



Anchoring in a storm

SOUTH AFRICAN RESERVE BANK

MONETARY POLICY FORUM

21 April 2026



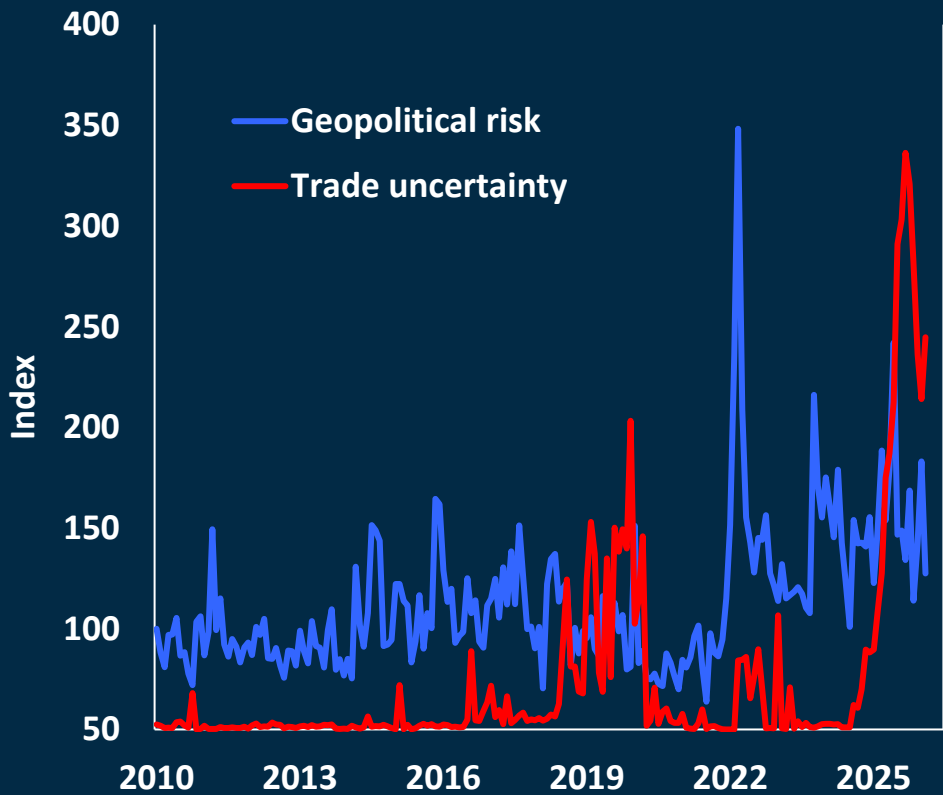
SOUTH AFRICAN RESERVE BANK

Overview

- Globally, stagflation concerns resurface
- Trajectory of CB policy rates now less certain
- Improving SA macro fundamentals have fostered resilience
- Inflation contained ... but near-term outlook shifted higher
- Near-term path for SARB policy rate less clear ...
- Overall, shock to delay, but not derail, achievement of 3% target

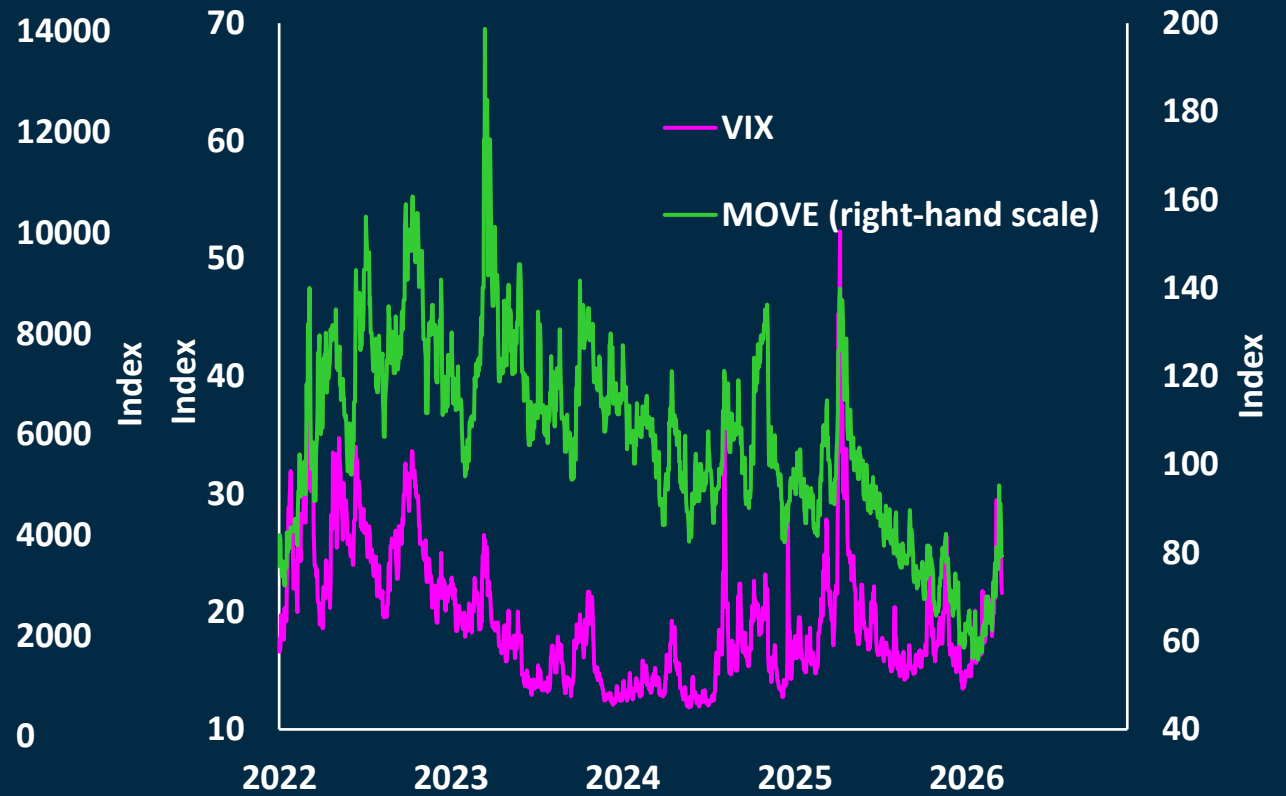
Conflict in the Middle East has raised uncertainty and volatility

