility to strength: The role of price stability', *Speech at the National School of Government*, Pretoria, August 2025.

Headline inflation in advanced economies and emerging markets

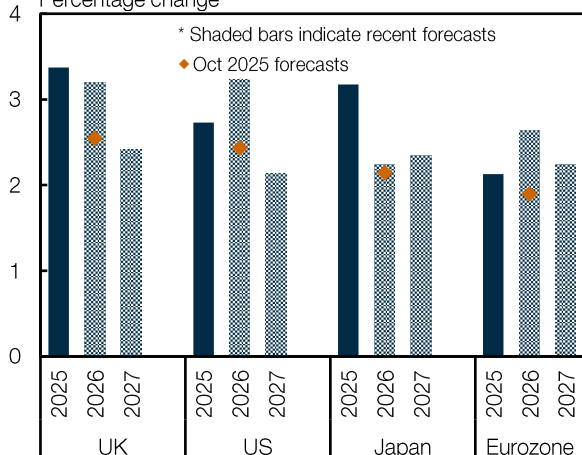
Percentage change over 12 months



Sources: Haver and SARB

Headline inflation projections for advanced economies*

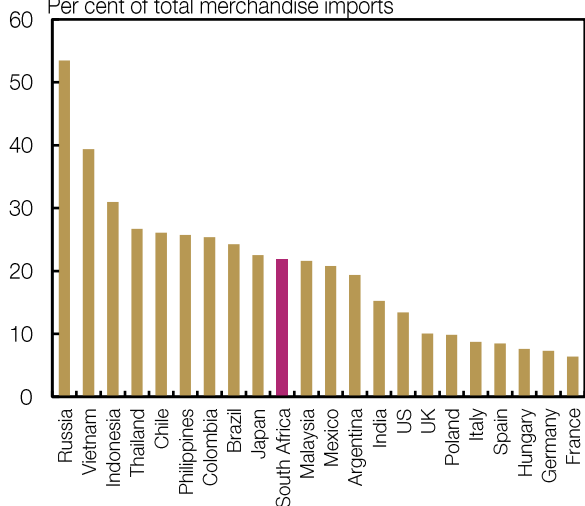
Percentage change



Source: IMF

China import share

Per cent of total merchandise imports



Sources: IMF and Our World in Data

Global economy: Uncertain prospects

Geopolitical developments are testing global resilience. While the global economy recorded modest disinflation and steady growth over the review period, the conflict has introduced severe risks. Higher energy prices and supply-chain disruptions have raised stagflation concerns. Together with trade policy uncertainty and broader geopolitical tensions, these developments may accelerate supply-chain fragmentation, constraining trade and growth, and increase production costs. Major central banks have largely paused policy normalisation pending further information to reduce uncertainty and support risk assessment.

Global disinflation continued in 2025 with average inflation declining by 1.6 percentage points to 4.2%. However, rising energy costs and supply-chain disruptions have lifted the near-term inflation outlook, with risks skewed to the upside. There is also a risk that the energy-price shock may trigger second-round effects, whereby higher fuel costs feed into wages and broader price-setting behaviour, generating more persistent underlying inflation pressures.

Inflation projections have since been revised higher across most major economies. In the US, core personal consumption expenditure (PCE) inflation is now projected to reach 2.7% this year, up from 2.4%.⁷ Even before the war, US inflation was forecast to return to 2% only by 2028. While the invalidation of the International Emergency Economic Powers Act tariffs and a normalising labour market may ease price pressures, a prolonged conflict could keep energy and food inflation elevated, further delaying a return to target.

Eurozone inflation, which returned to target last year, faces renewed upside pressure from energy prices, with headline inflation now seen averaging 2.6% this year, from 1.9% previously.⁸ In the United Kingdom (UK), in addition to energy, higher administrative costs and sticky services inflation will likely keep inflation elevated. And, in Japan, inflation is forecast close to target in 2026, having remained above target since the middle of 2022.

Disinflation was more pronounced in emerging markets last year, mainly because of higher weights for food and energy as well as currency appreciation. Lower Chinese export prices, driven by overcapacity and weak domestic demand, supported easing global goods inflation. However, China's (and Asia's) heavy reliance on Middle Eastern energy commodity supplies makes it vulnerable to price shocks and potential supply shortages, with the risk of spillovers to domestic producer prices and ultimately export prices.

⁷ US Federal Reserve Board, 'Summary of economic projections', March 2026.

⁸ European Central Bank, Staff projections, March 2026.



Global resilience facing new challenges⁹

Pre-war forecasts of global economic activity had growth steady at 3.4% this year, supported by robust consumer spending, AI-related investment and lower interest rates. However, the conflict in the Middle East has degraded the outlook and could weaken it further if prolonged.

Among advanced economies, the US is projected to grow by 2.3% this year, supported by consumer spending and AI-related investment. Meanwhile, growth is projected to slow in most major economies, weighed down by higher energy costs and uncertainty. Manufacturing competitiveness is expected to weaken further in the eurozone, while fiscal consolidation adds to drag in the UK. Growth is also projected to slow in Japan, despite fiscal support.¹⁰ However, significant uncertainty is attached to these projections.

Emerging economies have also seen their growth outlook downgraded relative to the January 2026 projections. Nevertheless, emerging Asia and sub-Saharan Africa (SSA) will continue to underpin growth. China's GDP is expected to expand by 4.4%, while growth in India is forecast to remain above 6%. At 4.3%, SSA is projected to outpace its 4.1% pre-pandemic average, supported by strong growth in Nigeria and a modest expansion in South Africa. However, downside risks to the emerging markets growth outlook have risen. While higher energy prices should boost GDP for oil exporters, it may worsen growth and inflation for oil importers such as South Africa.

Loose fiscal stances, which supported near-term growth, have heightened debt-sustainability concerns given elevated interest rates. Geopolitical tensions in the Middle East and sharply higher oil prices could prompt countries to increase spending on defence and energy support, further deteriorating the fiscal outlook. Additional fiscal expansions could add to price pressures and raise the risk of fiscal dominance.

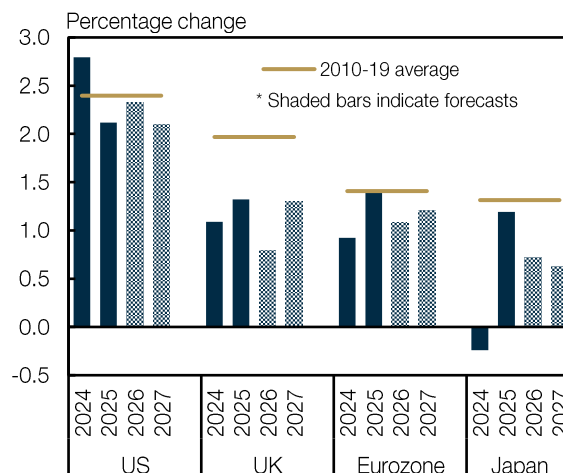
Monetary policy: More caution

Major central banks cut policy rates moderately during the review period as inflation eased or labour markets softened and, until recently, were expected to deliver modest further cuts this year. However, given new risks, they have largely paused rate normalisation to assess incoming data. Prospective cuts in major emerging markets have mostly been priced out. Markets have begun pricing in rate hikes this year for several central banks, including the ECB, BoE and SARB. Overall, interest rates are likely to remain elevated for longer.

⁹ The growth figures reported in this section are from the IMF *World Economic Outlook*, April 2026.

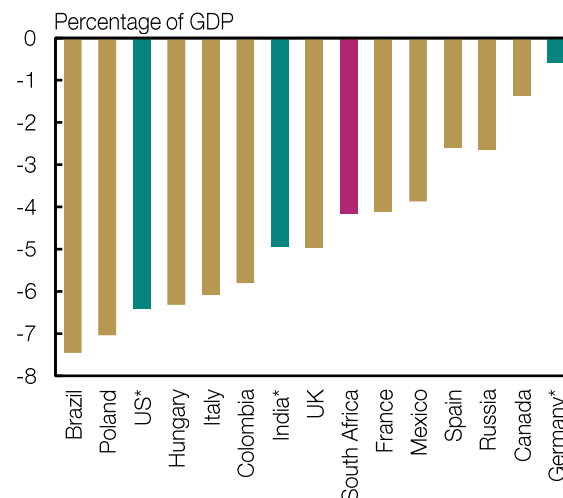
¹⁰ Eurozone growth is projected at 1.1% this year, from 1.4% in 2025; UK at 0.8% (from 1.3%); and Japan at 0.7% (from 1.2%).

Real GDP growth projections for advanced economies*



Source: IMF

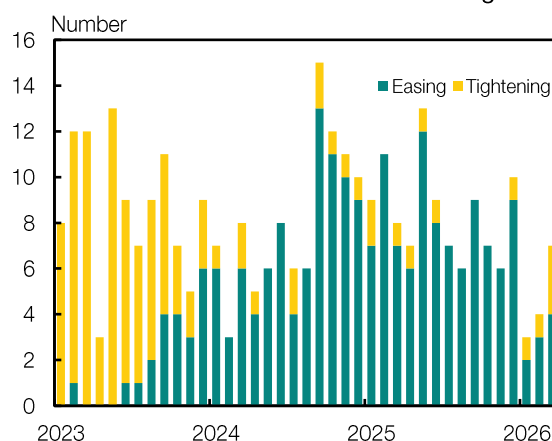
Fiscal balance



* 2024 balances

Sources: Central banks and statistical offices

Global central bank nominal rate changes*



* Sample includes 30 central banks

Source: Central banks



Global financial markets : War drums, market nerves

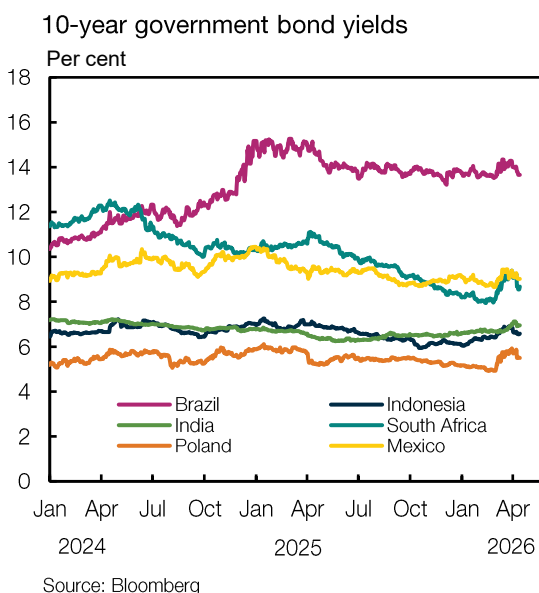
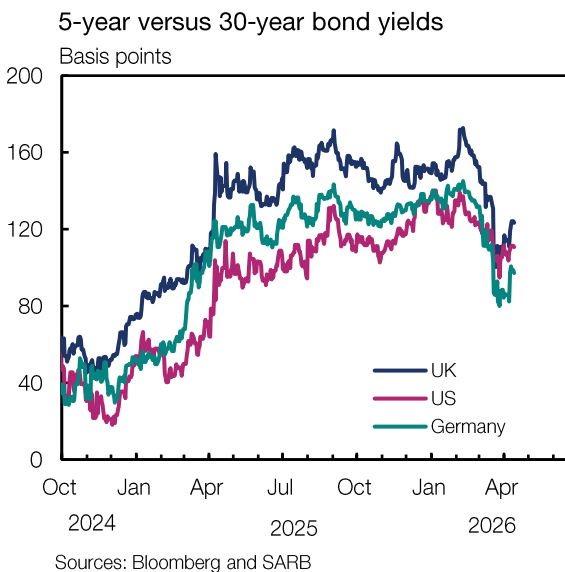
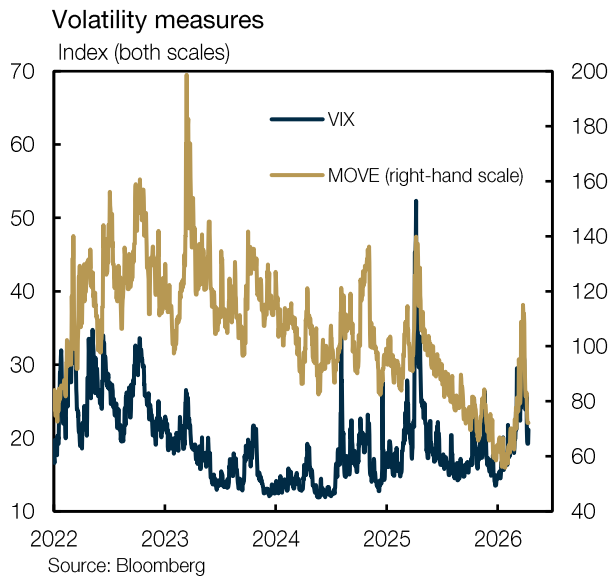
Financial market volatility spiked in March 2026 following the outbreak of the conflict in the Middle East, upending the relative calm that had prevailed since late 2025. Prior to the war, markets were shaped mainly by geopolitical uncertainties, shifting expectations around the global monetary policy cycle and fiscal concerns in major economies. Emerging market assets broadly performed well, supported by global risk-on sentiment, a weaker US dollar and domestic fundamentals. However, the outlook has changed abruptly, with risk-off and volatility returning. South African bonds and the rand outperformed, buoyed by improving fundamentals. Nonetheless, recent adverse geopolitical events have reversed some of the gains and may drive inflation higher. Financial market predictions of the SARB policy rate, implied from forward rate agreements, now indicate a marked departure from earlier forecasts that projected rate cuts this year.

