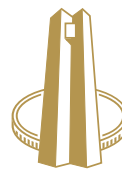




RESEARCH AGENDA 2026–2027



SOUTH AFRICAN RESERVE BANK





SARB Research Agenda 2026–2027

Strategic research priorities for monetary policy, climate change, economic growth and financial services competition

Introduction

High-quality research supports effective central banking by strengthening evidence-based policy decisions, improving macro-financial risk measurement and clarifying trade-offs and uncertainty. Central banks worldwide publish research agendas that support their mandates and contribute to the broader policy and academic debate.

The South African Reserve Bank's (SARB) 2026–2027 research agenda aligns with those of peer central banks and comprises five interconnected themes: monetary policy design, transmission and communication; the macroeconomic and financial implications of climate- and nature-related risks; macroeconomic policy coordination, fiscal-monetary interactions and growth; the functioning, access and competitiveness of financial services and payment systems; and the macroeconomic and financial stability implications of stablecoins.

Monetary policy efficiency and implementation. This theme examines how the SARB can strengthen policy effectiveness by improving its understanding of inflation dynamics, communication strategies, the monetary policy implementation framework, balance sheet policy and the coordination of monetary and macroprudential policy.

Climate change and central bank mandates. This theme investigates the physical and transition risks that climate change poses to price stability and financial stability in South Africa, including the implications of climate-related risks for financial markets.

Enhancing policy coordination and promoting economic growth. This theme explores the links between fiscal and monetary policy, labour market dynamics and inequality as well as the structural conditions needed to expand policy space and raise potential growth.

Financial services competition and inclusion. This theme assesses competition in financial services, the evolving role of non-bank participants in payments and the implications of digital transformation for consumers and the payment system.

Stablecoins and digital currency risks. This theme examines the macroeconomic and financial stability implications of foreign currency-pegged stablecoins for South Africa.

1. Monetary policy efficiency and implementation

Effective monetary policy relies on accurate data analysis, clear communication of objectives and the appropriate use of policy tools. Policy is efficient when it achieves its objectives at minimal cost. This theme focuses on the economic relationships and institutional features that affect the efficiency of monetary policy in South Africa.

Central bank communication and its role in managing inflation expectations are central to these efforts. Under inflation targeting, monetary policy works partly through expectations. When households, firms and financial markets believe that the central bank will act consistently to return inflation to the target, inflation expectations remain anchored and temporary shocks are less likely to feed into wages and prices. Credible, consistent and transparent communication is essential to this process. This research theme considers how the SARB's messages reach the public, including the role of the media as an intermediary, and how communication can be strengthened to support credibility and anchor expectations.

A second area of focus is the relationship between economic activity, wages and inflation. This relationship is a standard feature of central banks' forecasting models, including the SARB's Quarterly Projection Model. Economic relationships are not static and the COVID-19 pandemic and subsequent global supply disruptions reinforced the need to understand how the drivers of inflation evolve over time and across sectors of the economy.

This theme also encompasses research on the SARB's operational framework, including the monetary policy implementation framework, its balance sheet management and the coordination of monetary policy with financial stability policy.



The SARB's transition to a surplus-based monetary policy implementation framework in 2022 changed key operational features that may affect the behaviour of money markets and the transmission of the policy rate to the real economy. Research in this area assesses the transition's impact on money market dynamics and monetary policy transmission. More broadly, the size and composition of the SARB's balance sheet have evolved in response to several recent policy changes. At the same time, other central banks face ongoing challenges in maintaining financial resilience while supporting effective policy implementation.

Research examines the structural implications of balance sheet policy for the SARB's long-term financial position and operational flexibility. South Africa's high degree of financial integration means that external shocks, such as shifts in global risk appetite, foreign interest rates, commodity prices and geopolitical developments, can quickly affect domestic financial conditions. The SARB explores how global developments impact the domestic economy and how its operational and policy frameworks can best respond to a changing external environment. This theme also covers the coordination of monetary and macroprudential policy, examining how these two policy domains interact and which institutional arrangements best support their joint effectiveness.

Key research questions

1. How can the SARB communicate more effectively with the public to keep inflation expectations anchored?
2. What are the key drivers of inflation in South Africa and how have they evolved over time and across economic sectors?
3. How can the SARB strengthen its operational framework, including its balance sheet management and coordination with financial stability policy, to support effective monetary policy in a changing global environment?

