



Assessment of financial stability in South Africa

**Financial Stability Forum
19 June 2025**



Contents

- Why and how the SARB assesses financial stability
- Key risks and vulnerabilities
- Policy actions and initiatives to enhance financial stability
- Financial stability assessment



The SARB's financial stability mandate (1)

- The Financial Sector Regulation Act 9 of 2017 (FSR Act) mandates the SARB to protect and enhance financial stability in South Africa.
- Legal definition of financial stability: Financial institutions generally provide [and continue to provide] products and financial services, generally perform their functions and duties in terms of financial sector laws, without interruption; [...] despite changes in economic circumstances; and there is general confidence [...]



Monitoring financial stability

Cyclical risks and vulnerabilities are imbalances that build up over time, such as asset price bubbles, excessive credit growth, high volatility, liquidity

- Monitored through a wide range of quantitative indicators
- Macroprudential policy tools can moderate imbalances before they become unsustainable

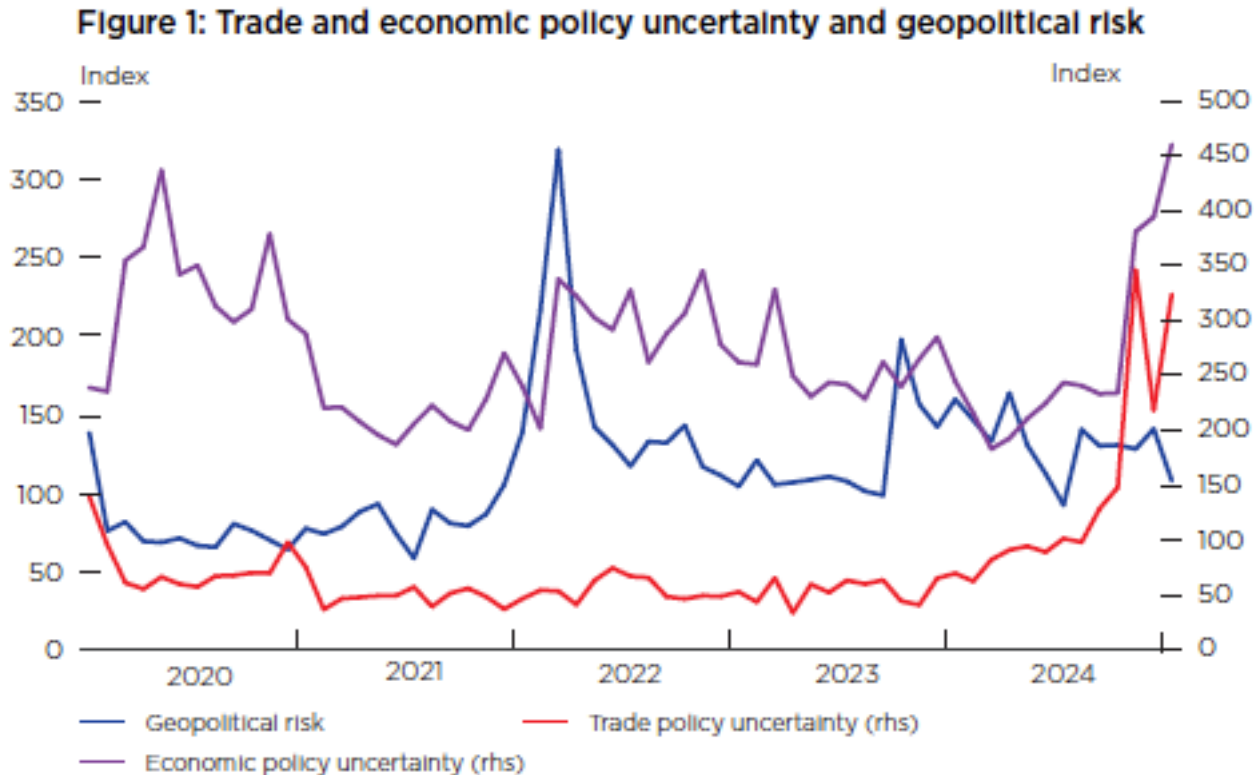
Structural risks and vulnerabilities arise from the environment (economic, physical, political, technological) in which financial institutions operate

- Direct and indirect spillovers on the financial sector
- Not under the control of the central bank or any single authority
- Requires collaboration, structural interventions and crisis preparedness

The SARB's **Financial Stability Committee** meets 6 times per year to discuss both cyclical and structural risks to financial stability, and to consider mitigating actions.



