MNI South African Reserve Bank Preview: November 2025

Details:

Decision due Thursday, November 20th, alongside a press conference with Governor Lesetja Kganyago. The presser will start at 13:00GMT/15:00SAST and will be broadcast via the central bank's website and social media channels.

MNI Point of View: SARB May Cut Rates Again

A majority of economists expect the Monetary Policy Committee (MPC) to cut interest rates by 25bp and we align with the consensus call but consider this week's decision as relatively difficult to forecast. The panel convenes for the first time after last week's formalisation of a lower +3% Y/Y inflation objective, which had already been its implicit target since an informal shift in July. The overall benign inflation picture and a positive outlook support the case for a decrease in interest rates, but the October CPI report due on the even of the decision is expected to show a temporary upturn in headline inflation, which could prompt the MPC to exercise caution – especially in case of an upside surprise.

The SARB meeting will be held on the heels of last week's Medium-Term Budget Policy Statement (MTBPS), in which Finance Minister Enoch Godongwana charted a more upbeat fiscal trajectory and announced a formal revamp of the central bank's inflation-targeting framework, which will now revolve around the +3.0% Y/Y point-target with a +/-1pp tolerance band, rather than the old +3.0-6.0% Y/Y range. The SARB had already indicated its preference for the lower end of the range in July, shifting the implicit objective from the +4.5% mid-point. However, the introduction of the symmetrical tolerance band around the target was new and represented a formalisation of the SARB's tolerance to inflation undershoots, at least on paper.

We think that the impact of the downshift in the inflation target on immediate monetary policy trajectory is ambiguous. On the one hand, the move has contributed to the reduction of South Africa's risk premium and may help anchor inflation expectations at lower levels. On the other hand, a commitment to a lower inflation objective may require more forceful action at the outset, as the central bank attempts to signal unshaken resolve. Still, the +3.0% Y/Y objective has been effectively embedded in policymaking since the summer, hence the direct impact of its formal announcement should be limited.

In the meantime, the inflation picture has not changed dramatically since the previous SARB meeting. Headline inflation sits just above the target (+3.2% Y/Y in September), with market participants paying close attention to October inflation data due on the eve of the decision. Consensus is for the data to show a cyclical upturn in headline CPI to +3.7% Y/Y on the back of volatile components, with core CPI expected to stay unchanged at +3.2% Y/Y. In our view, if headline inflation beats expectations and approaches the upper end of the tolerance zone around the +3.0% target, the SARB could decide to wait and see if the pick-up extends into subsequent months.

However, beyond the anticipated uptick in headline CPI, the overall inflation picture remains rather favourable. USD/ZAR oscillates around 17.0, dampening imported inflation, as a function of underwhelming performance from the greenback and idiosyncratic support for the rand – including a reduction in country risk premium on the back of an upbeat MTBPS and the FATF's decision to take South Africa off its dirty-money watchlist. In addition, broader external environment remains disinflationary, as global oil prices keep trending lower and China's efforts to diversify and expand its base of export markets result in price cuts. Finally, market-based measures of inflation expectations remain at relatively depressed levels, hovering above multi-year lows.

Overall, there is a plausible case for the SARB to bring the repo rate closer to neutral, in our view. However, the October inflation report – which will be out after this preview goes to print – may stir the pot. If the upturn in headline inflation proves significantly more acute than anticipated or is parallelled by a pick-up in core price growth, the SARB may choose to err on the side of caution. Conversely, if the data shows that the uptick in headline inflation was less pronounced than expected, the MPC could cut interest rates with greater confidence.

