

MNI South African Reserve Bank Review: September 2025

Executive Summary:

- The SARB voted 4-2 to keep rates on hold; dissenters voted for a 25bp cut.
- The inflation outlook was adjusted higher on food, fuel and electricity prices.
- The MPC cited the need to monitor the impact of prior easing and evolution of risks.

Key Links:

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

Key Takeaways: Split Decision To Press Pause

The rate-setting panel paused its rate-cutting cycle in a split decision, with two dissenters casting their votes in favour of a 25bp cut. The outcome matched the low-conviction consensus call for a hold. According to Governor Lesetja Kganyago, members were broadly aligned in their assessment of the economy, but a majority preferred to take a breather and observe the impact of earlier monetary easing. The updated set of forecasts charted faster GDP growth and a higher headline inflation path, but the SARB also acknowledged a decline in inflation expectations and contained core inflation.

The split (4-2) decision to keep interest rates on hold broadly reflected expert consensus leaning towards a pause over a 25bp cut, with roughly a third of surveyed economists dissenting from the median view. Market pricing shifted in the dovish direction in the lead-up to the meeting on the back of below-forecast August CPI data and positive signals on inflation expectations, lowering the conviction in the consensus call for a hold. At the end of the day, the panel opted for a pause, citing the need to observe the evolution of risks and the impact of prior interest-rate cuts.

Revisions to the forecast were slightly hawkish. The growth outlook was revised higher (to +1.2% Y/Y from +0.9% for this year) despite higher US tariffs, which came alongside an acknowledgement of an above-forecast Q2 GDP outturn and optimistic rhetoric on the medium-term impact of structural reforms. At the same time, the SARB warned that the significance of a single GDP print should not be overstated, while materially higher levels of investments are needed to ensure a sustainably higher growth path. The risks to the growth outlook were assessed as balanced.

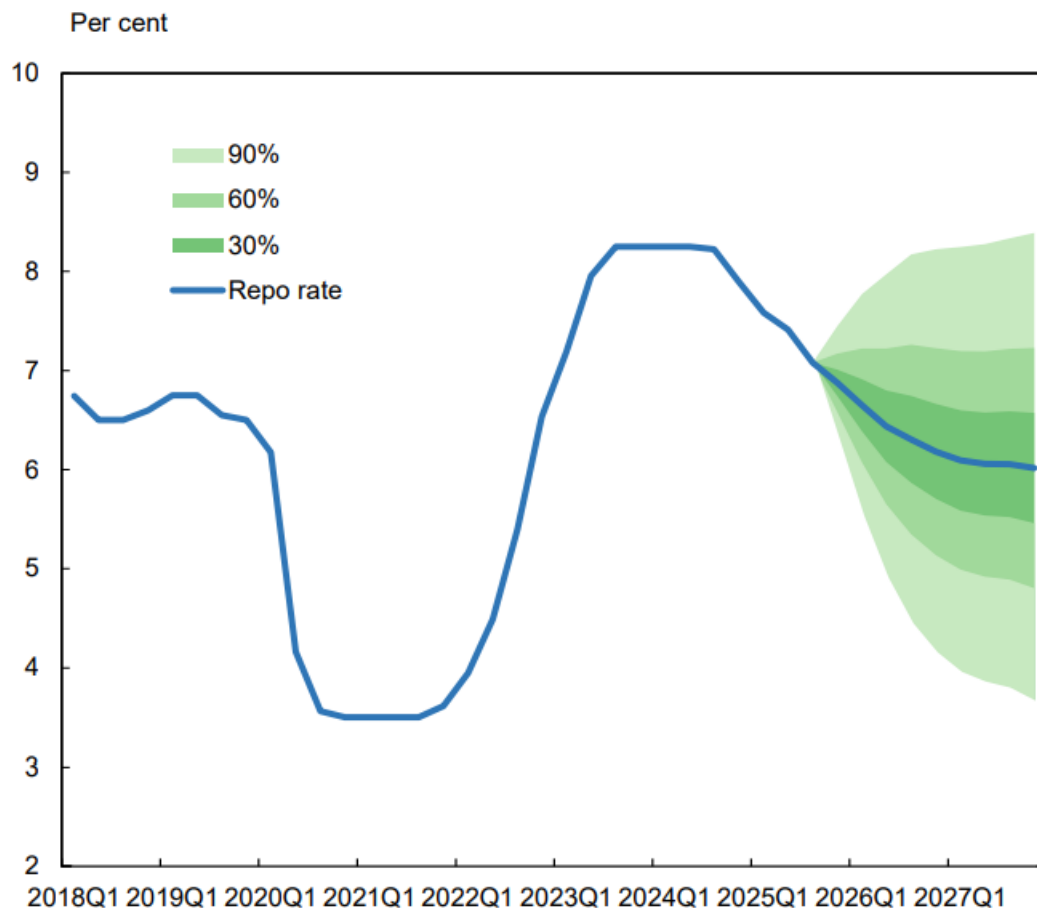
The highlight of the updated macroeconomic projections was arguably a larger than expected upward shift to the inflation path alongside a balanced risk assessment. The revision was made amid a change in assumptions on volatile food and fuel components and the incorporation of higher electricity tariffs. Filtered through the QPM, this yielded a slightly higher interest-rate profile, although the SARB reiterated that it remains a broad policy guide rather than a stand-alone driver of monetary policy.