2. Climate change and central bank mandates

Central banks worldwide are re-evaluating their strategies and operations to understand and prepare for increasing physical and transition risks related to climate change and their implications for the core mandates of price and financial stability. At the same time, monetary policy operations and financial regulation must align with government transition plans and remain within existing legal frameworks. This research theme examines the macroeconomic and financial stability implications of climate change for South Africa.

One strand of this work examines how physical climate shocks and the transition to a lower-carbon economy affect output, inflation, productivity and investment. The effects of climate shocks on prices can vary considerably across countries, sectors and products. Understanding the structural features that amplify or dampen the pass-through of climate shock to inflation is important for calibrating the policy response. Uncertainty about future climate regulations adds complexity: it can discourage long-term investment, delay capital expenditure and generate volatility in capital flows, with consequences for the exchange rate and domestic financial conditions. These concerns are especially acute in South Africa because of its coal-intensive economy and its commitments under the Paris Agreement.

A second strand focuses on financial stability. Climate shocks can damage productive capacity, weaken borrowers' balance sheets and increase credit frictions, potentially weakening the effectiveness of monetary policy transmission. Natural disasters are becoming more frequent and severe across southern Africa, yet their effects on financial markets remain poorly understood. This research examines how climate-related risks affect the balance sheets of financial institutions and financial markets, and implications for the resilience of the financial system. It includes assessing banks' capacity to maintain adequate liquidity during extreme weather events and the transmission of climate-related risks to sovereign bond markets and government securities used in monetary policy operations. A further focus is the climate insurance protection gap, which can transmit financial stress through loan defaults, fiscal strain and impaired asset pricing.

A third strand considers the macroeconomic implications for South Africa of the transition away from fossil fuels. Governments worldwide are implementing policies to reduce emissions, which can reshape

trade patterns, relative prices and capital flows. The macroeconomic costs of adjustment and the scope for monetary and fiscal policy responses will depend on the pace and nature of structural reform, both domestically and internationally.

Key research questions

1. How do climate-related shocks and the transition to a lower-carbon economy affect inflation, investment and economic activity in South Africa?
2. What risks does climate change pose to the stability of South Africa's financial system and how are these risks transmitted to financial institutions and markets?
3. What are the macroeconomic implications for South Africa of the global transition away from fossil fuels and the implementation of international climate policies?

3. Enhancing policy coordination and promoting economic growth

Fiscal and monetary policy are closely linked and jointly shape South Africa's economic stability and growth. A comprehensive understanding of fiscal policy and its interaction with monetary policy enables the SARB to better anticipate and respond to fiscal developments. The effectiveness of both policies also depends on the economy's underlying structure. Reforms that raise productivity, strengthen competition and market functioning, and ease infrastructure and logistics bottlenecks can improve policy transmission, expand policy space and raise potential growth.

South Africa's high level of inequality is central to policy debates. Inequality affects consumption patterns, saving rates and economic growth, which in turn influence monetary policy. Monetary policy can also affect the distribution of income and wealth. Research in this area examines how households across the income distribution field experience inflation and macroeconomic policy, and what this means for policy design and evaluation.

Labour market conditions shape both inflation dynamics and the transmission of monetary policy. Wages are an important driver of inflation, while employment trends influence aggregate demand and households' responses to changes in interest rates. In South Africa, structural labour market features, including persistently high unemployment and segmentation between high- and low-skilled employment, may weaken the responsiveness of aggregate demand to interest rate changes. Research examines the links between labour market conditions, price dynamics and the effectiveness of monetary policy.

Fiscal developments have immediate implications for monetary policy. Taxation, public spending and debt affect the monetary policy space through several channels, including the domestic yield curve, the sovereign risk premium, the exchange rate and inflation expectations. Elevated debt levels, rising debt-service costs and modest long-term growth potential create a macroeconomic environment in which fiscal developments directly influence monetary policy calibration and transmission. Research in this area focuses on the interaction between fiscal and monetary policy over the business cycle, the channels through which government borrowing affects private sector activity and the fiscal conditions that best support long-term economic stability.