Global financial markets were calm for much of the review period. The Fed's pivot toward rate cuts in the second half of 2025 and a more stable tariff environment supported a decline in market volatility into year-end. However, market stability ended abruptly after the US and Israel attacked Iran, which triggered a sharp rise in oil prices in March 2026, reigniting inflation concerns and prompting a repricing of expected policy rate paths.

Bond markets have borne the brunt of this adjustment, with the impact most pronounced at the front end of the curve. The rise in short-term yields in the UK and eurozone reflects heightened sensitivity to energy-driven inflation and its implications for near-term policy. However, even before the recent shock, longer dated advanced economy bond yields had been rising. In Germany, the lift mostly reflected expectations of increased sovereign borrowing following a loosening of fiscal constraints. In Japan, higher yields reflect expected fiscal stimulus (of around 3% of GDP) as well as the BoJ's continued policy normalisation, allowing longer-term yields to better align with those of peers.

Emerging market bond yields have also risen, reversing some of the earlier compression as global inflation risks resurfaced and rates repriced. For much of the review period, macroeconomic factors such as lower inflation, resilient growth and improved policy credibility, along with a weaker US dollar, underpinned demand. Stronger fundamentals partly explain the less pronounced sell-off compared with advanced economies.

The volatility seen in bond markets was also reflected in equity indices, which saw marked corrections in March. Apart from risk-off motivation, equity sell-offs may also reflect pre-existing vulnerabilities due to concentration of gains and elevated valuations in parts of the market, which left them at risk from adverse shocks. For much of the review period, US equities were supported by solid corporate earnings and strong



investment in technology and other productivity-enhancing sectors. Similarly, non-US markets also performed well over this period, with the MSCI World excluding-US Index and emerging market benchmarks delivering solid returns in dollar terms, as they benefited from increased risk appetite.

The shift from risk-on to risk-off has benefited the US dollar, which has recovered some losses after reaching a multi-year low in January 2026. The dollar profited from safe-haven flows and expectations of higher-for-longer US interest rates. For much of the review period, a weaker dollar, reflecting portfolio reallocation away from dollar-denominated assets and a resilient global environment supported emerging market currencies, dampening inflation.

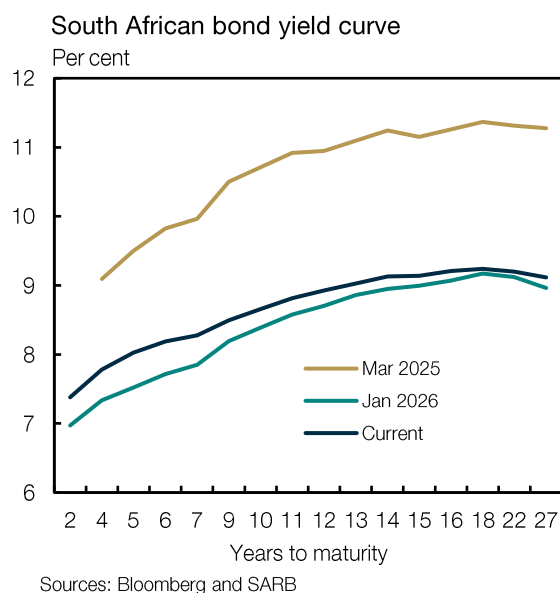
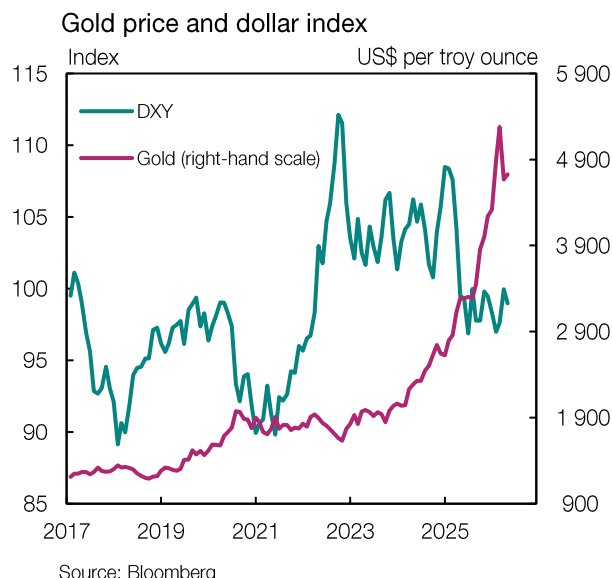
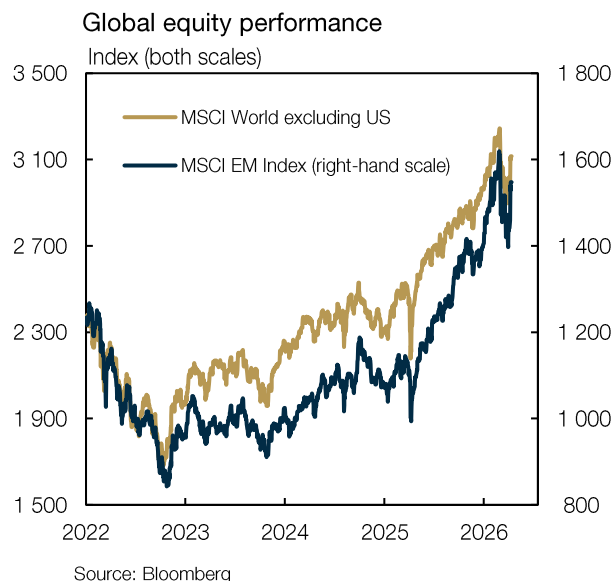
In commodity markets, the gold price has retreated from the record high of US\$5 400 per troy ounce reached in late January, weighed by profit-taking and higher advanced-economy bond yields. The gold price had surged on stronger central bank demand and increased investor hedging against inflation and financial market volatility. Despite the recent retreat, gold has gained about 15% over the past six months.

South African financial market developments

Domestic markets also experienced significant volatility during the review period, with large sell-offs since March. Prior to the conflict, domestic markets outperformed, benefiting from a generally supportive global environment since the previous *Monetary Policy Review (MPR)*, reinforced by favourable domestic developments. The country's removal from the Financial Action Task Force greylist in October 2025, the adoption of a lower inflation target and a credible fiscal consolidation path marked meaningful de-risking milestones. These achievements resulted in Standard & Poor's (S&P) Global upgrading South Africa's credit rating – marking the first upgrade from a major agency in nearly two decades.

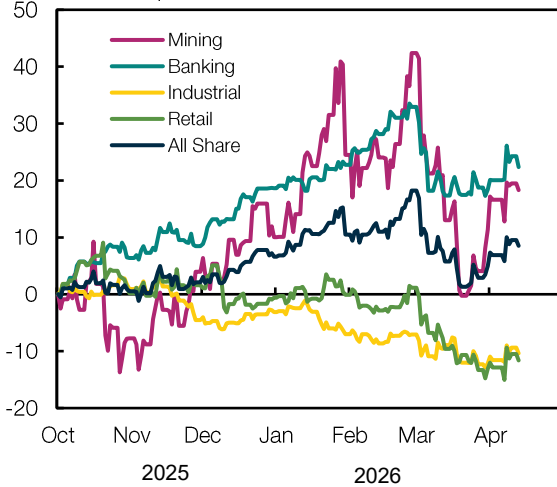
Improved macroeconomic fundamentals supported demand for domestic bonds, resulting in a flattening and downward shift of the yield curve. Policy credibility has helped anchor inflation expectations, reinforcing investor confidence in the fixed-income outlook. Real yields above 4% also provided a compelling backdrop for both domestic and foreign investors. That said, the recent escalation in the Middle East conflict has weighed on risk sentiment, resulting in some bond flow reversals by non-resident investors. The South African Government Bond yield curve has shifted higher but so far remains well below its March 2025 level.

The JSE All Share Index, which reached a record high in February 2026, has since reversed its gains for the year. The index was dragged down by a sharp correction in mining related stocks, reflecting the marked declines in gold and other



JSE indices

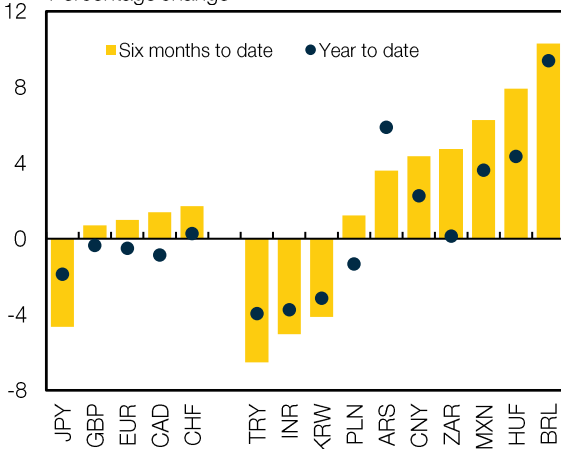
Cumulative per cent returns



Source: Bloomberg

Selected FX performance versus US dollar

Percentage change



Source: Bloomberg

precious metals prices. Resource-linked counters, along with banking, had supported the rally, while domestically oriented counters lagged, mirroring the still modest economic activity.

The rand also had a dichotomous performance, depreciating sharply in recent weeks after being one of the top-performing emerging market currencies in 2025. In the past year, the rand gained over 13% against the US dollar and strengthened to below R16.00 per dollar in late January 2026. Notably, rand strength was broad-based as the currency also appreciated against other major currencies. However, these gains have since partially unwound amid deteriorating terms of trade, leaving the currency around 4% stronger relative to its October 2025 levels. Recent moves illustrate that large swings in global risk sentiment continue to influence short-term exchange rate dynamics, but also that improved domestic fundamentals mediate these influences.

Amid heightened risks to inflation, market-implied interest rate expectations now suggest scope for about two 25 basis point interest rate hikes this year. This contrasts with two cuts in 2026 that were anticipated just before the conflict began.