Geopolitical risk and trade uncertainty



Source: Haver

Volatility measures

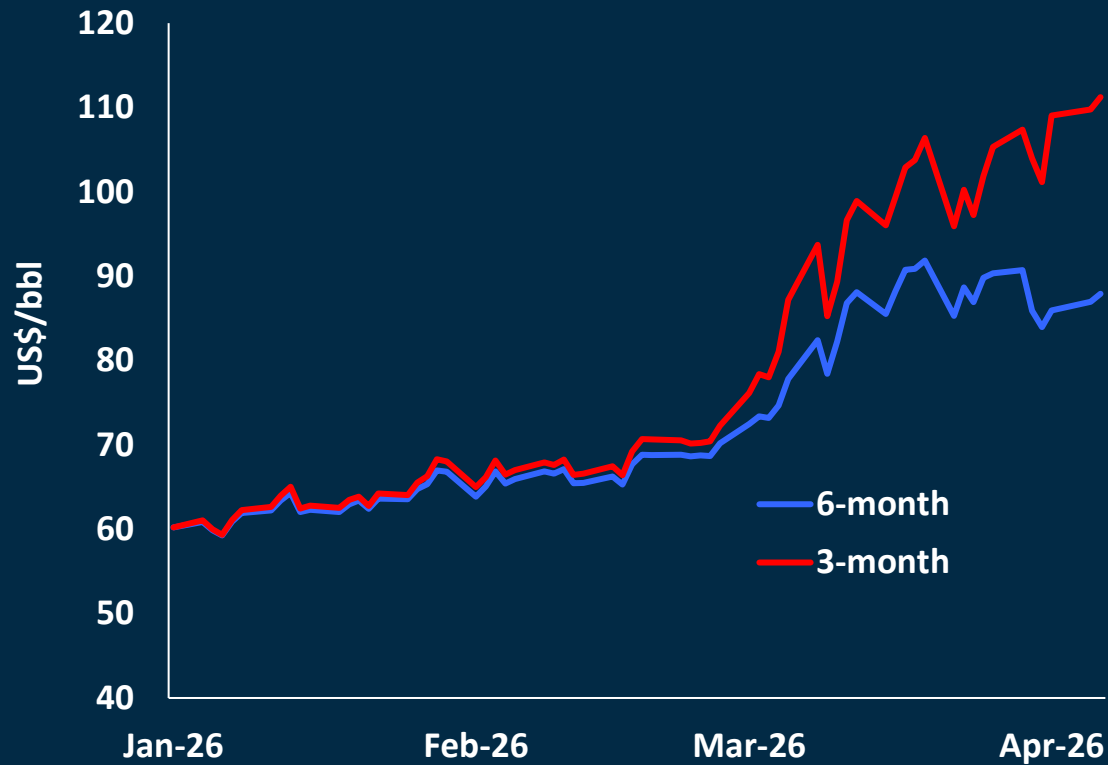


Source: Bloomberg



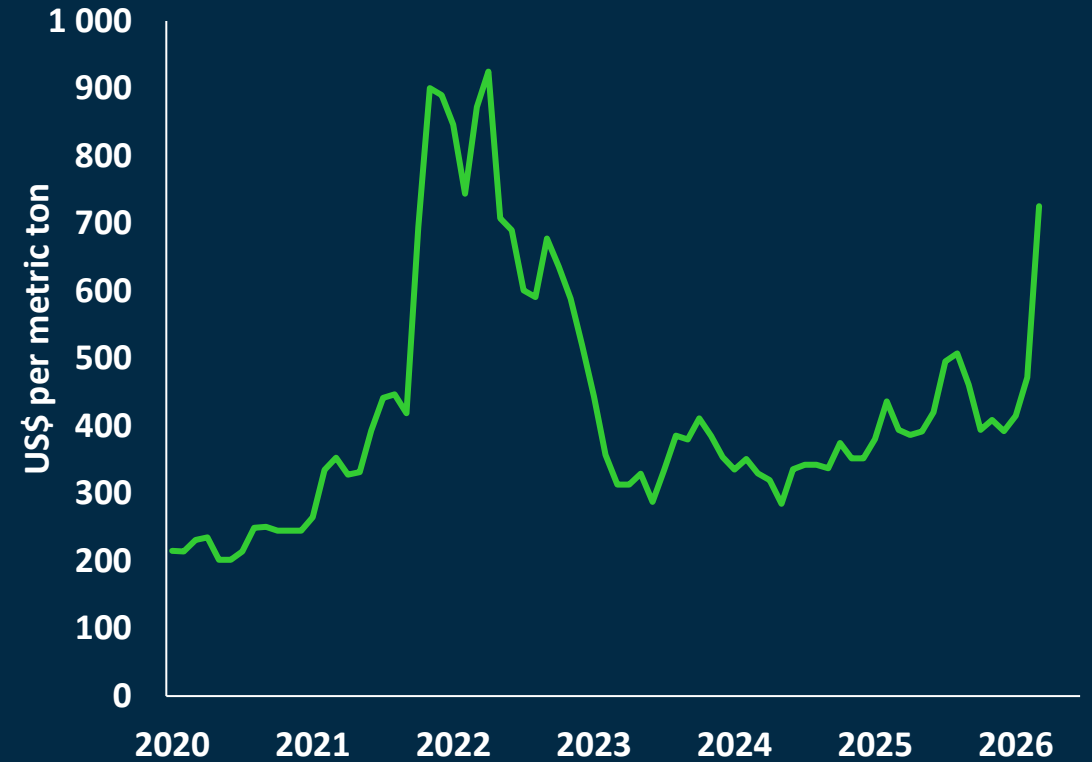
... and exerted pressure on energy and fertiliser markets, among others

