

MNI South African Reserve Bank Review: November 2025

Executive Summary:

- The Committee unanimously voted for a 25bp rate cut.
- Monetary policy restriction was reduced amid an improved inflation outlook.
- Key risk scenarios involved ZAR depreciation or a spike in administered prices.

Key Links:

- [MPC Statement](#)
- [Press Conference](#)
- [Forecast Report](#)

Key Takeaways: Confident 25bp Cut

The South African Reserve Bank (SARB) reduced interest rates by 25bp in a unanimous vote, bringing the policy rate to 6.75%, closer to a neutral setting. The Monetary Policy Committee (MPC) chose to look through what it deemed a temporary upturn in inflation, as updated forecasts and the assessment of risks increased its confidence of being on track to hit the downshifted +3.0% Y/Y target over the medium term. However, the panel attached a risk scenario analysis, focusing on potential rand depreciation or a spike in administered prices, concluding that the materialisation of either risk would lead to tighter monetary policy.

On balance, the combination of an anticipated 25bp interest-rate cut with a unanimous vote and relatively optimistic rhetoric surrounding the inflation outlook may have fallen slightly to the dovish side of expectations. The tone of the decision was countered by Governor Lesetja Kganyago's admission that none of the MPC members proposed lowering rates by 50bp, although – truth be told – nobody really expected a double-barrel reduction in rates. Still, this stands in contrast with some of the previous decisions, where the panel considered a wider range of options. However, in the grand scheme of things, the SARB has consistently stuck to 25bp increments in this easing cycle, even if there were occasional votes for a larger cut.

It was an improved inflation outlook coupled with a balanced risk assessment and a willingness to turn a blind's eye to the current (admittedly muted) upturn in headline inflation that paved the way for the cut this week. Although CPI accelerated to +3.6% Y/Y in October, it remained within the +/-1pp tolerance band around the new +3.0% Y/Y target, while the uptick was driven by volatile items, with the core component contained to the immediate vicinity of the target. The update to the SARB's projections involved minimal dovish tweaks to the inflation path, which lent further incremental support to the decision to loosen monetary policy, with the Quarterly Projection Model (QPM) charting an interest-rate trajectory ending around 6% towards the end of the forecast horizon. At the same time, Governor Kganyato reiterated that the QPM remains only a broad policy guide, almost like an additional member of the MPC.

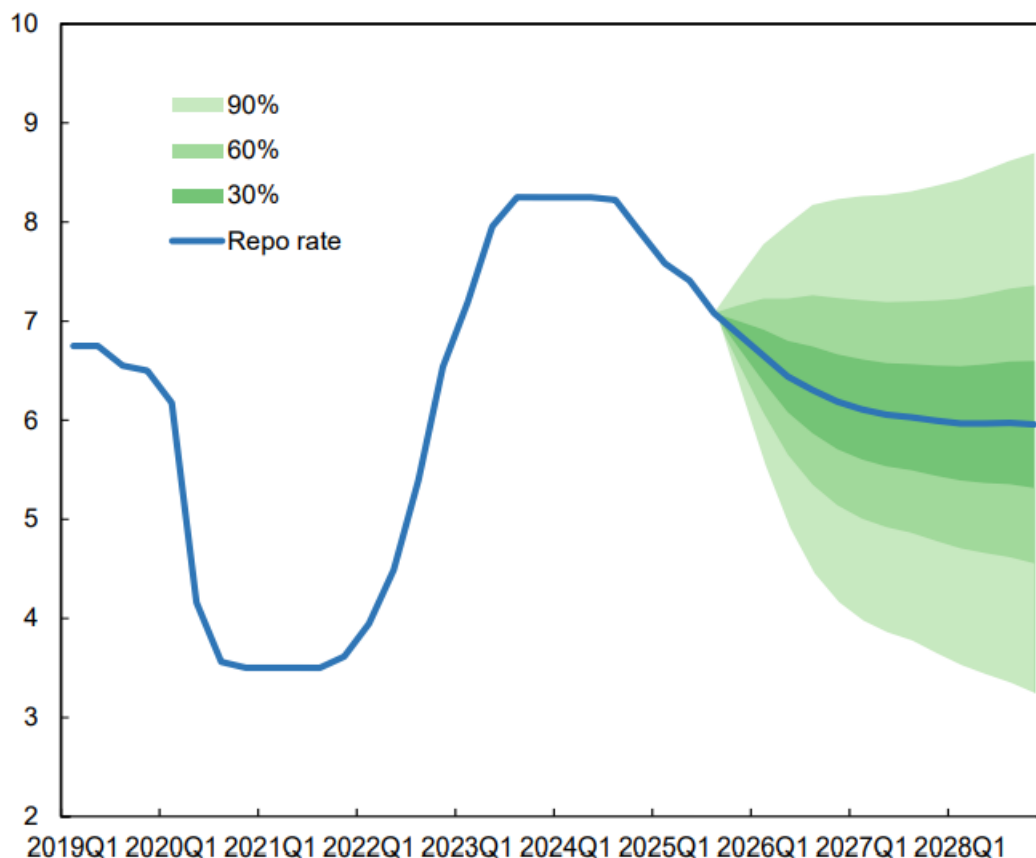
The SARB gave expression to its risk-sensitivity by unveiling a scenario analysis discussed during the meeting. The panel focused on scenarios involving (1) an unanticipated rand depreciation, and (2) a spike in administered prices on the back of a correction of the ZAR54bn electricity pricing error. The Committee revealed that 'both scenarios featured tighter monetary policy, with rates coming down more slowly compared to the baseline,' adding that 'the administered price scenario in particular shows that if price setters take on board the +3% Y/Y target, we will have space to get to lower rates faster.'