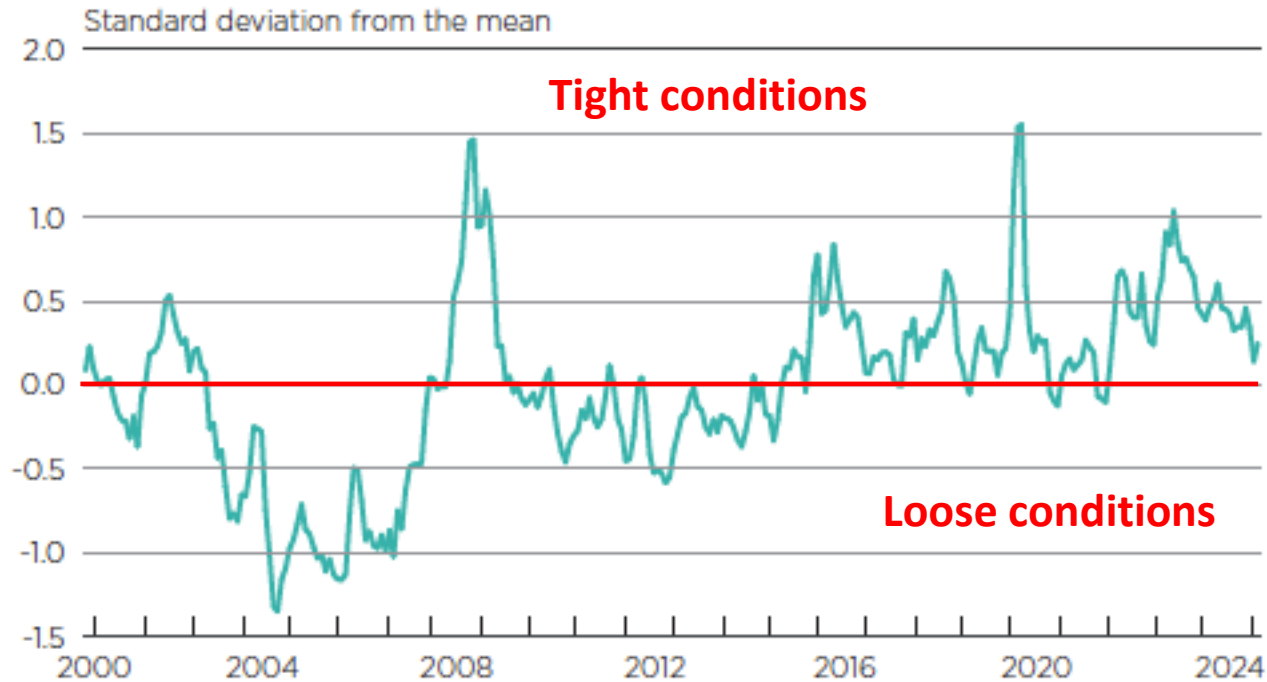
Global developments: Tariffs, escalating conflicts and policy uncertainty