Brent crude oil futures



Source: Bloomberg

Urea prices

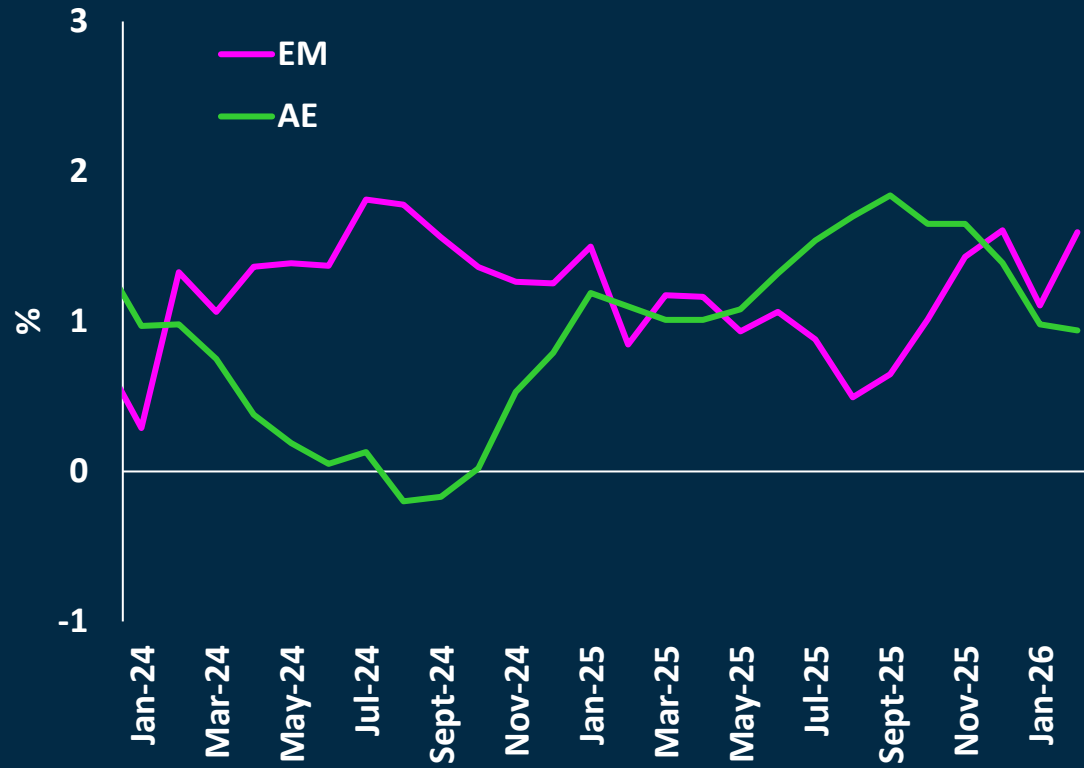


Source: World Bank



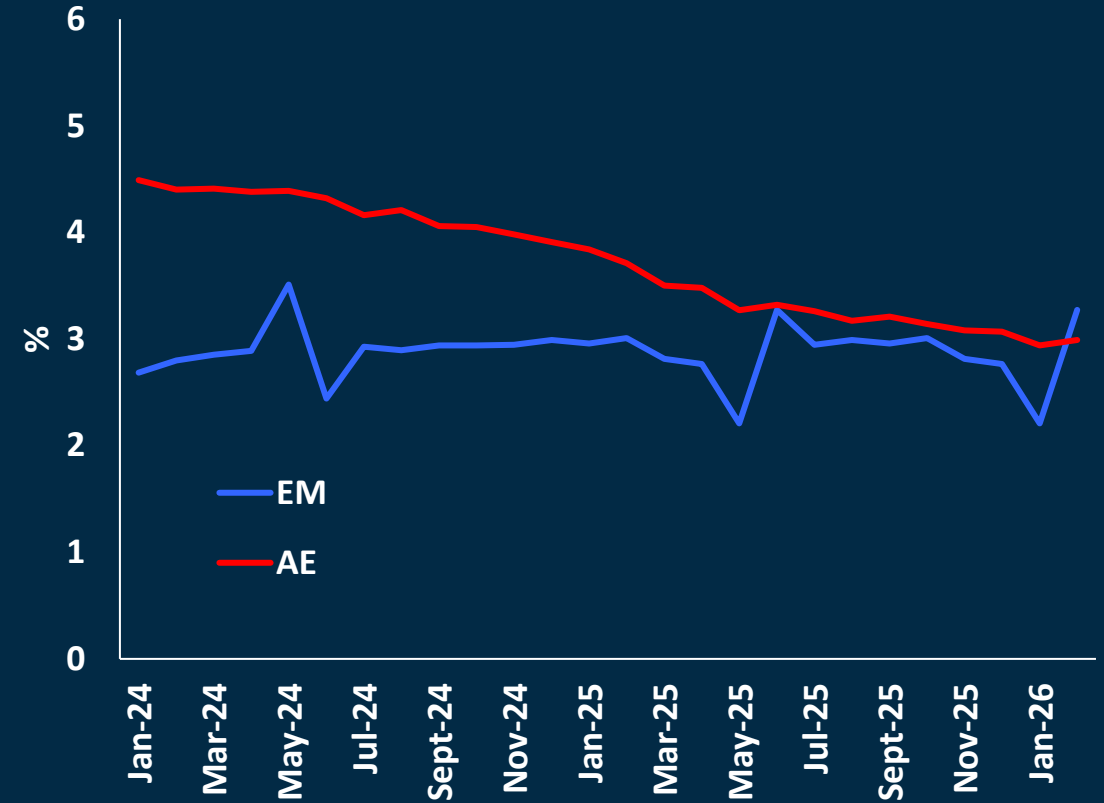
Goods prices expected to rise in near-term, while services sticky