Box 4 From the repo rate to the SARB policy rate

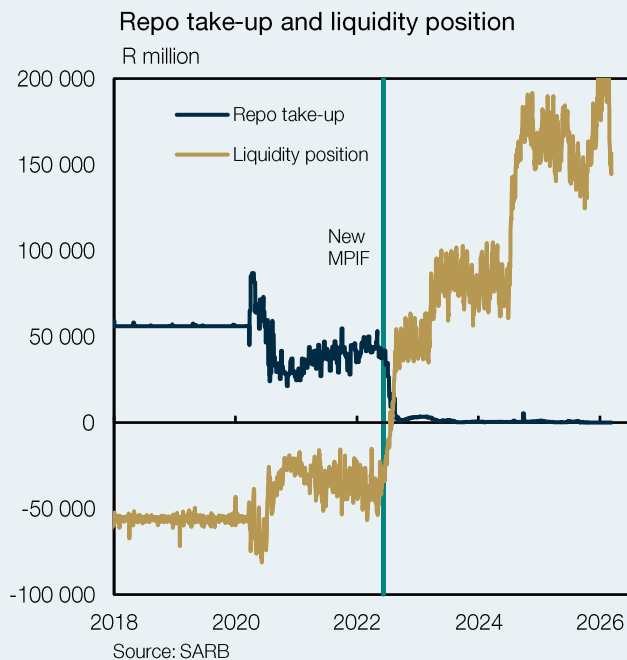
The South African Reserve Bank (SARB) has renamed its main monetary policy tool, dropping the term repurchase 'repo' rate and replacing it with 'policy' rate (or the 'SARB policy' rate). The change follows the 2022 reform of the monetary policy implementation framework (MPIF). The policy rate, set by the Monetary Policy Committee (MPC), remains the primary instrument used to achieve the inflation target. This change in terminology does not affect the level of the rate, its determination or entail any new operational arrangements.

The term 'repo' rate originated in the SARB's previous framework for monetary policy implementation. This was a classical cash reserve or shortage system, where the policy rate was attached to a lending facility (specifically, a weekly auction offering liquidity through 'repo' transactions, where banks gave the SARB collateral as security for loans).

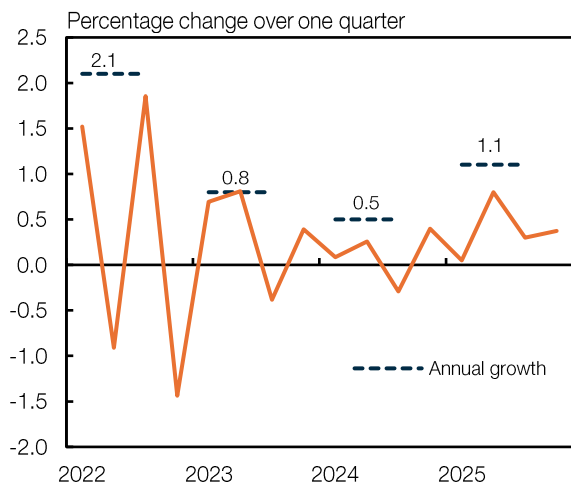
Since the introduction of the new MPIF in 2022, repo operations have declined sharply. Weekly repo uptake fell from about R30 billion in 2021–2022 to an average of just over R2 billion in 2022–23 and this has fallen further recently: there has been zero borrowing from this facility since late October 2025. Continued use of the term 'repo' rate would therefore overemphasise an operational mechanism that is no longer a significant component of monetary policy implementation. Instead, under the new framework, policy transmits mainly through a deposit facility, which sees large volumes every night (around R200 billion recently).

The revised terminology also distinguishes the SARB policy rate from market-determined repo rates, which vary with liquidity conditions, collateral dynamics and other market factors. By contrast, the policy rate is an administered rate set by the MPC to achieve the inflation target.

In short, the change aligns the name of the policy instrument with its purpose and the current operating framework.

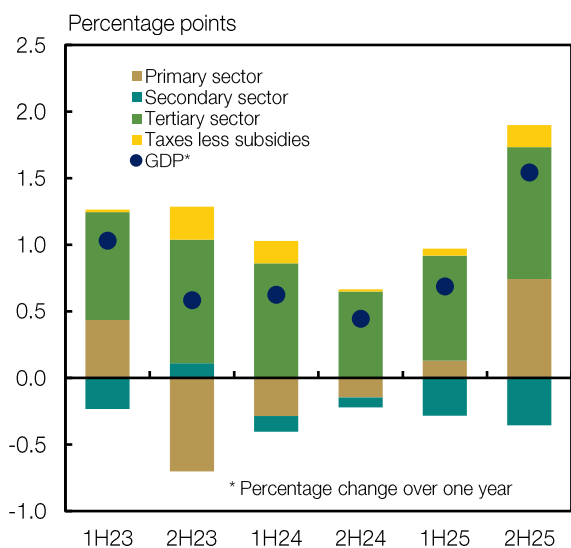


Real GDP growth



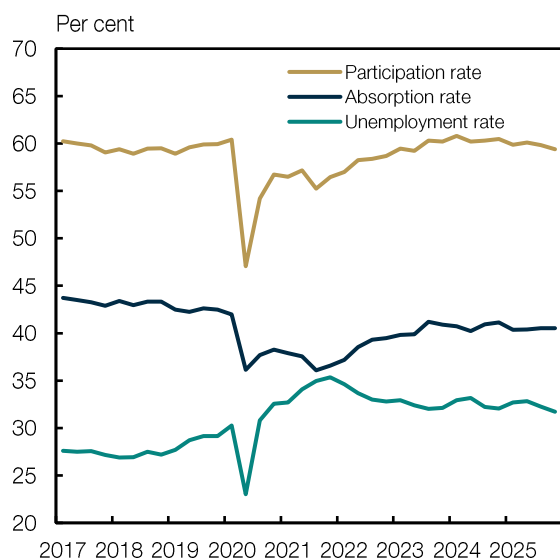
Source: Stats SA

Contributions to real GDP



Source: Stats SA

Labour market indicators



2017 2018 2019 2020 2021 2022 2023 2024 2025

Source: Stats SA Quarterly Labour Force Survey

Real economy: A fragile recovery

Domestic output expanded by 1.1% in 2025, from 0.5% in the previous year. Household consumption underpinned output growth, as consumers benefited from a favourable inflation environment and declining borrowing costs. By contrast, fixed investment detracted for a second successive year, although it contributed positively to growth in the third and fourth quarters. The growth momentum seen in recent quarters is expected to carry to the first quarter of 2026. Looking ahead, growth is expected to average 1.4% this year, rising to 1.9% in 2027 and 2028. These growth projections are conditional on continued implementation of structural reforms and a quick resolution of the conflict in the Middle East.

Recent economic developments

The domestic economy expanded by 1.1% in 2025, a notable improvement from the 0.5% outturn in the previous year.¹¹ GDP has now recorded five consecutive quarters of expansion, the longest such streak since 2018, indicating strengthening momentum. Nonetheless, growth remained modest and well below long-term averages, underscoring the enduring drag from supply-side bottlenecks.¹²

From the production side, output expansion was driven by the tertiary sector, particularly trade and finance, where activity was buoyed by low inflation and reduced borrowing costs.¹³ The primary sector recorded stronger activity in the second half of 2025, on an annual basis, although quarterly performance was volatile. Agricultural output benefited from favourable weather conditions, while mining was supported by higher commodity prices and improvements in freight rail performance. By contrast, the secondary sector again detracted from growth, reflecting persistent weakness in manufacturing.

With activity levels improving, employment also expanded, albeit modestly, driven by gains in the formal segment.¹⁴ However, broader labour-market conditions continue to be subdued. Since the COVID-19 pandemic, the labour-absorption rate has stayed below 42%, while the unemployment rate remains high at 31.4% despite some moderation.¹⁵ This reflects persistent challenges such as skills

¹¹ On a quarter-on-quarter basis, the economy increased by 0.3% in the third quarter and by 0.4% in the fourth quarter.

¹² See A Khoza, K Morema, M Mofokeng and M Tshenkeng, 'Will GDP firmly lift from supply-side', *SARB Economic Note* No. EN/2024/22, December 2024.

¹³ For detailed sectoral performance see SARB, *Quarterly Bulletin*, March 2026.

¹⁴ See Statistics South Africa, 'Quarterly Labour Force Survey, Quarter 4: 2025', 17 February 2026.

¹⁵ The average labour absorption rate for G20 emerging markets is approximately 60%. See 'OECD Economic Surveys: South Africa 2025', Volume 2025/14, June 2025.



mismatches and elevated job search costs and culminates in sharply higher structural unemployment.¹⁶ Meanwhile, real compensation of employees expanded at a muted rate of just 0.4% over the past year, well below its long-term average.

Despite persistent labour-market challenges, the demand side of the economy was buoyant, underpinned by robust household consumption. Household spending increased by 3.9% in the final six months of 2025, compared with the same period a year earlier. The strong growth was supported by low inflation and declining borrowing costs that reduced debt service costs and boosted real disposable income. Spending was also bolstered by gains in asset prices and the two-pot retirement withdrawals.

By contrast, investment detracted from growth in 2025, although the contraction was less pronounced compared with the year before. However, investment has gained some momentum on a quarter-on-quarter basis, having expanded in both the third and fourth quarters of 2025. Looking under the hood reveals that investment was mainly directed to information technology assets rather than physical assets, indicating that firms and the public sector have prioritised efficiency improvements over capacity expansions.

High frequency data suggests GDP growth momentum will be sustained in the near term. The SARB projects growth of 0.3% in the first quarter of this year, in line with the Reuters median forecast.

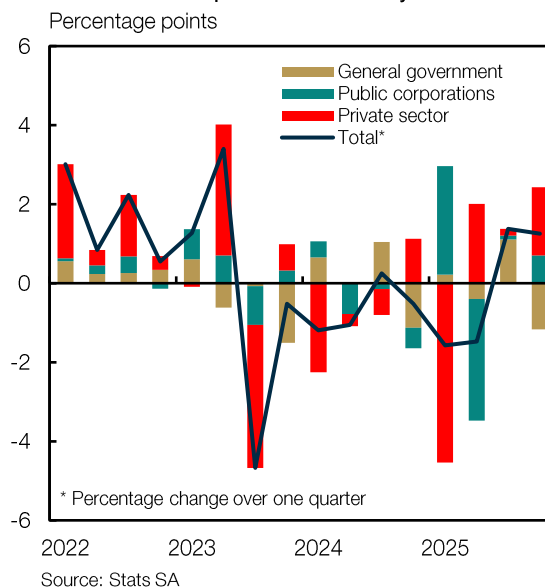
Growth outlook

The domestic economy is projected to continue to expand over the forecast period, growing by 1.4% this year and rising to about 2% by 2028, underpinned by household consumption. Government spending and net exports are also expected to support growth, albeit modestly. The productive capacity of the economy is projected to increase at roughly the same pace as real GDP, resulting in an output gap that is practically closed. However, near-term growth risks are skewed to the downside amid sharply higher energy costs.