Key research questions

1. How are the costs and benefits of macroeconomic policy distributed across South African households and what are the implications for monetary policy design and evaluation?
2. How do labour market conditions, including unemployment and wage dynamics, shape inflation and the transmission of monetary policy?
3. How do fiscal and monetary policy interact in South Africa and which fiscal conditions best support economic stability and long-term growth?

4. Financial services competition and inclusion

A well-functioning and competitive financial sector is essential for economic development. Effective competition lowers costs, improves service quality, promotes innovation and enables consumers to switch providers easily. It also supports the SARB's mandates of price and financial stability. The Financial



Sector Regulation Act 9 of 2017 requires the Financial Sector Conduct Authority to promote sustainable competition in the provision of financial products and services, while the National Payments System Bill requires the SARB to support competition when carrying out its mandate for the national payments system.

Research under this theme assesses competition in South Africa's financial services markets and identifies where market power may affect consumer welfare. Much of the existing research relies on industry-level analysis in which markets are defined too broadly to assess competitive conditions effectively. This work addresses that gap by examining competitive dynamics at a more granular level in banking, insurance and other financial services.

The ease of entry and expansion is an important driver of competition. Structural, behavioural or regulatory barriers may exclude potential entrants or prevent established firms from expanding. This work examines the barriers new entrants in the South African market face, drawing on case study evidence, and assesses how these barriers affect competition and consumer outcomes.

Digital transformation is reshaping competition in financial services. Banks, telecommunications companies and technology firms are developing financial products and services that are changing the competitive landscape. Many of these firms benefit from network effects, economies of scale and access to large volumes of data. Digitalisation creates opportunities for new and improved services, but also raises questions about whether existing regulatory frameworks treat different types of providers consistently. Research in this area examines how digital innovation is reshaping payments, money transfers and access to credit by enabling products and business models outside of traditional banking. As the payments landscape evolves, it is increasingly important to understand the role of non-bank participants and identify the data needed to monitor competition and design proportionate, activity-based regulation. The research will deepen understanding of emerging business models and their implications for regulation and competition in financial services.

Key research questions

1. How competitive are South Africa's financial services markets and how might market concentration affect consumers?
2. What barriers constrain entry and expansion in financial services and how do they affect competition and consumer welfare?
3. How is digital transformation reshaping financial services and what are the implications for payment system development, regulatory design and competition?

5. Stablecoins and digital currency risks

Stablecoins are digital tokens designed to maintain a stable value relative to a reference currency. They have grown rapidly in scale and prominence. The market is dominated by stablecoins pegged to the US dollar, with evidence suggesting higher adoption in emerging market and developing economies. This adoption is driven by demand for a US dollar-denominated store of value, liquidity in crypto-asset markets and, to a limited extent, the use of stablecoins for cross-border payments and remittances.

Although the financial stability risks posed by stablecoins in South Africa currently appear limited, the rapid growth of foreign currency-pegged stablecoins globally and domestically warrants close monitoring and dedicated research. These instruments raise concerns across the SARB's core mandates. From a financial stability perspective, global stablecoin shocks could spill over into domestic markets, while further growth could challenge existing regulatory and supervisory frameworks. From a monetary policy perspective, widespread adoption could affect liquidity conditions and price formation in domestic money and foreign exchange markets. It could also increase the risk of digital currency substitution and undermine monetary sovereignty. From a payments perspective, stablecoins could reshape cross-border payments while creating channels for circumventing capital flow management measures.



Key research questions

1. What are the macroeconomic implications of foreign currency-pegged stablecoins for South Africa and under what conditions could they pose risks to monetary sovereignty and financial stability?
2. How could stablecoin growth affect the functioning of domestic financial markets and the transmission of monetary policy?
3. What are the potential benefits and risks of stablecoins for domestic and cross-border payments, and are existing regulatory frameworks adequate to address them?

Conclusion

Taken together, these research priorities aim to strengthen the evidence base for the SARB's policy decisions and improve the communication about trade-offs and uncertainty as economic conditions evolve. Delivering policy-relevant research requires sustained engagement and collaboration with stakeholders, including the academic community, other public institutions and market participants, to ensure that analysis draws on current methods, credible data and insights from the real economy. The SARB will continue to use this agenda to guide research that supports its price and financial stability mandates and contribute to informed public debate in South Africa.