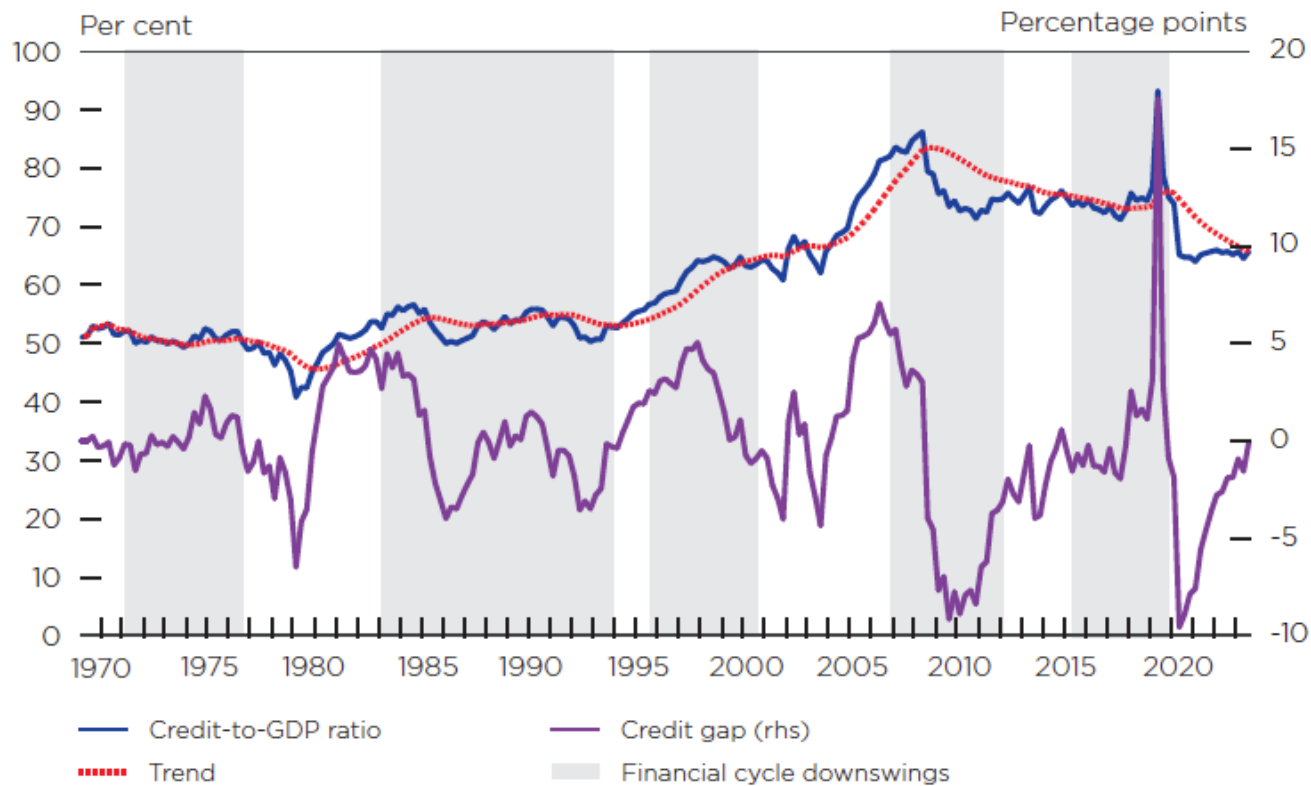
The heatmap reveals areas of cyclical risk