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Data Watch

Central Bank Watch - SARB

November 18, 2025

MNI SARB Data Watch List												
Inflation		**Current**	**3m ago**	**3m Chg**	**6m ago**	**6m Chg**	**2Y History**	**Hit / Miss**	**Vs Trend**	**Surprise Index**	**Z-Score**
CPI YoY	% y/y	3.4	3.0	↑	2.7	↑					-0.59
Core CPI YoY	% y/y	3.2	2.9	↑	3.1	↑					0.72
PPI YoY	% y/y	2.3	0.6	↑	0.5	↑					1.52
Economic Activity		**Current**	**3m ago**	**3m Chg**	**6m ago**	**6m Chg**	**2Y History**	**Hit / Miss**	**Vs Trend**	**Surprise Index**	**Z-Score**
Trade Balance Rand	ZARbn	21.8	21.0	↑	22.7	↓					0.73
Manufacturing Prod YoY	% y/y	0.3	1.8	↓	-0.8	↑					0.64
Absa Manufacturing PMI	Index	49.2	49.8	↓	45.6	↑					0.43
SACCI Business Confidence	Index	121.1	114.9	↑	120.0	↑					0.33
Monetary Analysis		**Current**	**3m ago**	**3m Chg**	**6m ago**	**6m Chg**	**2Y History**	**Hit / Miss**	**Vs Trend**	**Surprise Index**	**Z-Score**
Money Supply M3 YoY	% y/y	6.07	7.27	↓	5.76	↑					-0.33
Private Sector Credit YoY	% y/y	6.08	4.94	↑	3.47	↑					1.17
Total Loans and Advances	ZAR bn	4730	4622	↑	4556	↑					1.59
Net Reserves	$bn	69.36	65.14	↑	64.32	↑					1.83
Consumer / Labour Market		**Current**	**3m ago**	**3m Chg**	**6m ago**	**6m Chg**	**2Y History**	**Hit / Miss**	**Vs Trend**	**Surprise Index**	**Z-Score**
Retail Sales YoY	% y/y	2.3	4.0	↓	4.6	↓					-0.08
BER Consumer Confidence	Index	-13.0	-10.2	↓	-20.3	↑					-0.19
Unemployment	%	31.9	33.2	↓	32.9	↓					-1.04
Non-farm payrolls QoQ	%q/q	-0.8	-0.6	↓	0.2	↓					-0.54
Markets		**Current**	**3m ago**	**3m Chg**	**6m ago**	**6m Chg**	**2Y History**	**Hit / Miss**	**Vs Trend**	**Surprise Index**	**Z-Score**
Equity (FTSE/Jse Top 40)	Index	103206	90781	↑	84226	↑					2.25
SA 10-Year Yield	%	8.67	9.72	↓	10.59	↓					-1.55
SA 2-Year Yield	bps	135	203	↓	257	↓					-1.73
Effective Exchange Rate	Index	101.35	97.08	↑	98.24	↑					0.92

Note: For quarterly data the 3m ago column will display the previous data point and the 6m ago column will display the data point prior to that.
Source: MNI, Bloomberg

The Data Watch table was updated before the release of South Africa's October CPI data on November 19.

Sell-Side Views

BNY Mellon: Markets Look For 25bp Cut, October CPI Report Eyed

- With the inflation target officially lowered to +3% Y/Y, and the country expected to make steady progress in that direction, the rand (ZAR) and South African assets are among the better performers in carry-based EM trades in recent weeks, despite a challenging global environment. Mining production has strengthened, which is also supporting terms of trade.
- However, the SARB will be hoping that the October inflation report ahead of its meeting does not yield any material surprises to the upside. Core inflation is expected to remain at +3.2% Y/Y, but a jump in headline inflation to +3.7% Y/Y will continue to drive the need for caution on easing.

Goldman Sachs: Expecting Cuts At Alternating Meetings Down To 5%

- They forecast a 25bp rate cut from 7.00% to 6.75%, compared with current market pricing of an 80% probability of a cut (20bp). They expect the decision to result from a split vote among MPC members, with 1-2 potential dissents in favour of a hold. This follows from a split vote in September to hold the policy rate at 7% (with two dovish dissents in favour of a 25bp rate cut).
- Goldman note that inflation developments since the September MPC meeting have been broadly dovish. Incoming price data have surprised to the downside, with headline and core inflation for Q3 coming in respectively 0.2pp and 0.1pp lower than the SARB's forecast. On balance, they think that announcements of medical aid premium increases in the past two months may have undershot SARB expectations slightly as well. Put together, they think that this likely implies downward revisions to the inflation outlook.
- In their view, the formalisation of the +3% Y/Y inflation target by National Treasury announced in today's Medium-Term Budget Policy Statement should also support a sustained decline in inflation expectations, given that it bolsters the SARB's credibility. This should, in their view, add to the SARB's confidence in achieving its +3% Y/Y objective in the medium term.