It should be noted that the latest inflation forecast did not account for a benign August CPI print, which indicated an out-of-consensus decline in the pace of price growth. Furthermore, the SARB admitted that underlying inflation remains contained, while lower inflation expectations are becoming embedded in the society. At the same time, the SARB studied an alternative scenario where inflation expectations were more backward looking, concluding that there is a need for credible and clear communication. For that reason, it reiterated its call for finalising the inflation-target reform 'as soon as is practical'.

In our view, the tight vote split suggests that there may still be room for a resumption of interest-rate cuts in the near term, depending on inflation outcomes, although pressure to demonstrate hawkish credentials in the light of the ongoing target reform remains. That being said, macroeconomic fundamentals are benign and the materialisation of dovish risks — continued FX appreciation and/or a shallower cyclical upturn in headline inflation — could trigger another cut by the end of this year.

SARB Interest-Rate Forecast

Repurchase rate forecast*



*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: Higher Risk Of More Prolonged Pause In Easing Cycle

- They note that the SARB paused its cutting cycle in a split 4-2 decision (with two dovish dissents in favour of a 25bp rate cut), in line with consensus but against their forecast for a 25bp rate cut and market pricing that had shifted to a baseline for a cut.
- Forecast revisions were incrementally hawkish with an upward revision to the 2026 inflation forecast from +3.3% to +3.6% on the back of supply factors (food and fuel prices) as well as higher electricity tariffs.
- The MPC indicated that it is tracking the effects of the 125bp of rate cuts delivered in the past year as well as the evolution of expectations and inflation risks before proceeding with further easing.
- From this perspective and given the SARB's hawkish reaction function, Goldman's confidence in near-term rate cuts is further reduced. They maintain their forecast for a cut at the November MPC meeting and at

alternating meetings thereafter down to a 5% terminal rate, but they see risks of a more prolonged pause in the easing cycle and more backloaded cuts on the back of today's decision.

- They think that the split in the vote largely reflects diverging views on the cyclical position of the economy. The dissenters in their view share their assessment that South Africa has a sizeable and disinflationary output gap that has driven underlying inflation already close to the +3% target.
- Instead, the majority position is that the output gap is small, inflation is only cyclically at +3% and hence tighter policy is needed to transition fully to the +3% inflation target. Hence, the future rate path is crucially dependent on some of the majority members changing their view on the current size of the output gap, potentially via an incrementally tighter real monetary policy stance.