South Africa's inflation picture remains relatively benign, with structural reforms helping ease some of the tensions in the local economy, despite the gradual and incremental nature of progress. Global disinflationary trends remain in play, facilitating the normalisation of price pressures at home. Current inflation appears contained, with underlying inflation remaining stable. Furthermore, the exchange rate remains strong enough, bolstered by the reduction in country risk premium on the back of a better fiscal outlook and South Africa's delisting by dirty money watchdog FATF. Against this backdrop, we expect the SARB to return to monetary easing next year, with upcoming data set to determine the pace and terminal point of interest-rate cuts.

SARB Interest-Rate Forecast

Repurchase rate forecast*

Per cent



*The uncertainty bands for the repo rate are based on historical forecasting experience and stochastic simulations in the Quarterly Projection Model (QPM). The bands are symmetric, and therefore do not reflect any assessment of upside or downside risk. For details on the QPM see 'Enhancing the Quarterly Projection Model', South African Reserve Bank Working Paper Series No. WP/23/05, June 2023.

Source: SARB

Analyst Views (Alphabetical Order)

Goldman Sachs: MPC To Cut Rates At Alternating Meetings Down To 5%

- They note that forecast revisions were marginal and smaller than they had anticipated (a 0.1pp downward revision to inflation in 2025-26), but despite this the decision was unanimous (against their expectation and the market consensus for a split vote).
- This implies a dovish surprise to their read of the SARB's reaction function, consistent with the statement noting that the committee sees space to reduce the restrictiveness of the policy stance in the context of an improved inflation outlook. Goldman note that the dovish shift could plausibly result from recent fiscal improvements and/or from the formalisation of the 3%+/-1pp inflation target.
- Their inflation forecast remains significantly lower than the SARB's and consensus, and they pencil in rate cuts at alternating MPC meetings down to a 5% terminal policy rate (below the SARB's 5.50% steady-state

neutral estimate). However, given Goldman's assessment of a dovish reaction function shift from the SARB, risks to this forecast are tilted towards more front-loaded easing.

JP Morgan: SARB To Recommence Cuts In 2Q26

- After a pause in September in a split decision, the MPC unanimously supported a 25bp policy rate cut to 6.75%. Official confirmation of the +3% Y/Y inflation target change in the recent MTBPS, a sovereign ratings upgrade with a retained positive outlook, credible plans to peak the government debt ratio and a further incremental gain in FX improved the inflation outlook.
- However, the Governor also referenced signs "of a bubble inflating", with potential for EM contagion spillover. Moreover, the MPC considered two risk scenarios, although such considerations have not previously prevented the SARB from easing subsequently. Instead, it is meant to highlight developments worth monitoring closely and stressing the data dependence. JP Morgan note that they typically take greater guidance from the vote split, which was unanimous.
- They write that the forecast revisions were relatively minor, in part as the latest October inflation report was only released during the three-day MPC meeting. The small inflation revision leaves the projected repo rate almost unchanged at 6.87% by end-25, 6.19% in end-26 and 5.99% in end-27.
- Overall, JP Morgan think an easing bias remains and inflationary developments continue to be supportive; they now see the next cut in 2Q26 (previously 3Q). They do not expect a January cut, even as 1H26 inflation may be lowered further, unless the rand strengthens further. They continue to look for a pause in 1Q26 but pull forward the timing of the next cut to May 2026 (from September) with a one-in-three chance for a move already in March. Thereafter, they expect further easing in 3Q26 and 1Q27. This should leave the policy rate at 6.25% by 4Q26 and 6% in 1Q27.

Nedbank: Interest Rates Set To Decline Further In 2026

- They note that the SARB lowered its inflation forecasts slightly in response to the better-than-expected inflation outcomes of recent months, a stronger rand, and lower oil price assumptions. Overall, the SARB's forecasts reflect a subdued inflation trajectory over the next three years.
- The MPC felt that the rise in housing costs warranted 'closer scrutiny'. Offsetting this concern, the Committee acknowledged that rand strength has kept core inflation in check, while food inflation appears to have peaked and services inflation has remained relatively steady. They identified potential upside risks associated with the rand and administered prices.
- Nedbank's inflation forecast still reflects a slightly more prolonged rise in inflation than that of the SARB. However, much of the anticipated increase stems from the lower statistical base established throughout this year. These effects will be most pronounced in food and fuel prices, which fell sharply in late 2024/early 2025.
- Importantly, underlying price pressures appear to be well contained, with core inflation hovering around the +3% Y/Y target since March of this year. In Nedbank's view, the inflation outlook has improved in recent months, with the balance of risks tilting further to the downside. They believe that the existing disinflationary forces are likely to persist into 2026.
- Finally, the rand has held up relatively well against a firmer US dollar in recent days. While Nedbank expect the rand to consolidate this year's gains, they agree that much depends on the dollar's trajectory. On this front, the worst of the dollar's slide appears to be over, but a strong rebound also seems unlikely. They still believe the US Fed will continue its rate-cutting cycle and therefore expect narrowing interest rate differentials to limit upside for the dollar.
- Barring any major shocks, which could reignite global risk-off sentiment, the inflation environment appears benign. If these trends persist, interest rates are expected to decline further in 2026.