Global goods



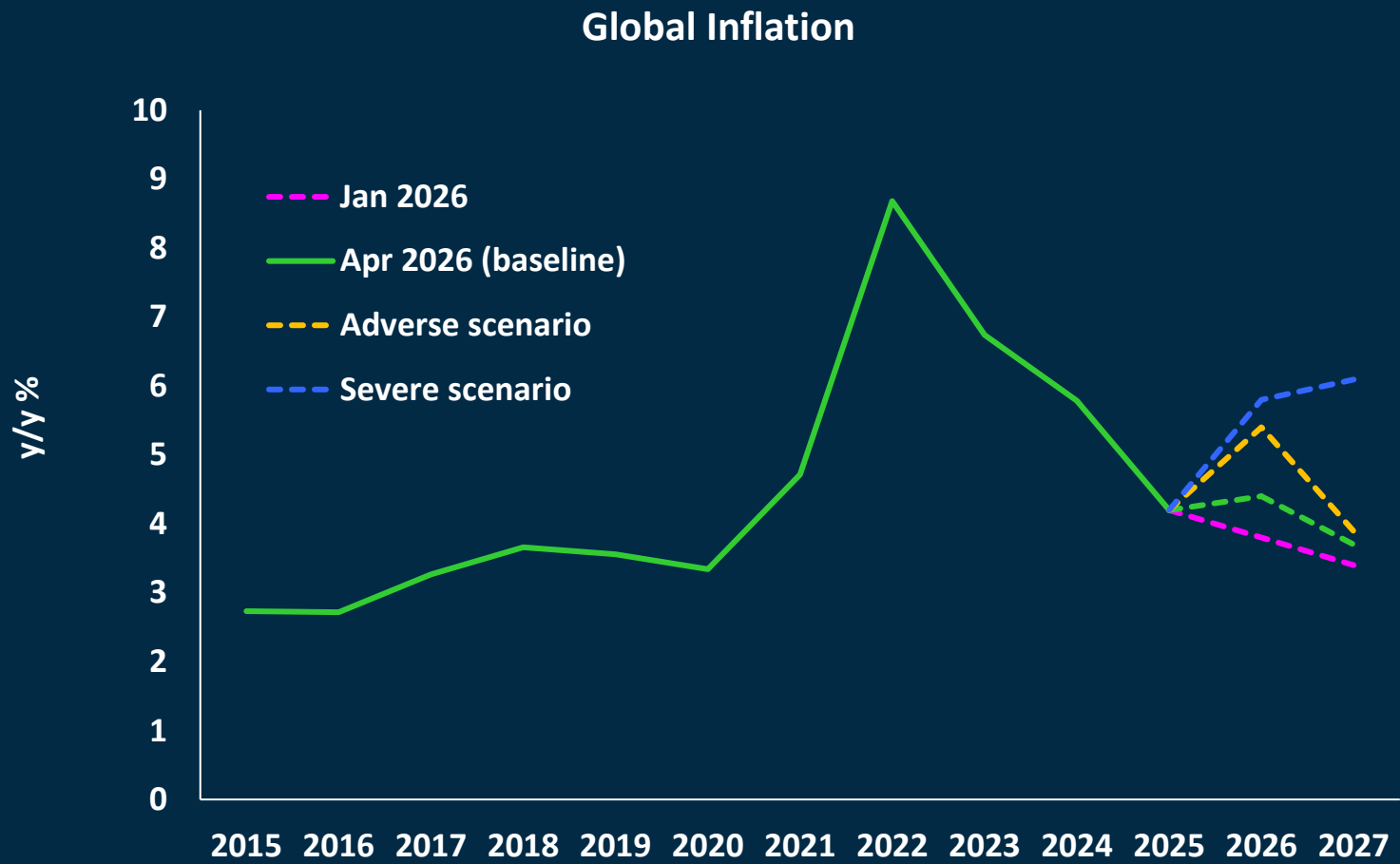
Sources: Haver and SARB

Global services



Sources: Haver and SARB

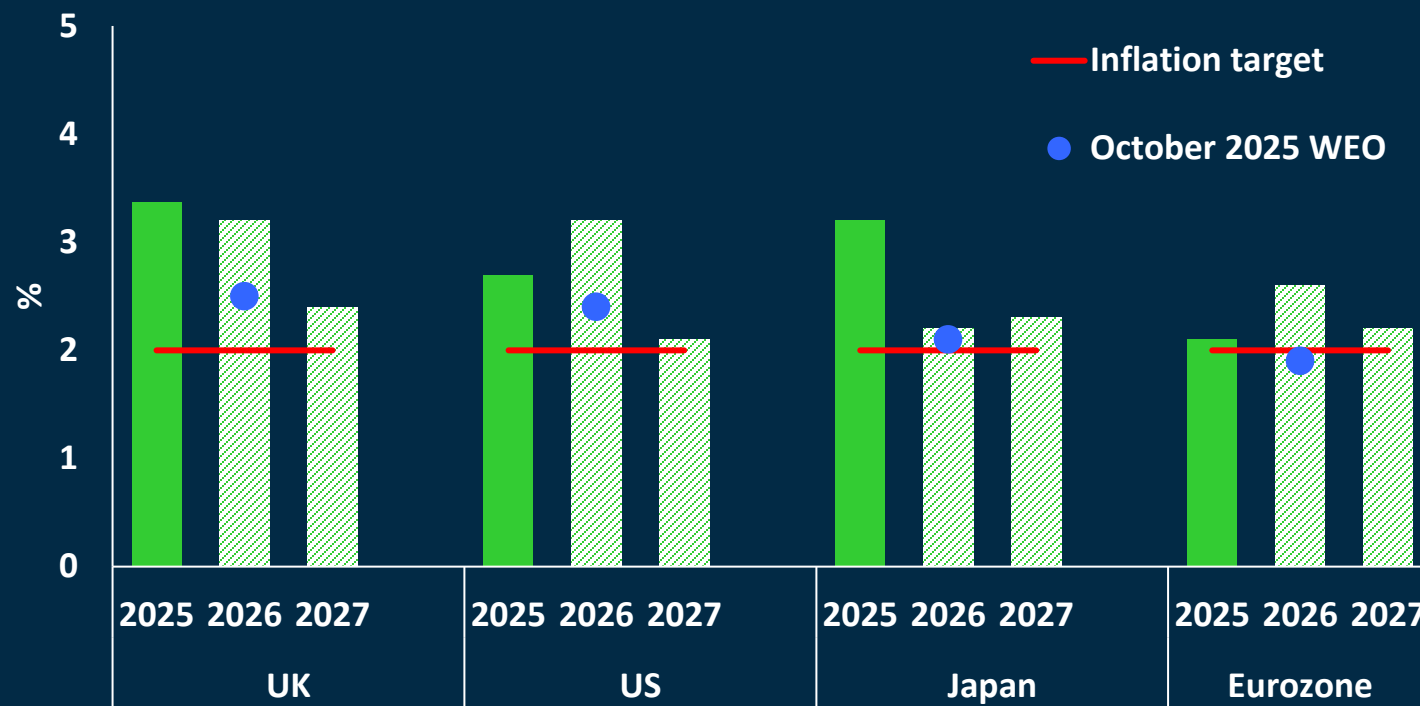
Disrupting global disinflation



* Dashed lines indicate forecasts
Source: IMF

Targets remain elusive in most AEs amid renewed inflation pressures

Headline inflation projections for advanced economies*

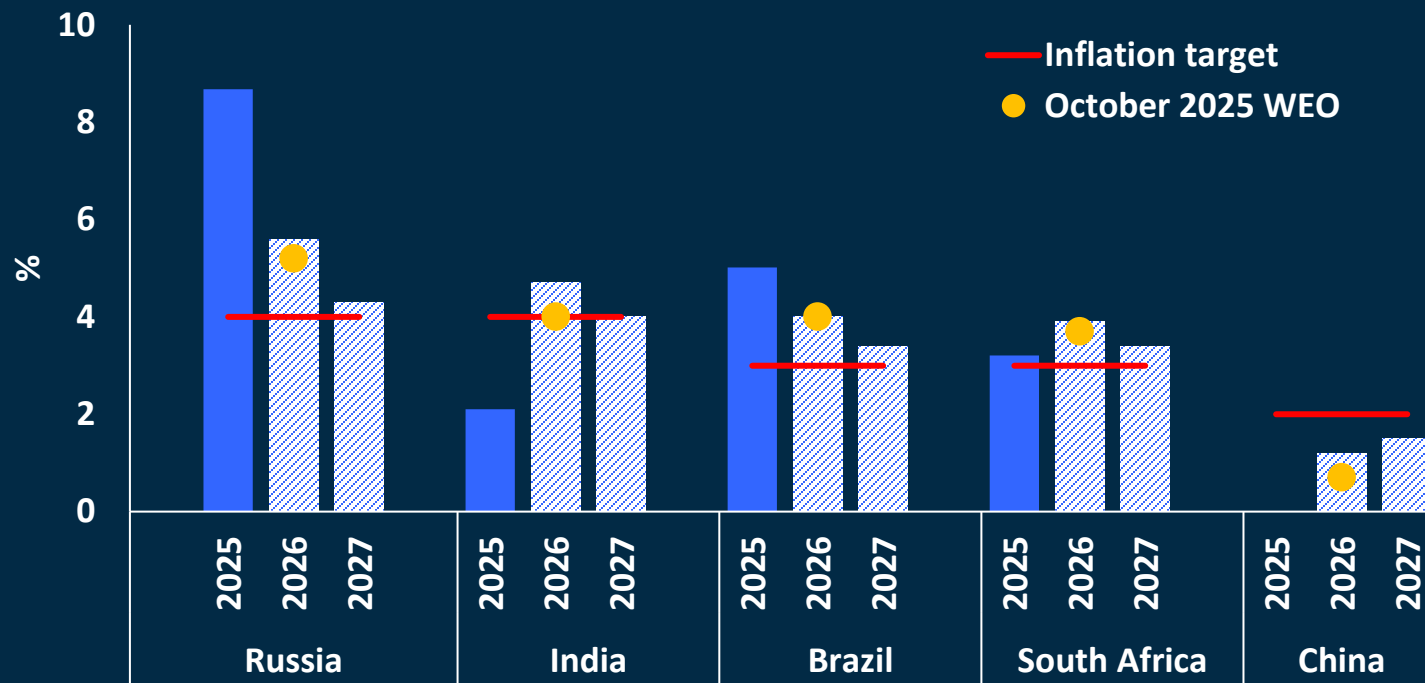