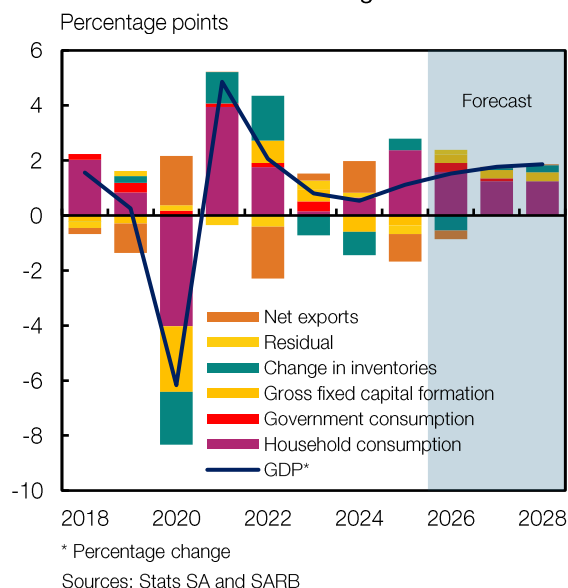
Household consumption is projected to remain resilient under the SARB's baseline forecast, which assumes a short-lived conflict. While inflation is forecast to average higher at 3.7% this year, compared with 3.3% in the January 2026 forecast, it is anticipated to decline to target from end-2027, implying minimal real income erosion. The QPM-implied policy rate path indicates a decline in borrowing costs over the medium term, which should further ease debt-servicing costs as well as support credit access and affordability. Consumption should

¹⁶ See C Loewald, K Makrelov and A Wörgötter, 'Addressing low labour utilisation in South Africa', *SARB Working Paper Series* No. WP/21/09, June 2021.

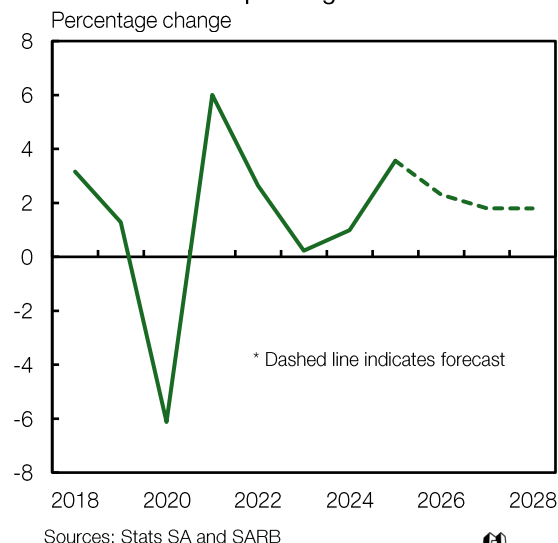
Gross fixed capital formation by sector



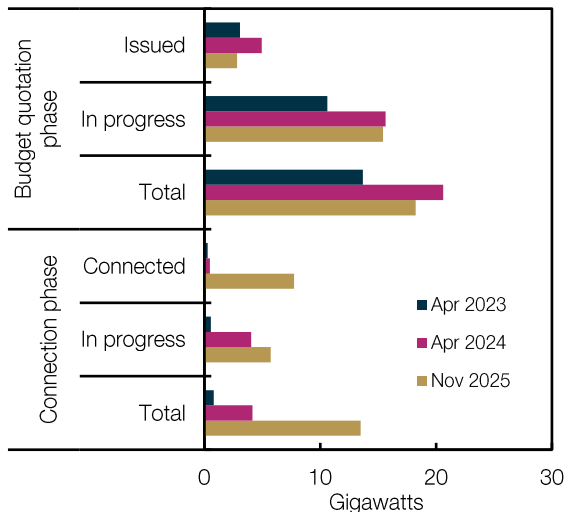
Contributions to real GDP growth



Real household spending*



Pipeline of private sector energy projects



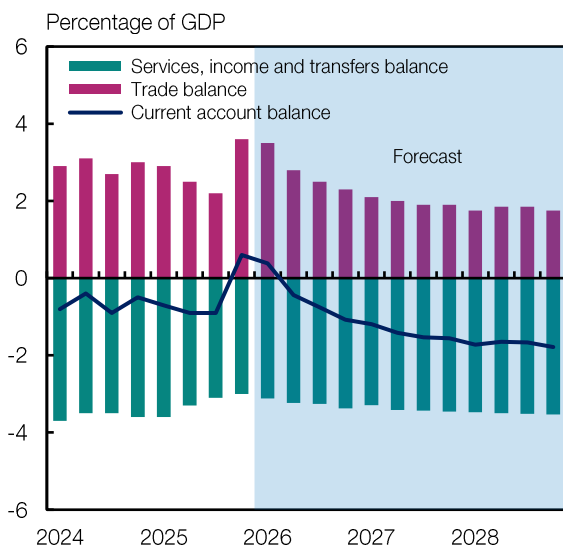
Source: National Transmission Company South Africa

also benefit from expected employment growth and increase in household net wealth.

Following two successive years of negative growth, investment spending is projected to rebound, increasing by 2.2% this year and broadly maintaining this pace through to 2028. Investment will be supported by private sector capital spending as reforms in the energy and logistics sectors, along with the improved macroeconomic fundamentals, reduce bottlenecks and inefficiencies.^{17,18} Government's announced R1.07 trillion in infrastructure spending over the medium-term expenditure framework (MTEF) should add further impetus; however, chronic capital under-spending remains a risk.¹⁹

The growth outlook is subject to significant risks. A further escalation or prolongation of the Middle East conflict could raise domestic inflation sharply and squeeze household incomes, while high fuel costs or shortages could disrupt production.

Current account balance



Source: SARB

Macro balances

The current account and its drivers

Improved terms of trade helped narrow the current account deficit in 2025 compared with the projection in the previous MPR as well as the 2024 outcome.²⁰ This improvement was underpinned by a strong trade surplus and a modest reduction in the services, income and transfer deficit. Export growth was supported by higher net gold exports and elevated precious commodity export prices more generally; while lower oil prices reduced imports. Looking ahead, the current account deficit is forecast to remain broadly unchanged this year, widening to 1.7% by 2028, reflecting increased domestic demand (imports). However, renewed uncertainty, the decline in precious commodity export prices and higher oil prices stemming from the Middle East conflict present downside risks.

Fiscal balances

South Africa's fiscal position improved further in the 2025/26 fiscal year, with yet another primary surplus expected; while the debt-to-GDP ratio is anticipated to have peaked this past fiscal

¹⁷ New regulatory reforms should speed up embedded-generation project delivery. See Department of Minerals, Resources and Energy, 'Grid capacity allocation rules', General Notice 6982 of 2025, *Government Gazette* No. 53914, 24 December 2025.

¹⁸ See Traxtion, 'Traxtion confirms R3.4bn rolling stock investment to unlock rail capacity and jobs', Media release, 4 December 2025.

¹⁹ See National Treasury, *2026 Budget Review: Public-Sector Infrastructure and Public-Private Partnerships Update*, 2026.

²⁰ The current account deficit averaged 0.5% of GDP in 2025. The October 2025 MPR projected a 1% deficit, while the 2024 outcome was 0.7%.



year.²¹ These positive developments have lifted confidence, as discussed in the global financial markets chapter.

The fiscal trajectory is projected to improve further over the MTEF, despite the withdrawal of the proposed R20 billion in tax measures. The associated revenue shortfall is expected to be offset by improvements in several tax bases and lower non-interest expenditure. Consequently, the primary surplus is projected to increase from 0.9% of GDP in the 2025/26 financial year to 1.9% by 2027/28, while the debt ratio moderates to 77% by 2027/28.

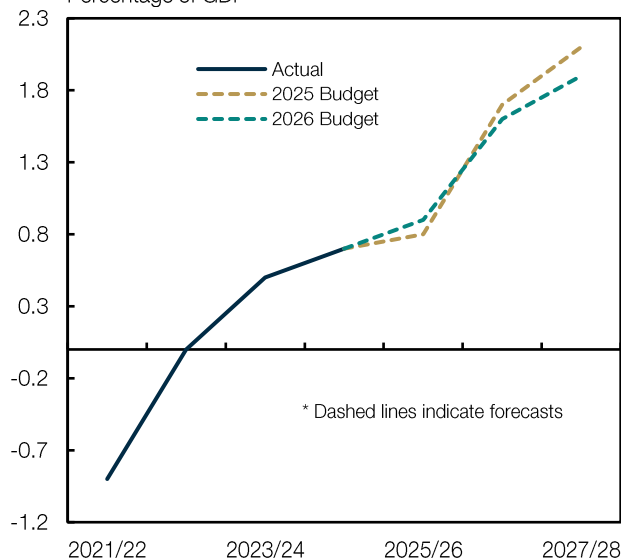
However, the fiscal outlook faces material upside risks. The temporary fuel levy relief of R3 per litre, weaker-than-expected growth and potential state-owned enterprise support may reduce revenue and increase expenditure.

Conclusion

Domestic growth is expected to gradually strengthen, rising to 1.9% by 2028. However, it remains below its steady-state level of 2.5% and well below the 4% average for emerging economies, highlighting persistent structural challenges. Risks to growth are skewed to the downside given the conflict in the Middle East and sharply higher fuel prices.

Primary balance*

Percentage of GDP



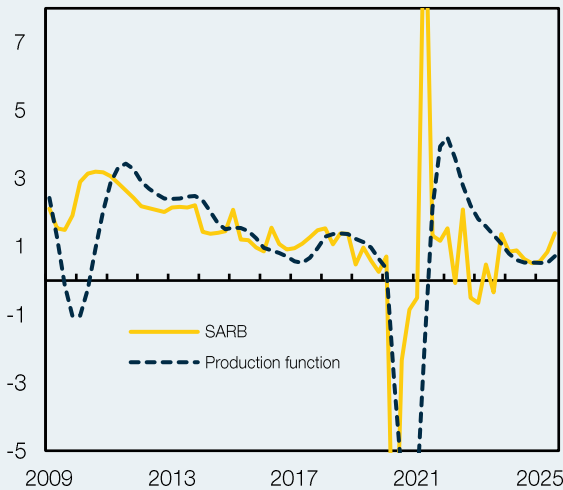
Source: National Treasury

²¹ The debt ratio is expected to have peaked at 78.9%, compared with the projected 77.9% in the 2025 *Medium-Term Budget Policy Statement* and 77.4% in the 2025 Budget.



Potential growth estimates

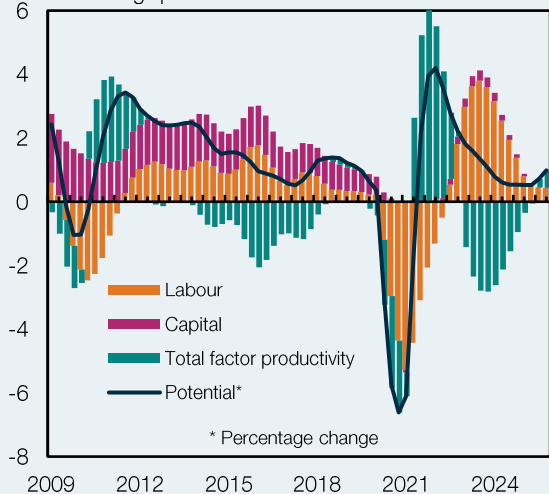
Percentage change



Source: SARB

Potential GDP

Percentage points



Sources: Stats SA and SARB

Box 5 Under the hood of South Africa's potential growth

The South African Reserve Bank (SARB) uses a semi-structural multivariate filter to estimate potential growth – the maximum sustainable output above which further expansions become inflationary.¹ To explain the dynamics of potential growth and the sources of shifts in this component, a Cobb-Douglas production function is estimated.² The two models produce broadly similar profiles.

South Africa's potential growth has been on a declining trend since the global financial crisis. A decomposition into its constituent components, namely capital, labour and total factor productivity, indicates that capital and labour supported growth in the pre-pandemic period, but their impact gradually diminished over time. Total factor productivity, which measures the efficiency with which firms combine labour and capital in production, generally detracted from potential growth.

Labour's contribution to potential growth has since normalised to pre-pandemic levels, after pandemic-related volatility. Its longer-term decline aligns with a sustained rise in structural unemployment since the global financial crisis, underscoring a binding constraint on potential growth.