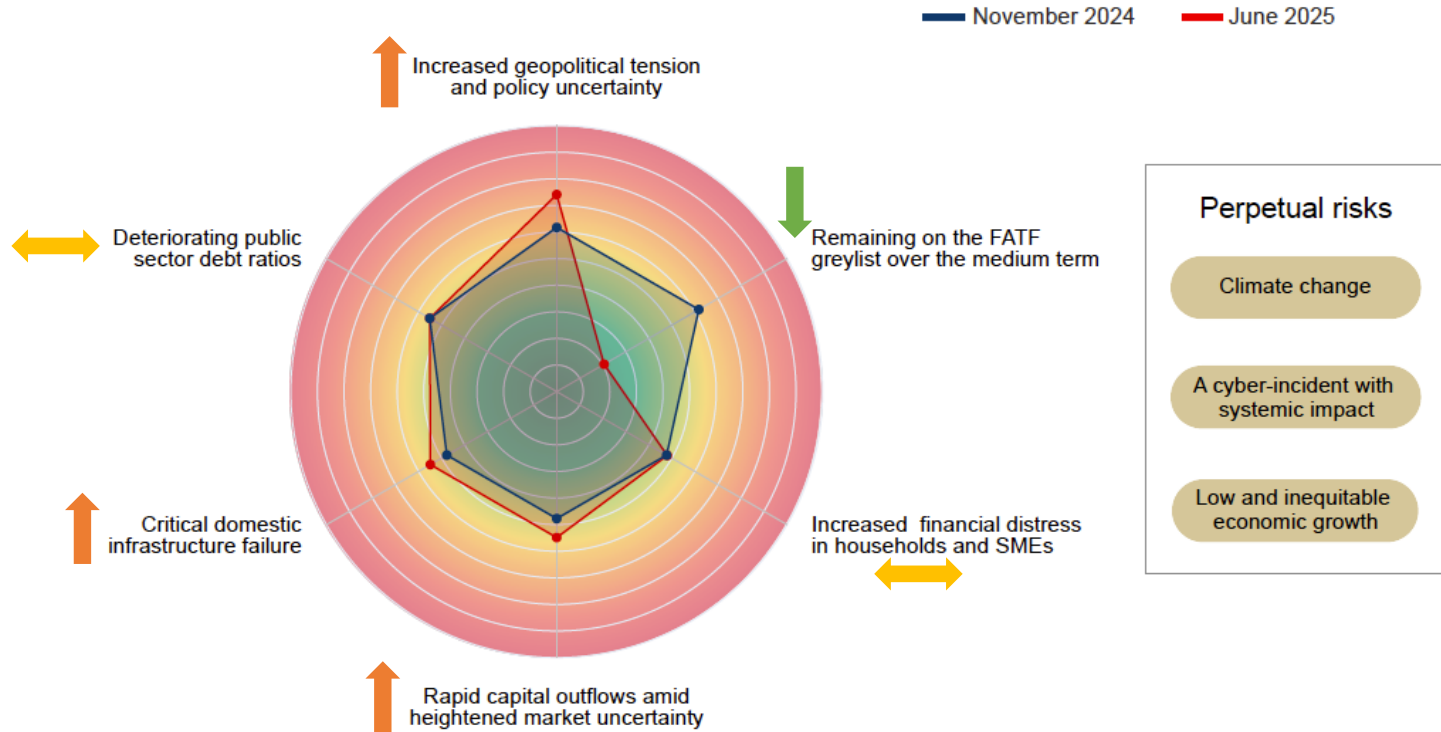
Domestic financial conditions remain tight



Credit-to-GDP gap remains slightly negative



The RVM summarises key cyclical and structural risks to financial stability



SA expects to be removed from the FATF greylist

- FATF announced that SA has addressed or largely addressed all 22 action items
- FATF Africa Joint Group will conduct an on-site visit before the next FATF Plenary in October 2025
- South Africa is likely to be removed from the greylist in the October Plenary meeting



Global trade and physical conflicts intensify

- US trade tariff announcements and reversals cause market volatility, uncertainty and concerns about global growth and inflation
- Escalating and spreading physical conflicts
- Likely no-renewal of the US African Growth and Opportunity Act (AGOA)
- Possible impact of tariffs on growth and inflation
- Uncertainty leads to risk aversion away from emerging market assets, increasing the probability of capital outflows



A deterioration in critical infrastructure adds to credit and operational risk in financial institutions