* Shaded bars indicate forecasts

Source: IMF

EMs expected to fare relatively better; but risks given energy weight in cpi

Headline inflation projections for emerging markets*

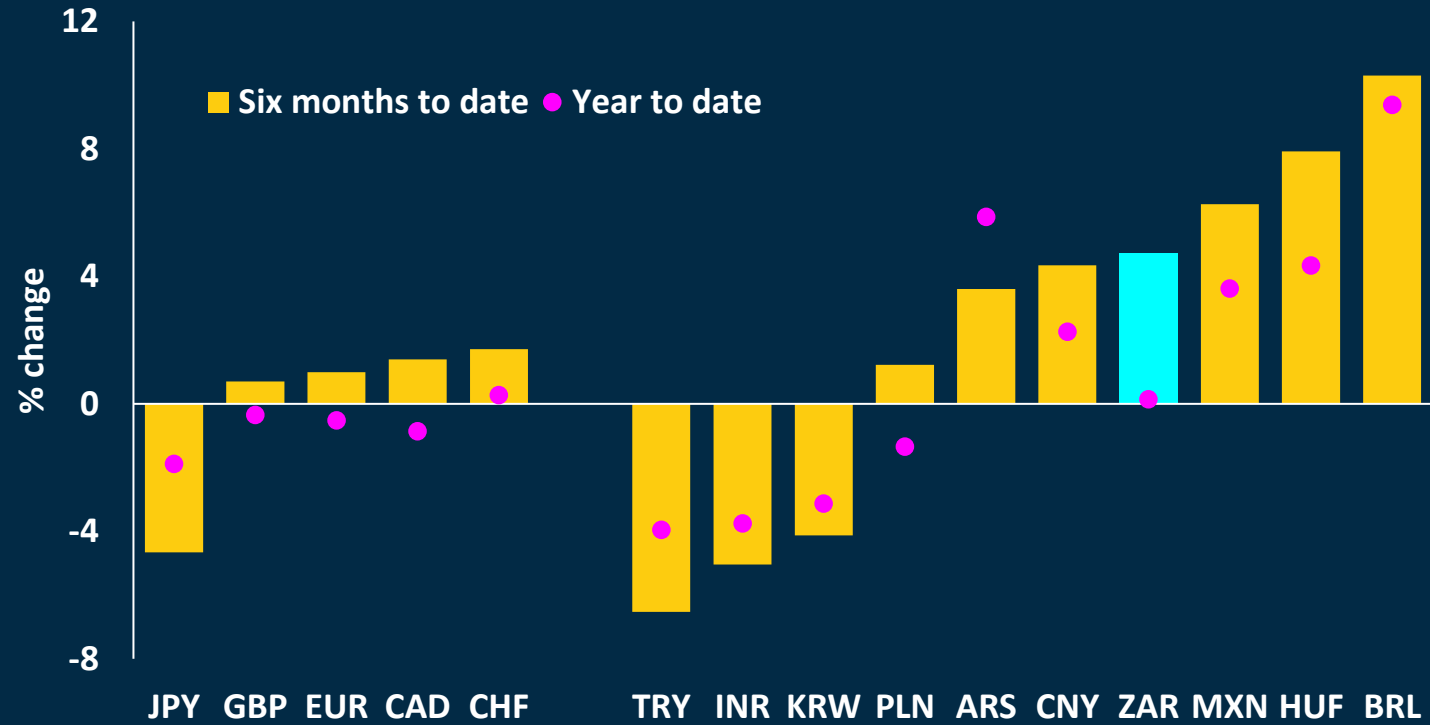


* Shaded bars indicate forecasts

Source: IMF

...but currencies holding up, to mediate oil price effects

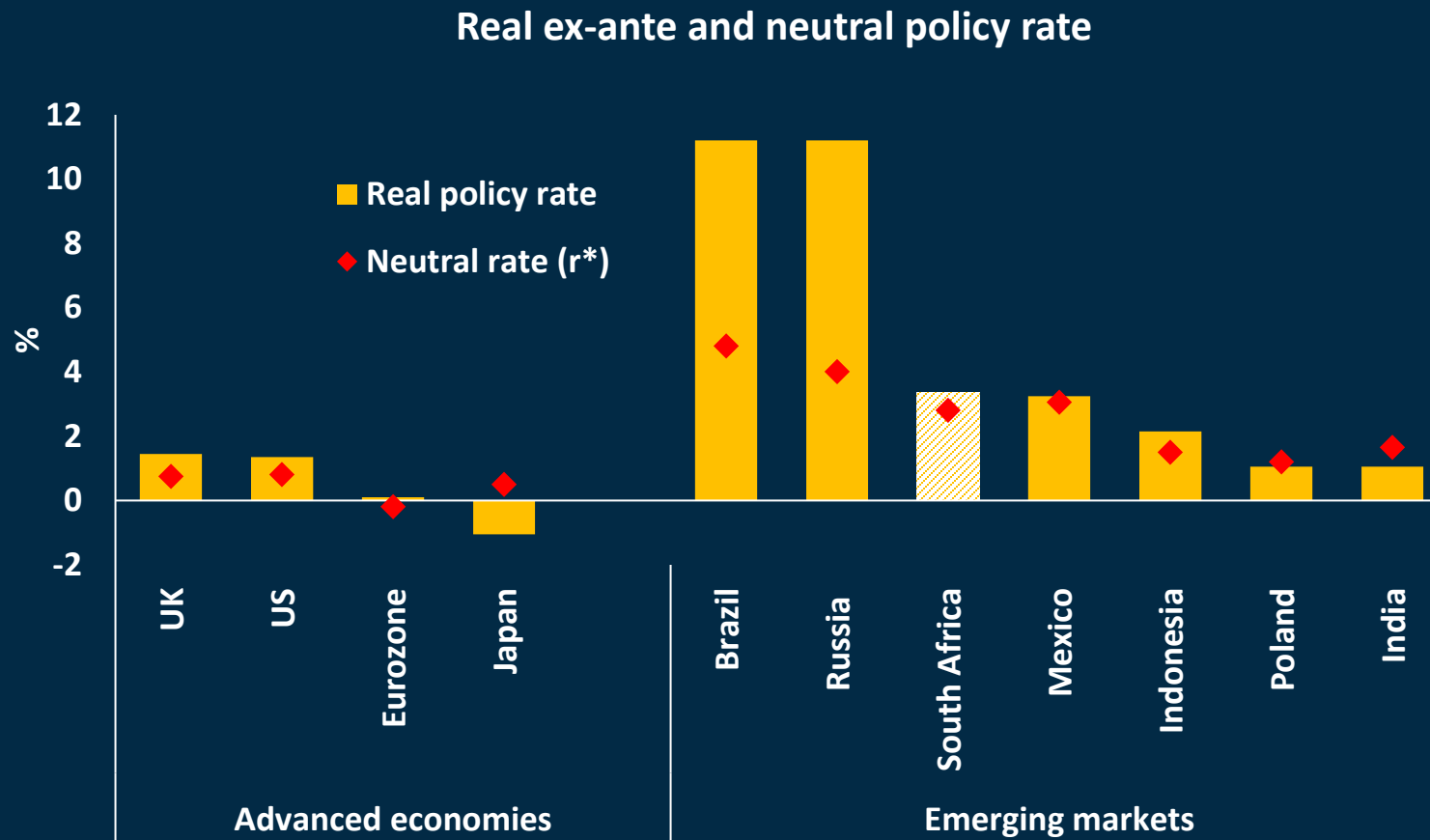
Selected FX performance versus US dollar