Capital stock, once a strong driver of potential growth, has contributed only modestly since the pandemic, mirroring weak investment growth.^{3, 4} Investment has fallen to around 13% of gross domestic product in 2025, from nearly 20% in 2008. This sustained decline reflects policy uncertainty, underperformance in critical infrastructure and elevated long-term borrowing costs.⁵

Total factor productivity has also been volatile but has dragged on growth overall. This persistent weakness points to structural frictions, particularly excessive regulatory burden and infrastructure inadequacies driven by the erosion of state capacity, that constrain firms' ability to optimise production.⁶ While productivity improved over the past year, likely reflecting eased electricity and logistics constraints, a sustained rebound will require decisive progress on these structural impediments.

In short, potential growth was mostly dragged by total factor productivity, suggesting constraints that impede both allocative and productive efficiency. These constraints likely also explain the low labour absorption rate and subdued capital formation. Reforms that strengthen market functioning and reduce uncertainty as well as the cost of doing business would raise potential output. Operation Vulindlela reforms and measures that bolster macroeconomic stability should therefore remain top priorities.

¹ The methodology adjusts for temporary supply-side shocks, such as strikes or droughts, to reduce the risk of misclassifying these as demand-driven fluctuations in output. See B Botha, F Ruch and R Steinbach, 'Short-lived supply shocks to potential growth', *SARB Working Paper Series No. WP/18/02*, 2018.

² See A Khoza, T Mofokeng, K Morema, M Tshenkeng and D Lekgeu, 'South Africa's potential GDP growth: Trends and drivers', *SARB Economic Note*, forthcoming.

³ Capital stock represents the accumulation of all existing fixed assets in the economy. See P Alexander et. al., 'Assessing global potential output growth', *Bank of Canada Staff Analytical Note*, 2017.

⁴ See Krutham. 2025. *SA's investment malaise: 'A structural erosion of capital formation?', 2025.*

⁵ See T Janse van Rensburg, A van Niekerk and R Ehlers, 'What is holding back investment in South Africa?', *SARB Economic Note No. EN/2025/13*, 2025.

⁶ See R Hausmann et. al., 'Growth through inclusion in South Africa', *CID Faculty Working Paper No.434*, November 2023.



Box 6 Offsetting component surprises kept 2025 growth forecast errors modest

The South African Reserve Bank (SARB) regularly evaluates its forecast performance to ensure models are performing and expert judgement adds value to the forecasting process.

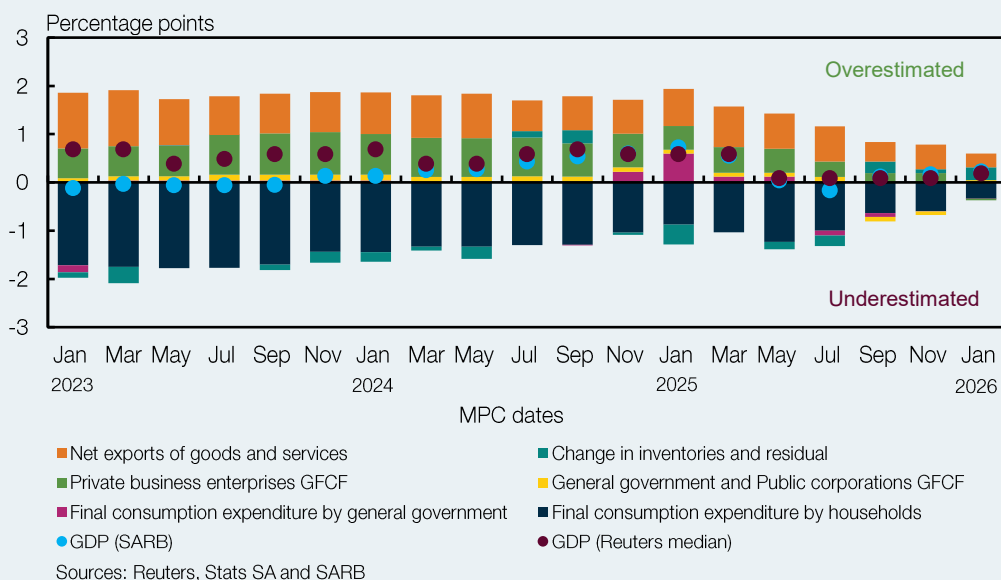
The SARB's growth forecast errors for 2025 were modest, with the absolute mean error of just 0.25 percentage points across all Monetary Policy Committee (MPC) forecast vintages, compared with 0.44 percentage points for the Reuters median.¹

Although the overall forecast errors were small, they masked large but offsetting component-level surprises. Household consumption was stronger than projected, supported by faster-than-expected disinflation, the introduction of the two-pot retirement withdrawals in late 2024 and easier financial conditions. Inventory accumulation was also underestimated, reflecting firmer-than-anticipated demand.

Meanwhile, net exports and private investment were overestimated. Net exports underperformed, likely reflecting rand strength and slower-than-expected improvements in competitiveness, particularly in logistics. Private investment also fell short, as reforms, especially in electricity and logistics had not yet translated into higher capital spending. While unexpected, this outcome is consistent with the view that reforms affect investment and growth with long and variable lags, as project pipelines, regulatory processes and confidence effects adjust gradually rather than immediately.

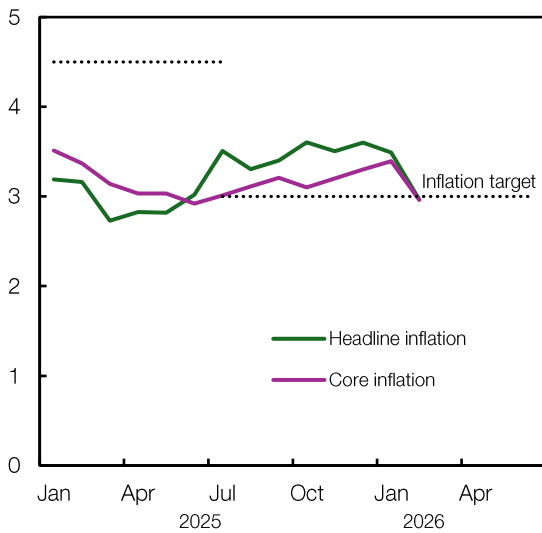
The finding of modest headline growth forecast errors alongside large and offsetting component-level errors highlights the need to assess forecast performance beyond aggregate outcomes.

Contributions to the 2025 GDP forecast errors (forecast minus actual)



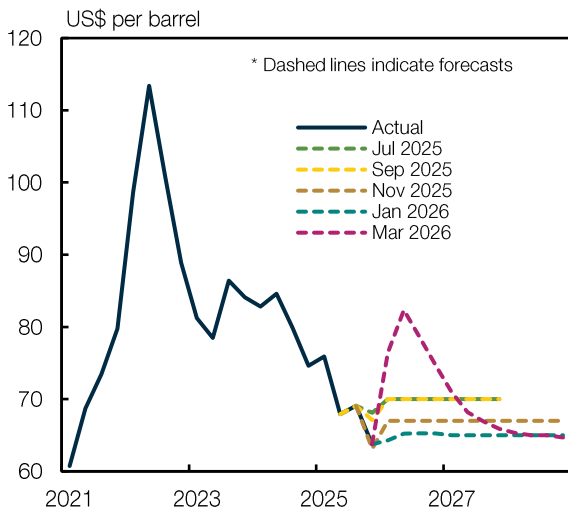
¹ The 2025 gross domestic product growth root mean square error (RMSE) for the SARB was 0.32 and 0.50 for the Reuters median. This is relatively small compared to the SARB's 2023 and 2024 RMSEs of 0.78 and 1.14 respectively.

Headline and core inflation
Percentage change over 12 months



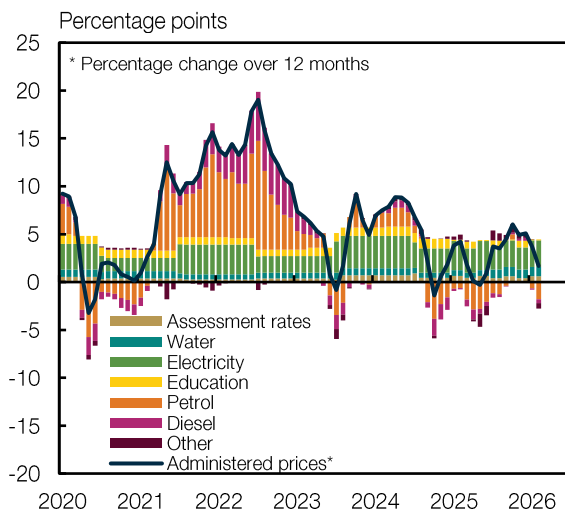
Source: Stats SA

Oil price forecast evolution*



Source: SARB

Contributions to administered price inflation



Sources: Stats SA and SARB

Price developments: Tested by shocks

Headline inflation eased to 3% in February 2026, aligning with the new inflation target. Inflation remained contained over the past year, as it benefited from fuel deflation and modest core price increases. A stronger rand, moderating inflation expectations and muted wage growth kept core pressures subdued. However, the near-term inflation outlook has since shifted higher, reflecting sharp increases in fuel prices and rand depreciation. The SARB projects headline inflation to average 3.7% this year, from 3.2% in 2025, returning to target from late 2027. Risks are skewed to the upside.

Oil prices and fuel inflation

Oil supply has tightened acutely since the onset of the Middle East conflict on 28 February 2026. Uncertainty and disruption to oil trade flows have pushed the oil price past US\$100 per barrel. Compared to recent shocks, the latest oil price rises are significant. The diesel (petrol) price increased by R7.37 (R3.06) per litre in April 2026, the largest one-off increase for diesel since 2000. The increases would have been significantly higher were it not for the temporary fuel levy reduction of R3 per litre.

The Brent crude oil price was mostly stable around US\$65 per barrel in the first five months of the review period. Modest oil prices, plus rand strength, resulted in subdued domestic fuel price pressures over the period.

Despite elevated uncertainty, medium-term oil market fundamentals still point to a return to market oversupply, which would put downward pressure on prices in the outer years of the forecast horizon.²² However, damage to energy infrastructure in the Gulf region and disruptions to shipping will likely constrain near- to medium-term supply. The SARB has accordingly raised its Brent crude oil price assumption to US\$78 per barrel in 2026, up from US\$70 per barrel in the October 2025 MPR, declining to US\$65 per barrel by 2028. Considerable uncertainty surrounds this outlook (Box 1).

Administered price inflation

Administered price inflation eased to 3.2% this past year, from 5.2% in 2024, mainly reflecting fuel deflation. However, this is expected to reverse in the near term as the basic fuel price increases due to higher Brent crude oil prices and widening internationally determined refinery margins (especially for diesel). Upside pressure also emanates from rising freight and insurance costs as well as a weaker rand. Refinery margins are generally persistent, presenting the risk that they remain elevated even when Brent crude oil prices normalise.

²² See US Energy Information Administration, *Short-Term Energy Outlook*, April 2026.



Administered price inflation is projected (as at the March 2026 MPC) to increase to 6.9% this year, although the one-off reduction in the fuel levy should add some downside risk relative to this baseline.

Fuel inflation distorts the measurement of ‘true’ administered price inflation as fuel prices reflect the internationally determined (unregulated) basic fuel price as well as regulated components.²³ Excluding the basic fuel price component, administered price inflation was 5.9% in 2025 and is projected to remain around these levels over the medium term.

Electricity and water prices, which rose by 10.9% and 9.9% respectively, exerted significant upside pressure to administered inflation in 2025. Since 2009, prices for these components have risen by six-fold and five-fold respectively, while economy-wide prices have about doubled. Because electricity and water are key inputs into production, persistent large price escalations raise the cost structure of the economy and erode competitiveness. With inflation broadly on a downward trajectory, the widening real tariff increase heightens the urgency of reforms to align administered price growth with broader price trends.

Price increases for other administered components, such as education and property rates, have been moderate, suggesting partial indexation to headline inflation.²⁴ The shift to the 3% inflation target should further temper administered price increases.