Figure 9: Rail tonnages

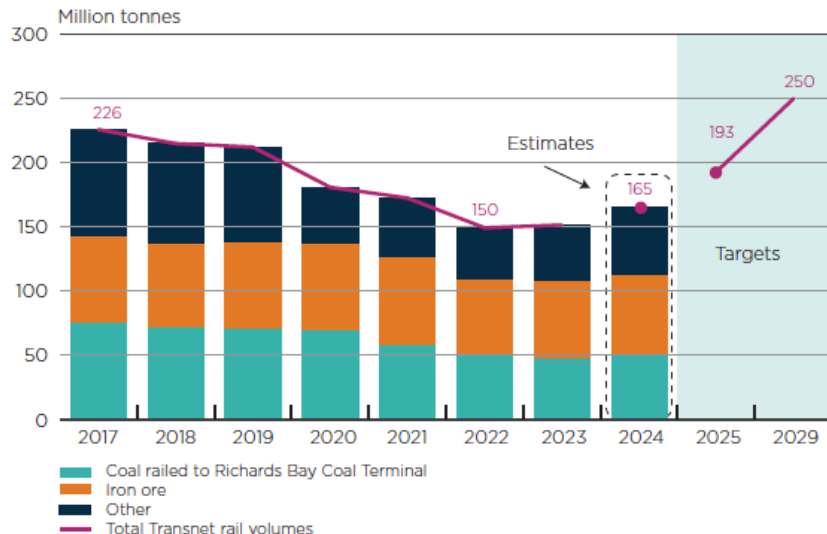
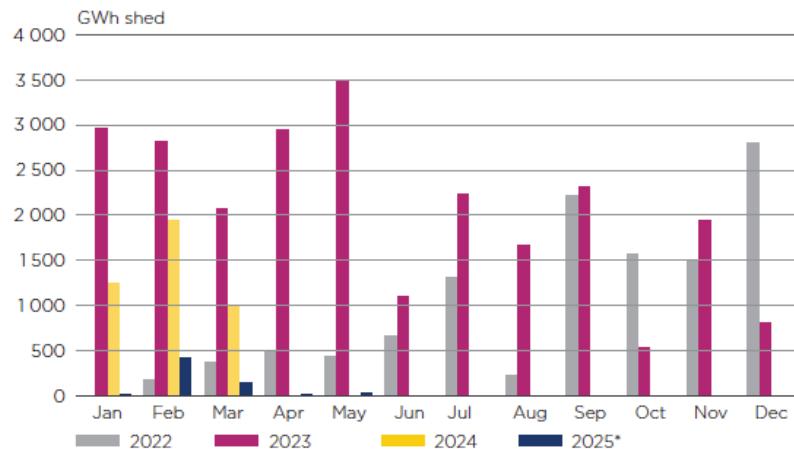