Source: Bloomberg

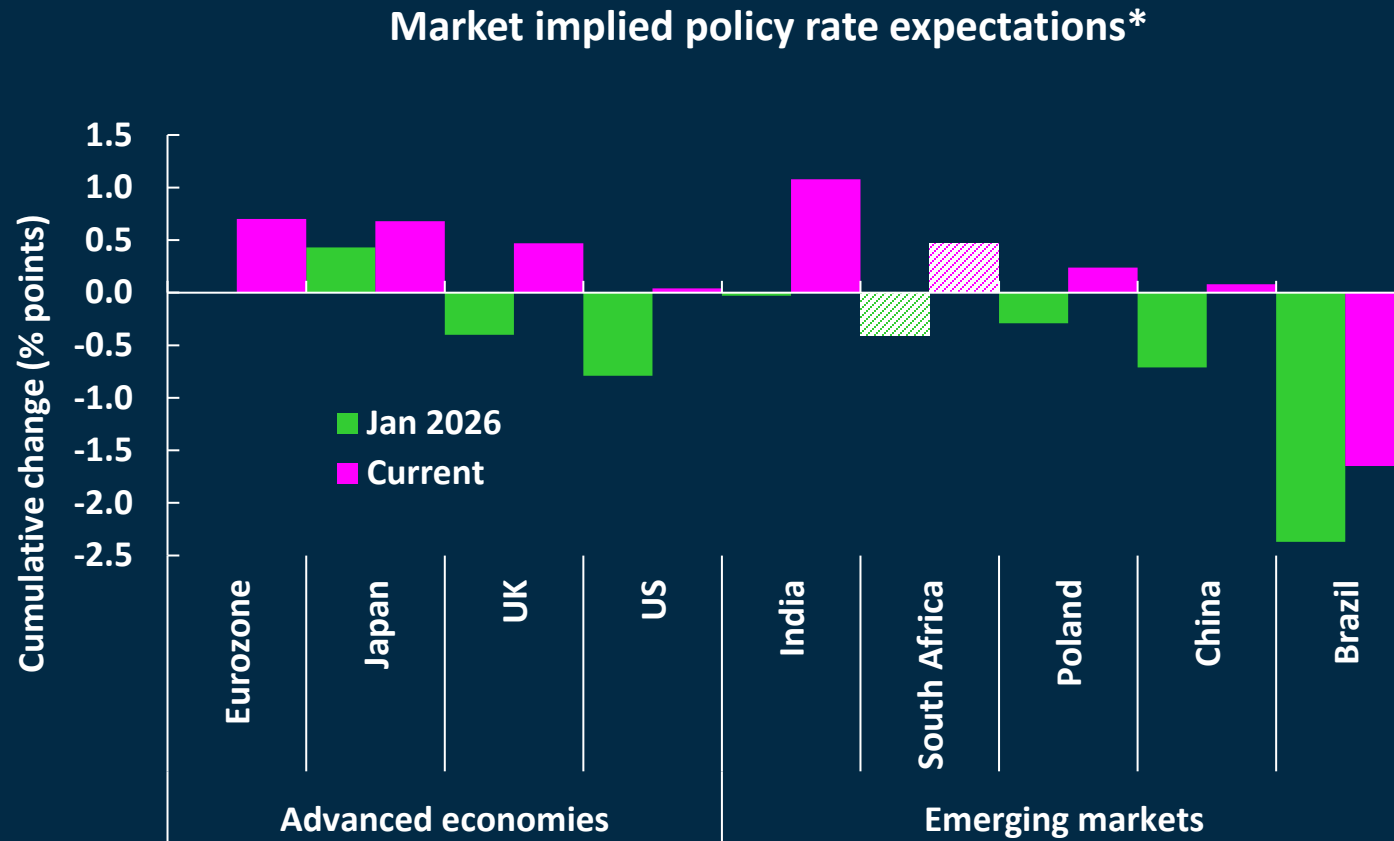


Some space to monitor shock evolution as policy moderately restrictive



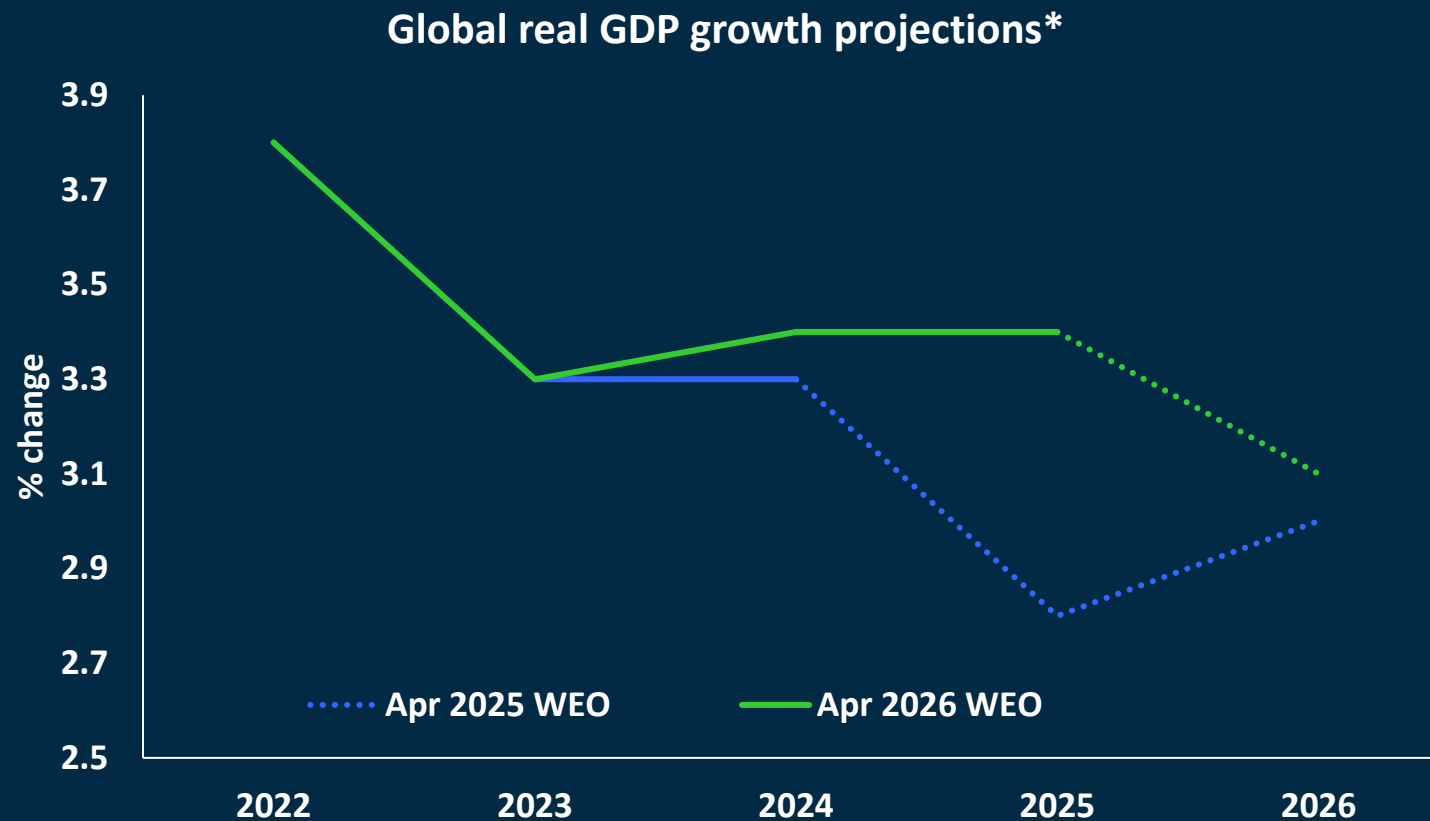
Source: Central Banks and Bloomberg Consensus