Food and non-alcoholic beverages inflation

Repeated and overlapping shocks rendered food and non-alcoholic beverages (NAB) inflation unstable in 2025. After averaging 2.6% in the first quarter of 2025, food and NAB inflation roughly doubled to 5.1% in the third quarter before receding to 4.2% in the final quarter of the year.

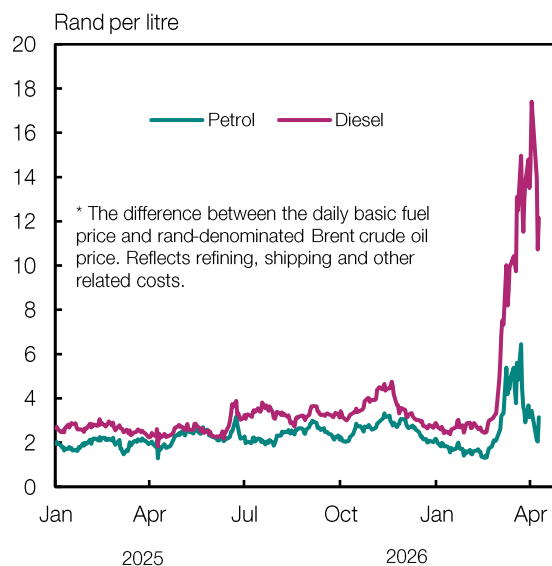
While weather-related vegetable supply disruptions unwound quickly, meat has exerted significant and persistent upside pressure to food and NAB as the ongoing foot-and-mouth disease outbreak has constrained supply. Although vaccination is underway, herds may take time to rebuild and return to productivity.²⁵

²³ The regulated component comprises of domestic fuel taxes (including the Road Accident Fund levy) as well as wholesale and retail margins.

²⁴ C Loewald, K Makrelov and E Pirozhkova, ‘The short-term costs of reducing trend inflation in South Africa’, *SARB Working Paper Series No. WP/22/08*, August 2022.

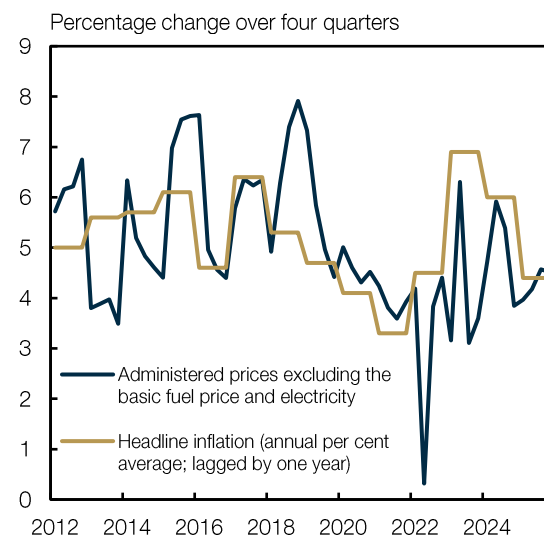
²⁵ While beef carcass prices have eased in recent weeks, weaner calf prices have continued to trend upwards, suggesting market tightness for cattle headed to feedlots.

International fuel refinery margin proxies*



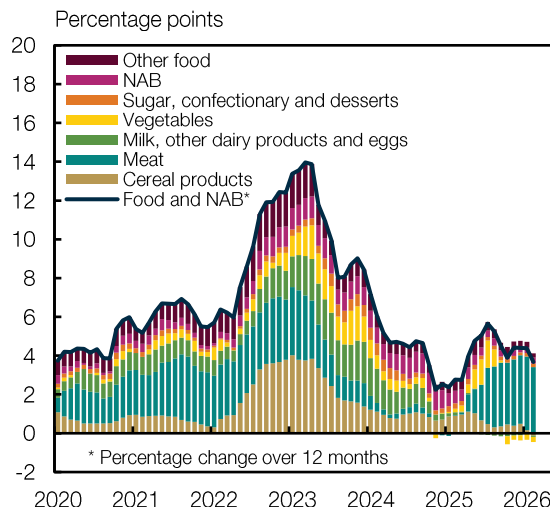
Sources: Haver and SARB

Administered price inflation and indexation



Sources: Stats SA and SARB

Contributions to food and NAB inflation

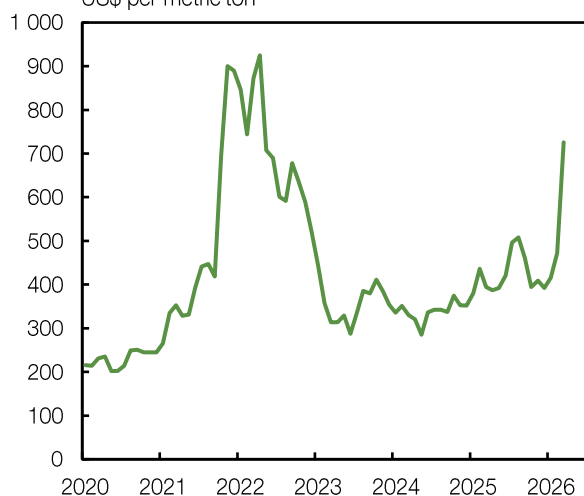


Sources: Stats SA and SARB



Urea prices

US\$ per metric ton



Source: World Bank

The rest of the food basket has seen more modest inflation amid favourable domestic weather conditions, ample grain stocks and subdued global price pressures. Food and NAB inflation is expected to average 3.6% this year and to remain at this level next year, before declining to target. Risks include failure to contain the spread and impacts of animal diseases and prolongation of the conflict in the Middle East that could seriously affect fertiliser supply and keep diesel prices elevated as well as expected El Niño weather conditions later in the year.²⁶

Consumer food price inflation (March 2026 forecasts)

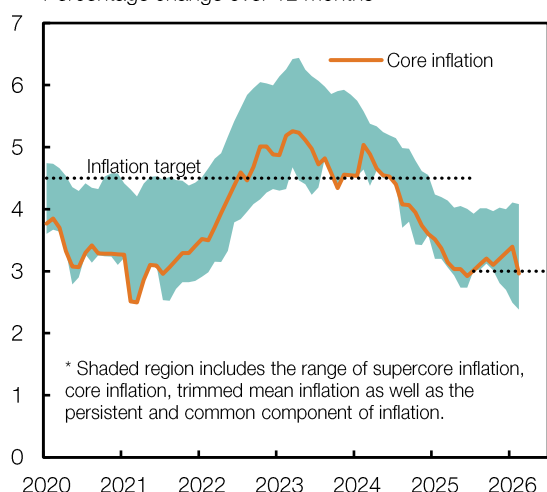
Percentage change over four quarters, September 2025 forecasts in brackets

	Weight	Actual				Forecast				
		2015–25	2025Q3	2025Q4	2025*	2026Q1	2026Q2	2026Q3	2026Q4	2026*
Food and non-alcoholic beverages.....	18.23	6.2	5.1 (5.1)	4.2 (5.0)	4.2 (4.3)	4.0 (4.9)	2.9 (3.5)	3.1	4.1	3.6
Cereal products.....	4.14	6.2	1.7 (1.6)	1.9 (2.0)	2.9 (2.9)	-0.1 (1.2)	-0.1 (0.5)	1.2	2.7	0.9
Meat.....	5.10	6.3	11.2 (11.0)	12.0 (11.5)	6.9 (6.8)	12.7 (11.2)	9.9 (7.9)	5.4	5.8	8.3
Beef.....	1.15	7.4	29.6 (29.5)	29.0 (28.7)	17.7 (17.6)	27.3 (26.2)	13.5 (11.8)	1.8	3.6	11.6
Poultry.....	1.90	6.4	2.5 (2.4)	3.7 (3.4)	1.7 (1.6)	4.7 (4.6)	6.4 (6.2)	5.9	6.0	5.7
Milk, other dairy products and eggs.....	1.83	5.7	-1.2 (-0.9)	-1.3 (-0.5)	-0.3 (0.0)	-0.4 (1.2)	0.6 (2.1)	1.9	3.0	1.3

* Annual average percentage change
Sources: Stats SA and SARB

Underlying inflation*

Percentage change over 12 months



* Shaded region includes the range of supercore inflation, core inflation, trimmed mean inflation as well as the persistent and common component of inflation.

Sources: Stats SA and SARB

Core inflation

Core inflation remained close to 3% in 2025, reflecting muted core goods inflation and relatively contained services price increases.²⁷ Core inflation has benefited from a stronger rand, easing inflation expectations and subdued ULC growth. A moderately restrictive policy stance has also helped mute price pressures. Modest core inflation is mirrored in the other measures of underlying inflation, namely trimmed mean, supercore inflation and the persistent and common component of inflation that have remained broadly stable in the 3–4% range over the review period.

²⁶ A total of 45% of global sulphur exports and 35% of global urea exports pass through the Strait of Hormuz. Both components are crucial fertiliser inputs.

²⁷ Core inflation averaged 3.2% in 2025, from 4.3% in the previous year.



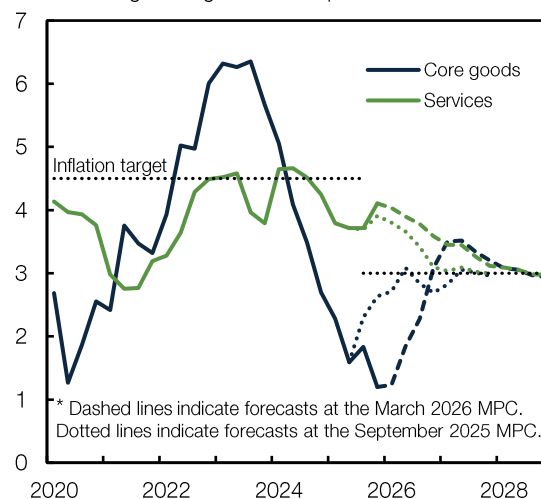
Core goods inflation exerted downward pressure on core inflation and repeatedly surprised to the downside as the large-weight and exchange-rate-sensitive components benefited from a stronger rand as well as the growing share of cheaper imported vehicles. Core goods inflation reached a five-year low of 1.1% in November last year, before edging slightly higher to 1.3% in February 2026. Despite risks from recent geopolitical shocks, rand strength through the end of 2025 and a more competitive domestic goods market should continue to temper price growth.²⁸ The SARB forecasts core goods inflation to average 2% this year and to stabilise at target over the medium term.

Services inflation remained around 4% over the review period, before dropping 0.4 percentage points to 3.8% in February this year. The decline was due mainly to a marked easing in medical insurance inflation in that month.²⁹ Medical insurance will likely be surveyed again in April 2026 as some schemes have delayed premium increases, which is expected to accelerate inflation for this component. Health insurance inflation has persistently outpaced headline inflation (Box 8). Upward pressure to services inflation also stemmed from rising housing price increases.³⁰

Spillover effects from sharply higher fuel prices pose a risk to the services inflation outlook. The SARB forecasts services inflation to average 3.9% this year and to converge to target by 2028.

Components of core inflation*

Percentage change over four quarters



Sources: Stats SA and SARB

²⁸ SARB engagements with businesses show that internal selling price inflation (includes price promotions, loyalty card usage and substitution purchases by consumers) has generally been lower than headline inflation. Outcomes lower than overall inflation can suggest increased promotional activity, downtrading by consumers, margin compression or a combination of the three.

²⁹ Medical insurance dropped 4 percentage points to 6.5% in February 2026.

³⁰ Housing inflation rose from 2.5% at the start of 2025 to 3.6% by the end of the year, but this partly reflected base effects.