Figure 11: Monthly load-shedding



Fiscal risks remain elevated despite primary budget surpluses

Figure 12: National Treasury gross borrowing requirement

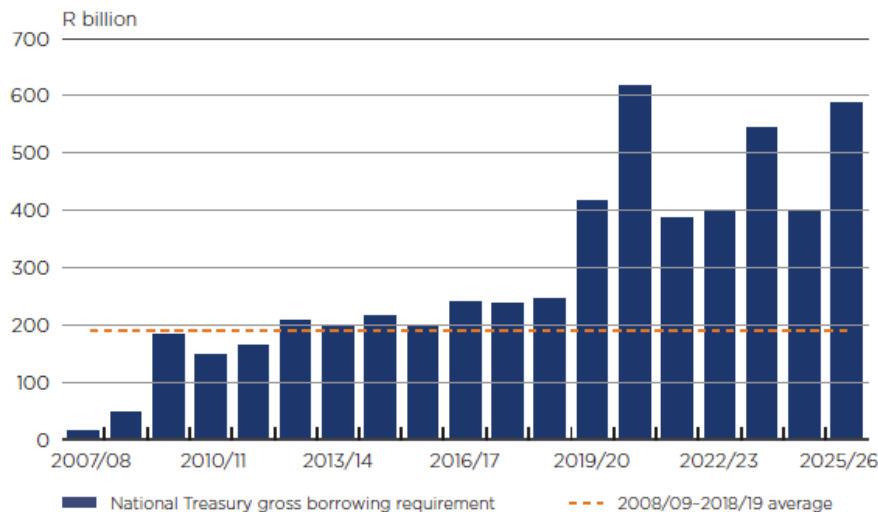
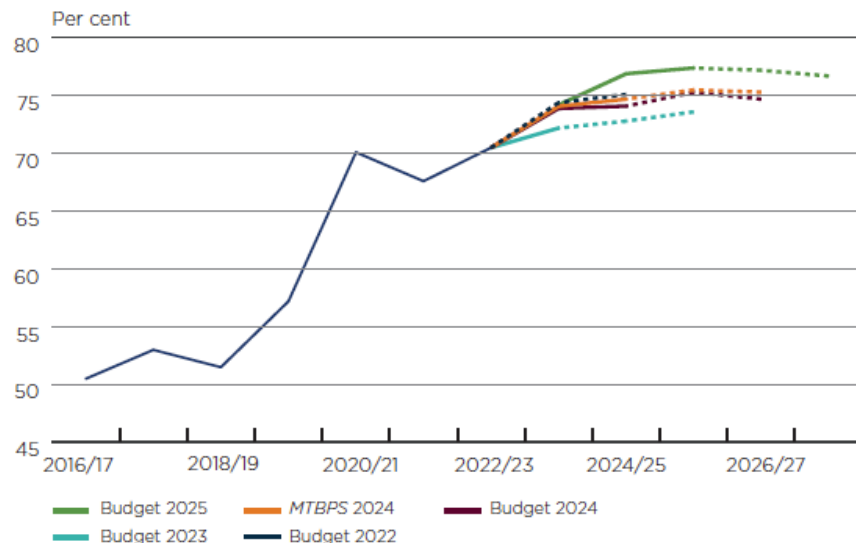
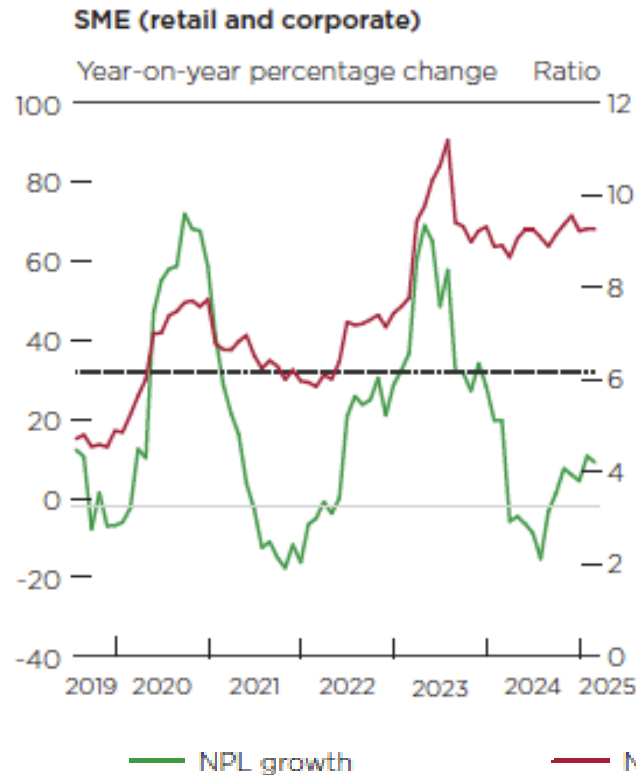


Figure 13: Government debt-to-GDP ratio



High non-performing loans point to financial distress in households and SMEs



Physical and transitional risks of climate change

- SARB applies a comprehensive monitoring framework to assess climate-related risks to financial stability
- Uninsured portion of economic losses arising from climate related losses (insurance protection gap) is expected to widen
- First climate-related stress test conducted in 2024, subjecting SA SIFI banks to a set of plausible, long-term climate-related scenarios
- Results indicate divergence in the ability of banks to assess climate risks and implement mitigating strategies, but growing awareness



Policy actions and initiatives to enhance financial stability

- Phasing in a 1% positive cycle-neutral CCyB
- Bi-annual survey of banks' valuation and hedging practices for government bonds
- Alternative connectivity project to increase resilience to operational disruptions in the financial industry
- Simulation exercises to enhancing crisis preparedness and resolution planning
- Cyber-resilience exercise for industry professionals to respond to a real-world cyber threat in a controlled environment



Financial Stability Assessment

- The financial system continued to be resilient since the previous assessment in November 2024
- Resilience is expected to be sustained over the forecast period to June 2026.





THANK YOU



SOUTH AFRICAN RESERVE BANK