However, markets already shifted: now pricing in hikes



* One-year ahead
Source: Bloomberg

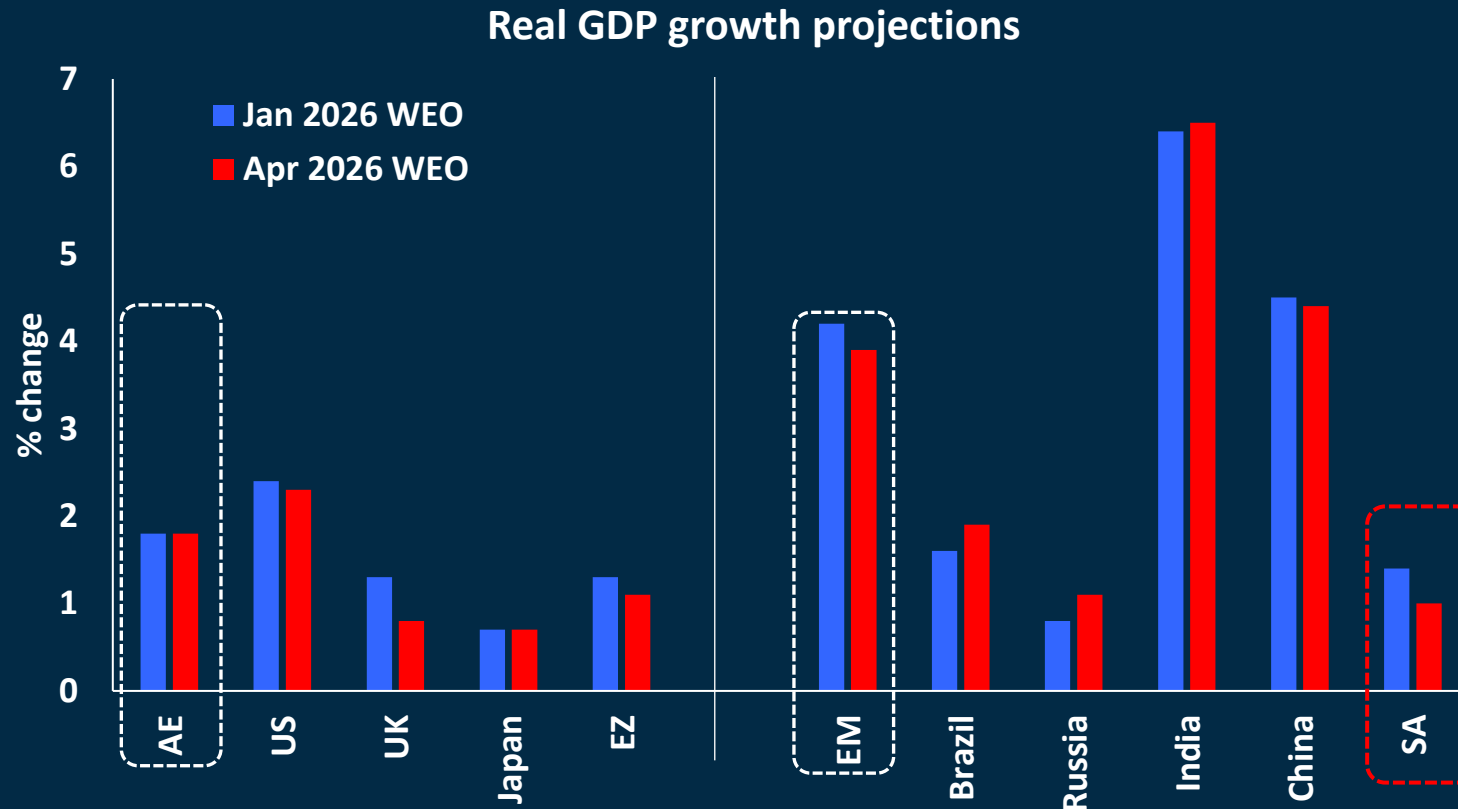
Conflict shock will again test global growth resilience