JP Morgan: Easing Bias Remains

- They write that the meeting was not as eventful as in July, when the MPC announced a commitment to a 3% inflation objective, while simultaneously easing the policy rate. The interesting update in the September meeting was the unexpectedly large upward revision to the inflation outlook which also led to a higher QPM-repo profile.
- The soft August CPI print was too recent to be incorporated into inflation projections and the above change now seems reasonable to them, after earlier optimistic forecasts (e.g. electricity assumption). JP Morgan therefore do not infer a hawkish signal from the inflation and QPM forecast revisions.
- Rather, the focus should be on the relatively tight voting decision by the SARB (4 vs. 2), the balanced risk assessment and the desire to assess the impact of 125bp in recent easing on the economy. From here, the focus will be on whether the rand and food inflation aid in an earlier return to +3% inflation, while developments in inflation expectation will be closely monitored.
- They think that an easing bias remains. After the August CPI report and the improving food inflation outlook, they saw scope for a near-term tweak lower in the policy rate. They think this is a close call between November (base case) and January, when the next quarterly inflation expectations survey will be in hand.
- Thereafter, JP Morgan expect quarterly cuts of 25bp from 3Q26 through to 1Q27 to bring the policy rate to 6.25% by end-26 and 6% by end-27. Further gains in the rand to 17/17.25 and affirmation of a turn in the meat inflation cycle next month could suffice for a November move, failing which risks shift to a January cut (after the 4Q inflation expectations report on 12 December).

Morgan Stanley: Split Committee Keeps Policy Rate On Hold

- Despite near-term uncertainty, Morgan Stanley maintain that the steady state terminal rate will be materially lower than current market pricing suggests.
- They note that in a hotly anticipated decision, the SARB's Monetary Policy Committee opted to maintain the repo rate at 7.0% (4-2 split) – entirely in line with their expectations.
- The tone of the statement shifted into more hawkish territory, with a score of +0.14 according to their NLP model. The driver of this seems to have been the combination of upward revisions to both growth and inflation forecasts.
- The statement touched on a number of important issues, the most important for them being that: (1) uncertainty around the inflation expectations formation process was explicitly acknowledged and was the focus of today's scenario analysis; (2) the MPC reiterated that there are gains to be had from clear and credible communication; (3) the Governor made the point that it would be prudent to pause and observe, in order to judge the effect of previous easing.
- Morgan Stanley will reassess their timing of the next rate cut (March 2026) if the currency remains firmer than the SARB's baseline (17.60 in 4Q25). Similarly, endorsement from National Treasury on a new target in the MTBPS would be important in facilitating sooner easing.
- Beyond the near term, they maintain their view that the steady state terminal rate is materially lower than market pricing. A moderation in inflation expectations and central bank forecasts that remain in the vicinity of +3% Y/Y are probably what the market needs to reassess its view.

Nedbank: There May Be Space For Another Cut In Near Term

- Nedbank note that the SARB's forecasts still show a slight upturn in inflation over the near term. Headline inflation peaks at a fractionally higher +4% Y/Y in Q4 2025, then gradually recedes to +3.2% by the end of next year and down to +3% by the end of 2027. Core inflation peaks at +3.5% in Q4 2025 and stays there

until Q2 2026, before easing to +3% by the end of next year. The central bank expects a stronger rand to offset some of the upward pressure coming from food, electricity and services prices. All said, the forecasts suggest inflation will remain subdued.

- The SARB still expects the economy to gain more meaningful traction over the medium term. Faster-than-expected growth in Q2 lifts the forecast for this year from +0.9% to +1.2% Y/Y. Thereafter, the central bank expects the economy to expand by a slightly faster +1.4% in 2026 and somewhat softer +1.9% in 2027. The Committee still sees structural reforms driving the recovery, underpinned by cyclical tailwinds.
- Nedbank's inflation forecast reflects a slightly more significant and prolonged rise in inflation than that of the SARB. They would still describe the upturn as modest and fleeting. Given the lower target, they expected the MPC to look through the bump and leave interest rates unchanged.
- They write that in recent weeks, the risks to the inflation outlook tilted more decisively to the downside. The past week delivered some good news. The August inflation numbers were relatively benign, inflation expectations declined further, and the rand strengthened significantly as the dollar remained under pressure after the Fed resumed its rate-cutting cycle and hinted at more easing to come.
- In their view, if these trends persist, a stronger rand, falling maize prices, and subdued fuel prices will dampen the impact of a low base, higher electricity tariffs and rising meat prices on inflation, leading to a shorter and shallower inflation cycle than they currently anticipate. Under these circumstances, there could be space for another rate cut in the near term.