- The SARB's policy stance remains restrictive, whether measured on an ex-ante or ex-post basis. Current inflation is tracking at or below +3.5% Y/Y, the SARB's 3-4 quarter ahead forecast is at +3.2-3.4% and Bloomberg consensus is for +3.7% inflation in 2026. Thus, the current real policy rate stands at +3.3%-3.8% across measures, 0.5-1pp above the SARB's 2.8% real neutral rate estimate for 2026.
- Their outlook for inflation remains considerably more benign than the SARB's and consensus. They differ from the consensus view in two respects: 1) they find evidence of a large negative output gap that they argue has been and will continue to be disinflationary; and 2) they think that declining inflation expectations on the back of central bank credibility will constrain price growth meaningfully in the medium term.
- Goldman Sachs forecast cuts at alternating meetings down to a 5% terminal rate, with their medium-term view of the real neutral rate of 2% lower than the SARB's 2.5% steady-state estimate (given improving fiscal dynamics as well as lower inflation risk premia due to the reduction in the target from 4.5% to 3%).

JP Morgan: SARB To Cut Key Rate By 25bp

- On the back of MTBPS revisions and fiscal reform announcements, a firmer rand and an upgrade by ratings agency S&P, they now expect the SARB to cut 25bp to 6.75%.
- They had expected a split meeting (with a 2-4 vote) and now revise up chances for a rate cut to 60%, pulling forward the rate cut they had pencilled in for 1Q26.
- The policy rate outlook beyond November remains unchanged with a targeted repo rate of 6.25% by end-2026.

Nedbank: Calm Inflation Picture & Mounting Downside Risks To Trigger 25bp Cut

- In their view, this week's meeting is a difficult one to call. Nedbank's inflation forecasts suggest reason for caution, but the upside risks to the outlook appear limited, and monetary policy seems a bit restrictive for an economy lacking any meaningful momentum. The last two factors convinced them to change their expectation for this week's meeting from a hold to a 25bp cut.
- The case for caution and holding rates steady rests on their expectation that inflation will rise further, peaking at around +4% Y/Y at the end of next year, before starting its descent and reaching the +3% target around the end of 2027. The sources of inflation appear to be temporary, with a limited risk of secondary price spirals. They, therefore, expect underlying price pressures to remain relatively steady and subdued.
- Furthermore, the risks to the inflation outlook have tilted to the downside since the September MPC meeting. Global inflation has remained muted, rising slowly in the US, but easing towards or staying near central bank targets elsewhere. On top of these shifts, global oil prices have declined further, dipping below $63 per barrel this week. Global food prices also reversed course over the past two months, led by sharp declines in cereal and sugar prices.
- Meanwhile, the US dollar has stabilized, rising off its earlier lows. Despite this, the greenback has generally struggled to sustain the momentum. journey. The rand benefited from a shrinking country risk premium, brought about by the SARB's move to a lower inflation target, the country's removal from the Financial Action Task Force (FATF) grey list, and a slightly better fiscal outlook.
- Altogether, the inflation landscape appears relatively calm, with recent developments hinting at mounting downside risks to the outlook. As a result, Nedbank believe there is space to cut the policy rate by 25bp this week, moving the real rate closer to neutral ground. Even if the MPC eases this week, their forecasts suggest that the real policy rate will remain relatively high, hovering just above 3% at the end of the year. Their view now aligns with the rate path recommended by SARB's Quarterly Projection Model in September, which projected another 25bp cut before the year is done.