Headline inflation (March 2026 forecasts)

Percentage change over four quarters, September 2025 forecasts in brackets

	Weight	Actual				Forecast				
		2015–25	2025Q3	2025Q4	2025*	2026Q1	2026Q2	2026Q3	2026Q4	2026*
Headline inflation.....	100.00	4.8	3.4 (3.6)	3.6 (4.0)	3.2 (3.4)	3.2 (3.9)	4.0 (3.9)	3.7	3.9	3.7
Core inflation**.....	74.53	4.3	3.1 (3.2)	3.2 (3.5)	3.2 (3.3)	3.2 (3.5)	3.3 (3.5)	3.4	3.4	3.3
Rentals***.....	15.53	3.3	2.8 (2.6)	3.2 (2.6)	2.8 (2.6)	3.6 (2.7)	3.8 (2.9)	3.8	3.6	3.7
Insurance.....	8.41	6.9	7.6 (7.7)	7.5 (7.6)	7.8 (7.9)	5.6 (6.4)	5.0 (6.0)	5.0	5.0	5.1
Education.....	2.41	6.0	4.5 (4.5)	4.5 (4.5)	4.8 (4.8)	4.9 (4.9)	5.8 (5.8)	5.8	5.8	5.6
Vehicles.....	5.61	4.8	1.5 (1.7)	1.0 (2.3)	1.7 (2.1)	0.7 (2.7)	1.0 (3.6)	1.1	1.3	1.0
Fuel.....	3.89	5.0	-4.5 (-4.1)	1.3 (1.9)	-5.8 (-5.5)	-7.5 (0.0)	18.3 (6.6)	9.8	9.4	7.4
Electricity.....	3.44	9.5	10.5 (10.5)	10.4 (10.4)	10.9 (10.9)	10.4 (10.4)	10.4 (10.4)	7.9	7.9	9.1

* Annual average percentage change

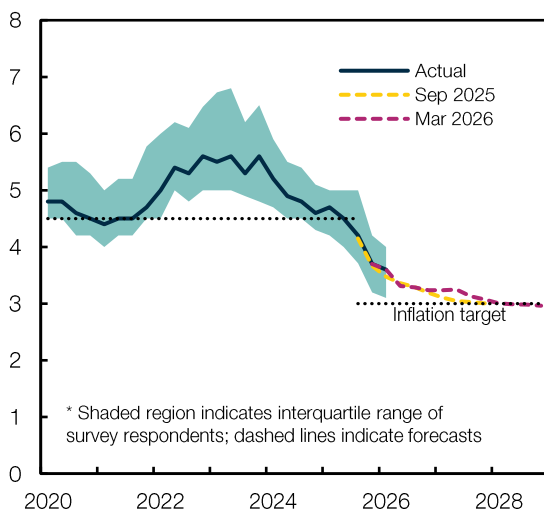
** CPI excluding food, non-alcoholic beverages, fuel and electricity

*** Combines actual rentals and owners' equivalent rent

Sources: Stats SA and SARB

Two-years-ahead inflation expectations - all groups*

Per cent



Sources: BER and SARB

Medium-term inflation outlook

In the QPM, the medium-term trajectory of core inflation and consequently overall inflation, is explained by inflation expectations, ULCs, the output gap and the exchange rate gap.

Surveyed inflation expectations capture the subjective beliefs of economic agents about the future trajectory of inflation and generally influence behaviour.³¹ The BER's two-years-ahead inflation expectations eased to an all-time low of 3.6% in the first quarter of this year, partly reflecting modest historical inflation outcomes given the backward-looking nature of surveyed expectations. However, expectations fell short of the 3.4% projected in the January MPC forecast. In the QPM, inflation expectations are a weighted average of surveyed and model-consistent (forward-looking) expectations. The SARB projects inflation expectations to continue to moderate – albeit at a slower pace – and to stabilise at target by 2028. Easing inflation expectations also indicate that agents are attentive to the shift to a lower inflation target and to monetary policy overall (Box 2).

Medium-term price pressures also reflect labour market dynamics. In the QPM, wage inflation is driven by the real ULC gap and nominal ULC growth.³² Real wage growth was muted

³¹ See O Coibion, Y Gorodnichenko and T Ropele, 'Inflation expectations and firm decisions: New causal evidence', December 2018.

³² The real ULC gap measures the deviation of real wages per worker from productivity-aligned levels, while nominal ULC growth determines whether



over the review period and is projected to remain disinflationary over the forecast period. Meanwhile, salary increases are revised up, pushing ULC growth higher to 4.1% this year, before declining to 2.7% in 2028.³³ Risks to this outlook are skewed to the upside, considering the historically strong correlation between fuel prices, food inflation and wage growth.

The output gap remained small and negative over the review period, exerting modest disinflationary pressure. The gap is projected to close from next year, rendering its contribution to inflation broadly neutral. The trajectory of the output gap is largely similar to that in the October 2025 MPR.³⁴

The exchange rate directly affects firms' real marginal cost as well as import costs. The rand appreciated over the review period, strengthening from R17.21 to the US dollar at the November MPC meeting to R16.33 at the March meeting. The real exchange rate also appreciated, with the exchange rate gap shifting from undervaluation to overvaluation, easing inflationary pressures. However, the rand recently lost some ground amid renewed dollar strength. A worsening of geopolitical tensions poses risks to the exchange rate (and by implication, inflation) outlook.

Conclusion

Headline inflation was contained over the review period, reaching 3% in February 2026, precisely in line with the new target. It will be higher in the near term amid severe disruptions to global energy markets. The rand has also weakened somewhat, while fertiliser prices have risen, posing upside risks to food inflation. Together, these factors present a threat to inflation expectations. Nevertheless, the SARB's baseline forecast projects inflation to remain within the tolerance band this year and to stabilise at target from late next year. The conflict in the Middle East presents material upside risks to this trajectory.

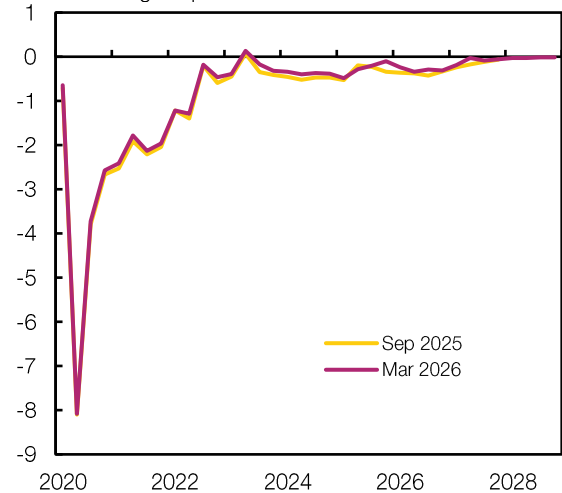
wage increases or productivity decreases contributed towards inflationary pressures.

³³ ULC growth was projected at 3.7% this year and 3% in 2027 in the October 2025 MPR.

³⁴ The output gap is expected to be -0.3%, -0.1% and 0% of potential GDP in 2026, 2027 and 2028 respectively.

Output gap

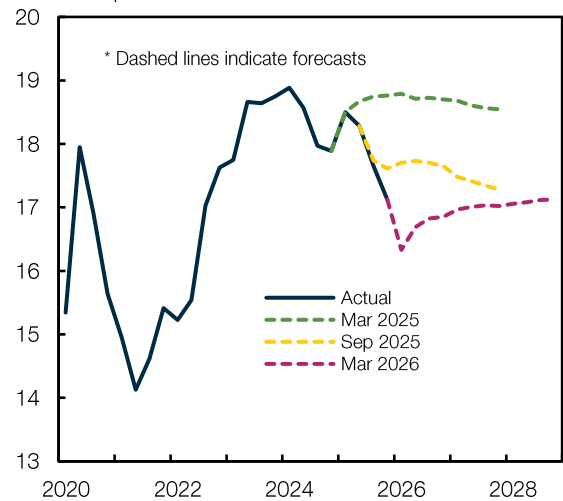
Percentage of potential GDP



Source: SARB

Exchange rate - rand to US dollar*

Rand per US\$



Source: SARB



Box 7 Rand strength mostly explains 2025 inflation forecast errors

The South African Reserve Bank (SARB) overestimated the 2025 headline inflation rate in most Monetary Policy Committee (MPC) forecasts.¹ However, errors narrowed markedly from the March 2025 MPC forecast as it became evident that inflationary pressures were subdued and as the forecast horizon shortened. Other forecasters experienced broadly similar performance, suggesting common challenges in medium-term inflation forecasting.²

Early forecasts of headline inflation aligned with the SARB's preferred 4.5% target at the time, consistent with the medium-term convergence properties of the Quarterly Projection Model (QPM).³ However, headline inflation came out lower and averaged just 3.2% in 2025.

Overestimations were primarily due to core inflation, as both core goods and services were mostly overstated. The overprediction of core goods inflation was driven by a stronger-than-forecasted rand, while that of services was due to benign rental inflation, muted unit labour cost growth and lower-than-projected inflation expectations.⁴ Forecast errors in non-core inflation were less pronounced, but mainly due to fuel inflation benefiting from the stronger rand and stable global oil prices, while food and electricity inflation forecasts were relatively accurate.

The evolution of the 2025 inflation forecast errors underscores the challenges of long-horizon forecasting amid elevated uncertainty. It also highlights the role of successive MPC meeting forecasts in adjusting assumptions and risk assessments as new information emerges.



¹ The forecast evaluation begins in November 2022 – the first meeting in which 2025 was included in the forecast horizon.

² The SARB's root mean square errors (RMSEs) are comparable to those of private sector analysts, at 0.3, 1.2 and 1.3 percentage points for the current-year, one-year-ahead and two-years-ahead horizons respectively, compared with analysts' RMSEs of 0.5, 1.2 and 1.4 percentage points respectively.

³ Prior to the announcement of the new 3% inflation target in July 2025 the operational target in the QPM was 4.5%.

⁴ The rand appreciated more than was expected owing to better-than-expected domestic fundamentals and a weaker US dollar.



Box 8 ‘Unhealthy’ insurance inflation

With the exception of the COVID-19 period, South Africa’s health insurance inflation (medical scheme premium inflation) has consistently outpaced headline inflation.¹ Understanding the drivers of this pressure is critical for assessing the overall inflation outlook.

Inflation for medicines and medical products and services has broadly tracked headline inflation. However, medical scheme premiums have escalated at a rate well above it. An important driver is overutilisation: high admission rates and rising care intensity are pushing up expenditure. Between 2014 and 2024, intensive care unit admissions increased by 32.5% and high care admissions by 27.8%, while medical scheme beneficiaries grew by only 4%.² Utilisation, as measured by hospital admission rates and lengths of stay, exceeds that of comparable Organisation for Economic Co-operation and Development (OECD) countries.³

Healthcare spending in South Africa is amplified by demographics and design failures. Medical schemes have an older risk pool, while the absence of risk equalisation weakens cross-subsidisation and reinforces adverse selection.⁴ Market inefficiencies then compound costs, diluting cost containment and enable fraud and abuse. Meanwhile, inadequate oversight of prescribed minimum benefits and practitioners, together with inefficient price-setting, limits value-based purchasing.⁵ Additionally, the third-party payer model entrenches moral hazard and erodes cost discipline.⁶

Health insurance price pressures may also reflect weak competition. Both funder markets (medical schemes and administrators) and the hospital market are highly concentrated. The three largest hospital groups account for about 90% of admissions and the three largest administrators cover nearly 80% of all beneficiaries.⁷

Sharp increases in health insurance premiums shift the adjustment burden to the wider economy and entrench inefficiency. Premium increases are expected to moderate as headline inflation declines and stabilises at target. Reforms to curb unnecessary utilisation and fraud, and to strengthen competition, should reduce the relative price of health insurance and further support overall inflation control.

¹ Health insurance inflation has a weight of 12% in services inflation and 6.17% in headline inflation.

² See Council for Medical Schemes Industry Report, 2024 and *CMS Annual Report, 2014*.

³ See Competition Commission, *Health Market Inquiry: Final Findings and Recommendations Report, 2019*.

⁴ See Council for Medical Schemes, *CMS Industry Report, 2024*. See also Competition Commission (2019). *Ibid*.

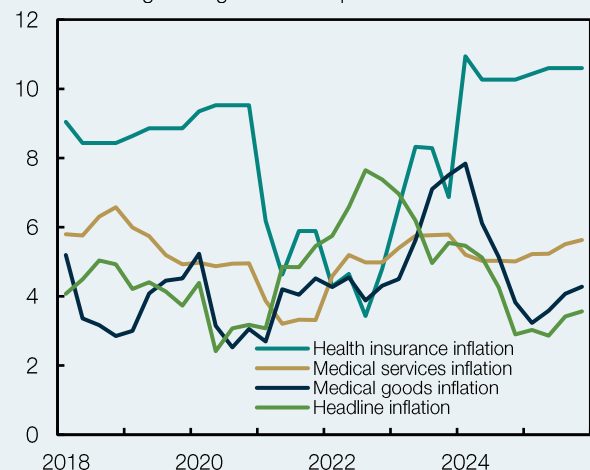
⁵ Historically, tariffs were determined through collective bargaining between the funder association (Representative Association of Medical Schemes) and practitioner and hospital association (Hospital Association of South Africa). The Competition Commission prohibited this practice in 2003. Practitioners either charge what the patient can afford or they accept the scheme rates. The default payment mechanism is based on a fee-for-service approach, which encourages overutilisation and gaming.

⁶ See Competition Commission, 2019. *Ibid*.

⁷ The Competition Commission *Health Market Inquiry* found that in 2016, Netcare, Mediclinic and Life had market shares based on beds of 83% and on admissions of 90%.

Health insurance inflation versus headline inflation

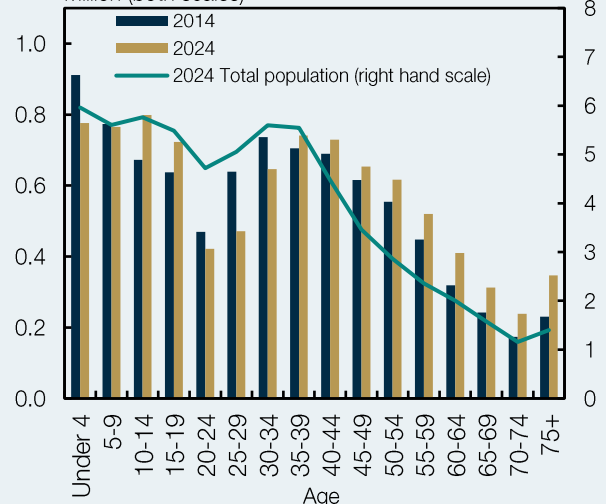
Percentage change over four quarters



Source: Stats SA

Population and medical scheme beneficiaries

Million (both scales)



Sources: Council for Medical Schemes and Stats SA



Conclusion

The conflict in the Middle East has interrupted global disinflation and shifted the inflation outlook higher. Prices for oil, gas, fertilisers and aluminium have risen sharply amid emerging supply shortages. Meanwhile, uncertainty remains high regarding the conflict's duration and intensity; while infrastructure destruction may delay supply normalisation even after hostilities end. Inflation pressures may also arise from countries replicating supply chains to strengthen resilience.

Major central banks have paused rate cuts at recent meetings and are expected to remain cautious as they wait for new information. This posture is helped by policy settings that are generally moderately restrictive, affording authorities more room to look through first-round energy effects. Markets increasingly expect most major central banks to raise rates this year.

With uncertainty elevated, global financial markets are likely to remain volatile. South African assets have also sold off amid risk aversion but have so far been relatively resilient, supported by improved macroeconomic fundamentals.

Spillovers from the shock are expected to affect but not derail South Africa's transition to the 3% target. Inflation was at 3% in February 2026, aligning with the SARB's target. Headline inflation is projected to rise this year but remain within the plus or minus 1 percentage point tolerance band and return to target by late 2027.

Uncertainty remains high and the scale of second-round effects is difficult to quantify. Alternative oil-price paths suggest materially different inflation trajectories, with potentially large non-linear pass-through effects. While the QPM-implied policy rate path suggests rate cuts will be delayed to the fourth quarter, scenarios show that it may be necessary to raise rates (Box 1).

Domestic growth strengthened to 1.1% last year, with momentum expected to continue pushing it close to 2% by 2028. However, risks to household consumption are skewed to the downside amid higher fuel prices and potential squeeze on household real income and wealth.

In a less supportive global environment, growth and resilience will depend more on domestic factors. Recent de-risking gains can be reinforced through speedier implementation of structural reforms, improved pricing efficiency for administered goods and services as well as achievement of a prudent public debt level.



Glossary

Advanced economies: Advanced economies are countries with high gross domestic product (GDP) per capita, diversified exports and close integration into the global financial system.

Balance of payments: This is a record of transactions between the home country and the rest of the world over a specific period of time. It includes the current and financial accounts. See also 'Current account' below.

Brent crude: Brent crude is a light and sweet blend of oil from five different fields in the North Sea. The price of Brent crude is one of the benchmark oil prices in international markets.

Budget deficit: A budget deficit indicates the extent to which government expenditure exceeds government revenue.

Business and consumer confidence: These are economic indicators that measure the level of optimism about the economy and its prospects among business managers and consumers.

Commodities: Commodities can refer to energy, agriculture, metals and minerals. Major South African-produced commodities include platinum and gold.

Consumer price index (CPI): The CPI provides an indication of aggregate price changes in the domestic economy. The index is calculated using a number of categories forming a representative set of goods and services bought by consumers.

Core inflation: Core inflation generally refers to underlying inflation, excluding the volatile elements (e.g. food and energy prices). The SARB's forecasts and discussions refer to headline CPI excluding food, non-alcoholic beverages (NAB), fuel and electricity prices.

Crude oil price: This is the United States (US) dollar price per barrel of unrefined oil. See also 'Brent crude' above.

Current account: The current account of the balance of payments consists of net exports (exports less imports) in the trade account as well as the services, income and current transfers.

Emerging markets: Emerging markets are countries with low to middle income per capita. They are advancing rapidly and are integrating with global (product and capital) markets.

Exchange rate depreciation (appreciation): Exchange rate depreciation (appreciation) refers to a decrease

(increase) in the value of a currency relative to another currency.

Exchange rate pass-through: This is the effect of exchange rate changes on domestic inflation (i.e. the percentage change in domestic CPI due to a change in the exchange rate). Changes in the exchange rate affect import prices, which in turn affect domestic consumer prices and inflation.

Forecast horizon: This is the future period over which the SARB generates its forecasts, typically between two and three years.

Gross domestic product (GDP): GDP is the total market value of all the goods and services produced in a country. It includes total consumption expenditure, capital formation, government consumption expenditure and the value of exports less the value of imports.

Gross fixed capital formation (investment): The value of acquisitions of capital goods (e.g. machinery, equipment and buildings) by firms, adjusted for disposals, constitutes gross fixed capital formation.

Headline consumer price index (CPI): Headline CPI refers to CPI for all urban areas, as measured on a monthly basis by Statistics South Africa (Stats SA). Headline CPI is a measure of price levels in all urban areas. The 12-month percentage change in headline CPI is referred to as 'headline CPI inflation' and reflects changes in the cost of living. This is the official inflation measure for South Africa.

Household consumption: This is the amount of money spent by households on consumer goods and services.

Inflation (growth) outlook: This outlook refers to the evolution of future inflation (growth) over the forecast horizon.

Inflation targeting: This is a monetary policy framework used by central banks to steer actual inflation towards an inflation target level or range.

Monetary policy normalisation: This refers to the unwinding of an unusually accommodative monetary policy. It could also mean adjusting the economy's policy rate towards its real neutral policy rate.

Neutral real interest rate (NRIR): The NRIR is the level at which the real interest rate will settle once the output gap is closed and inflation is stable.

Nominal effective exchange rate (NEER): The NEER is an index that expresses the value of a country's currency relative to a basket of other (trading-partner) currencies. An increase (decrease) in the NEER indicates a strengthening (weakening) of the domestic currency with respect to the selected basket of currencies. The weighted average exchange rate of the rand is calculated against 20 currencies. The weights of the five major currencies are as follows: the euro (30.68%), the Chinese yuan (24.53%), the US dollar (10.56%), the Japanese yen (4.95%) and the Indian rupee (4.85%). Index: 2015 = 100. See also 'Real effective exchange rate' below.

Output gap/potential growth: Potential growth is the rate of GDP growth that could theoretically be achieved if all the productive assets in the economy were employed in a stable inflation environment. The output gap is the difference between actual growth and potential growth, which accumulates over time. If this is negative, then the economy is viewed to be underperforming and demand pressures on inflation are low. If the output gap is positive, the economy is viewed to be overheating, and demand pressures are inflationary.

Policy rate: A policy rate is the interest rate used by a central bank to implement monetary policy.

Productivity: Productivity indicates the amount of goods and services produced in relation to the resources utilised in the form of labour and capital.

Real effective exchange rate (REER): The REER is the NEER adjusted for inflation differentials between South Africa and its main trading partners. See also 'Nominal effective exchange rate' above.

Repurchase (repo) rate: This used to be the policy rate set by the SARB's Monetary Policy Committee (MPC) under the classical cash reserve monetary policy implementation framework. It was the rate that commercial banks paid to borrow money from the SARB.

Terms of trade: This refers to the ratio of export prices to import prices.

Unit labour cost (ULC): A ULC is the labour cost to produce one 'unit' of output. This is calculated as the total wages and salaries in the non-agricultural sector divided by the real value added at basic prices in the non-agricultural sector of the economy.



Abbreviations

AI	artificial intelligence
ARS	Argentine peso
BER	Bureau for Economic Research
BIS	Bank for International Settlements
BoE	Bank of England
BoJ	Bank of Japan
BRL	Brazilian real
CAD	Canadian dollar
CHF	Swiss franc
CNY	Chinese yuan
CPI	consumer price index
DXY	US dollar index
ECB	European Central Bank
EUR	euro
Fed	Federal Reserve (United States)
FRA	forward rate agreement
GBP	British pound sterling
GDP	gross domestic product
GFCF	gross fixed capital formation
GVA	gross value added
HUF	Hungarian forint
IMF	International Monetary Fund
INR	Indian rupee
JPY	Japanese yen
JSE	JSE Limited
KRW	South Korean won
MOVE	Merrill Lynch Option Volatility Estimate
MPC	Monetary Policy Committee (South African Reserve Bank)
MPIF	monetary policy implementation framework
<i>MPR</i>	<i>Monetary Policy Review</i>
<i>MTBPS</i>	<i>Medium Term Budget Policy Statement</i>
MTEF	medium-term expenditure framework
MXN	Mexican peso
NAB	non-alcoholic beverages
NBER	National Bureau of Economic Research
OECD	Organisation for Economic Co-operation and Development
<i>OBEN</i>	<i>Occasional Bulletin of Economic Notes</i>



OPEC	Organisation of the Petroleum Exporting Countries
PCCI	persistent and common component of inflation
PCE	personal consumption expenditure
PGM	platinum group metal
PLN	Polish zloty
PPI	producer price index
<i>QLFS</i>	<i>Quarterly Labour Force Survey</i>
QPM	Quarterly Projection Model
repo (rate)	repurchase (rate)
RMSE	root mean square error
S&P	Standard & Poor's
SA	South Africa
SARB	South African Reserve Bank
SSA	sub-Saharan Africa
Stats SA	Statistics South Africa
TRY	Turkish lira
UK	United Kingdom
ULC	unit labour cost
US	United States
VIX	Volatility Index
<i>WEO</i>	<i>World Economic Outlook</i>
ZAR	South African rand