* Dotted lines indicate forecasts

Source: IMF

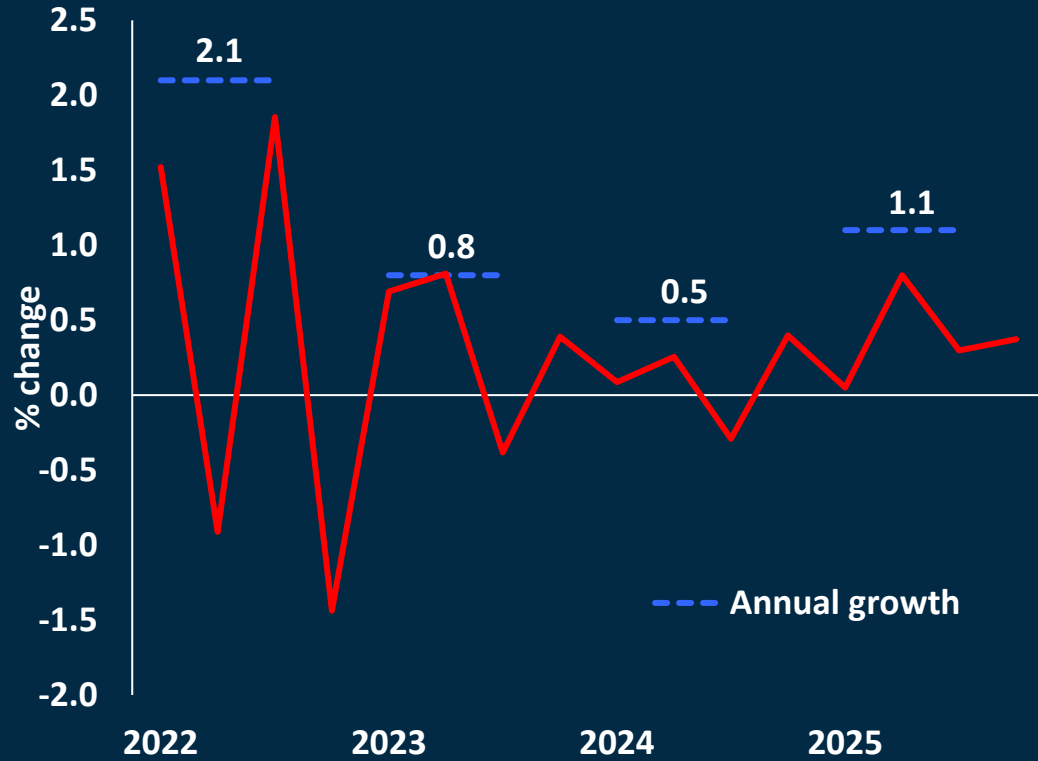
Divergent growth impacts expected



Source: IMF

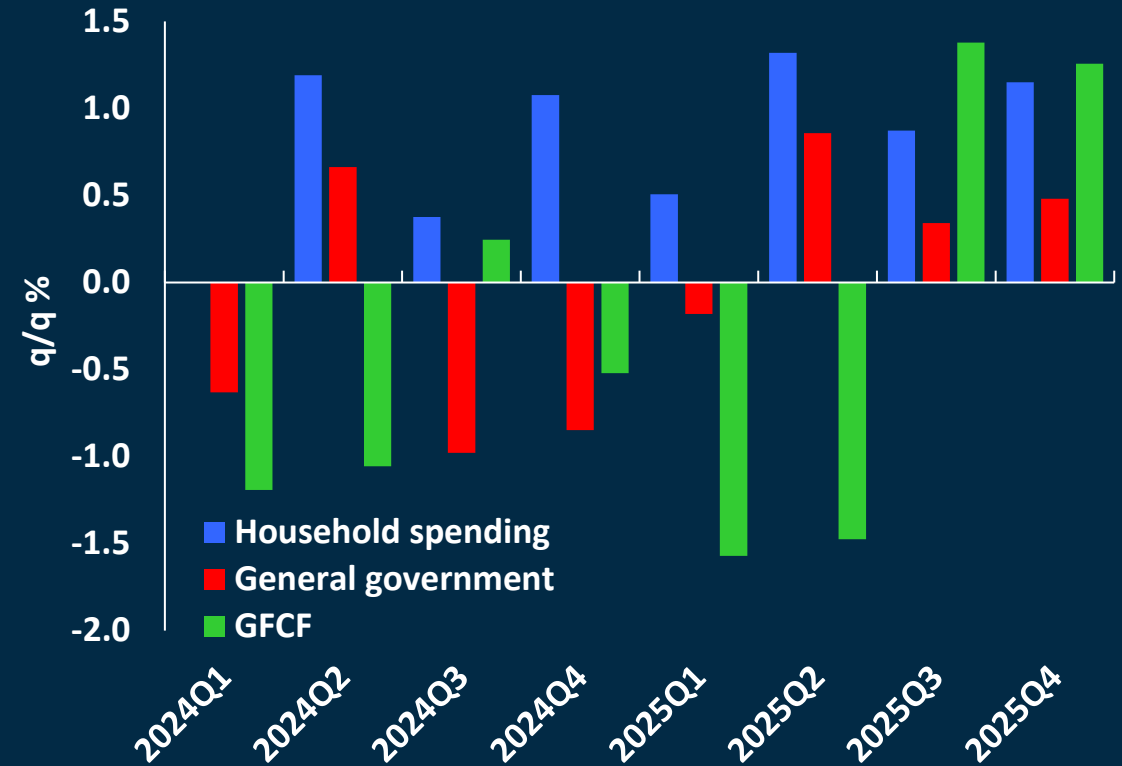
SA growth showing some momentum

South Africa real GDP growth



Source: Stats SA

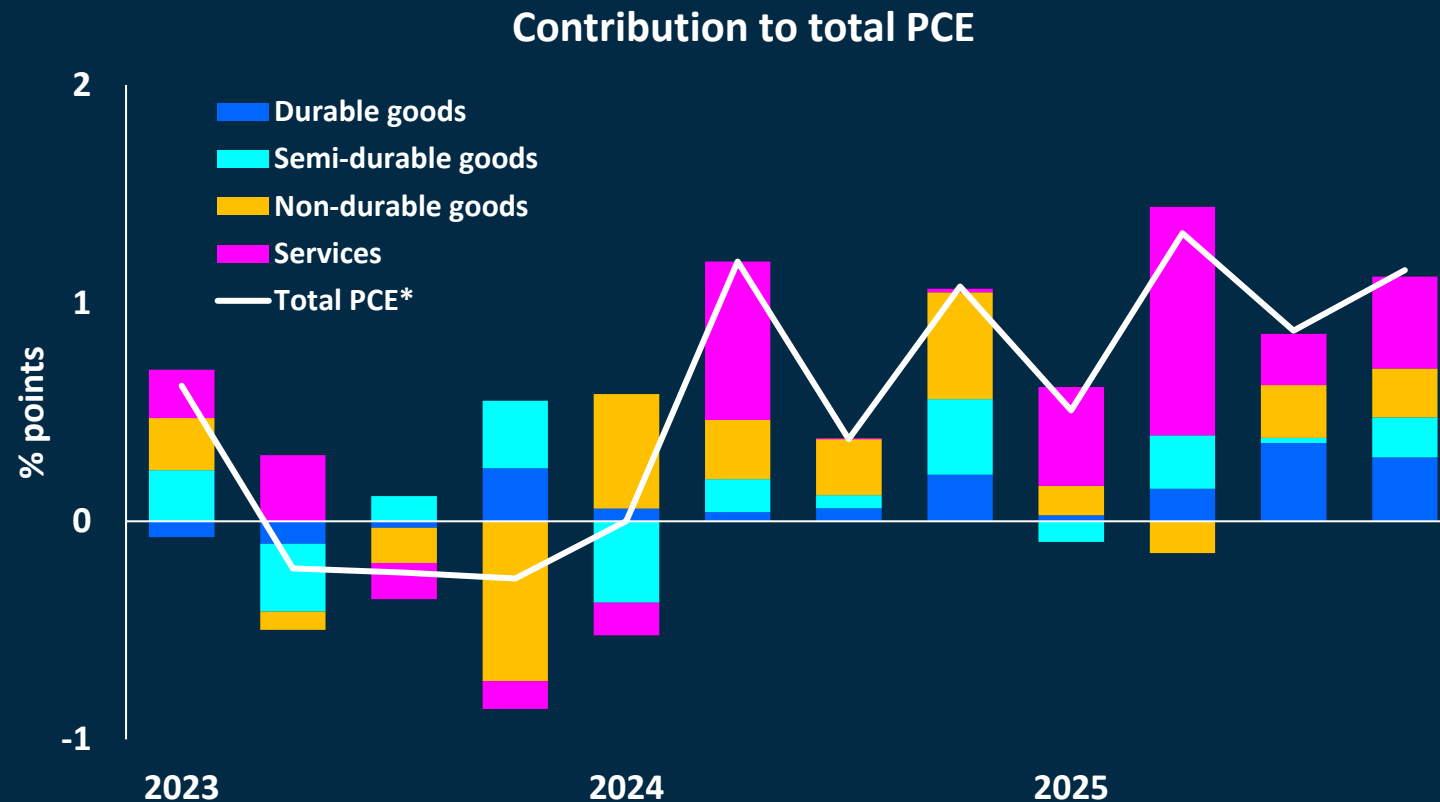
Domestic demand and GDP



Source: Stats SA



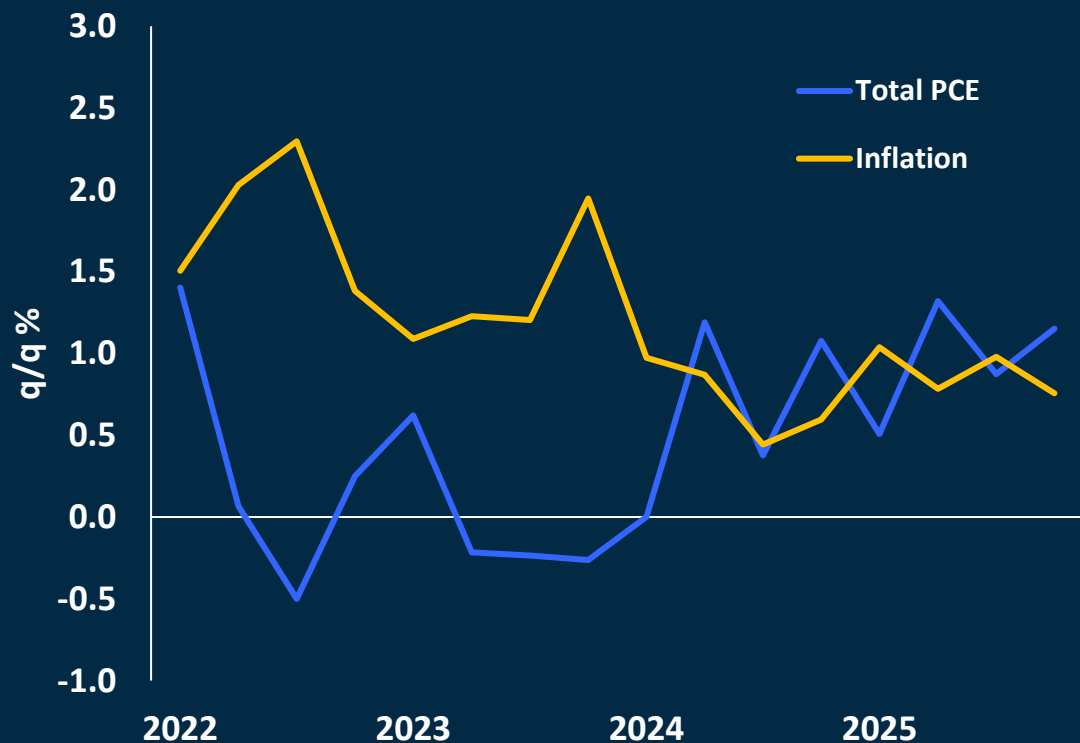
HH consumption spending remains mainstay of domestic growth



* quarter-on-quarter percentage change
 Sources: Stats SA and SARB

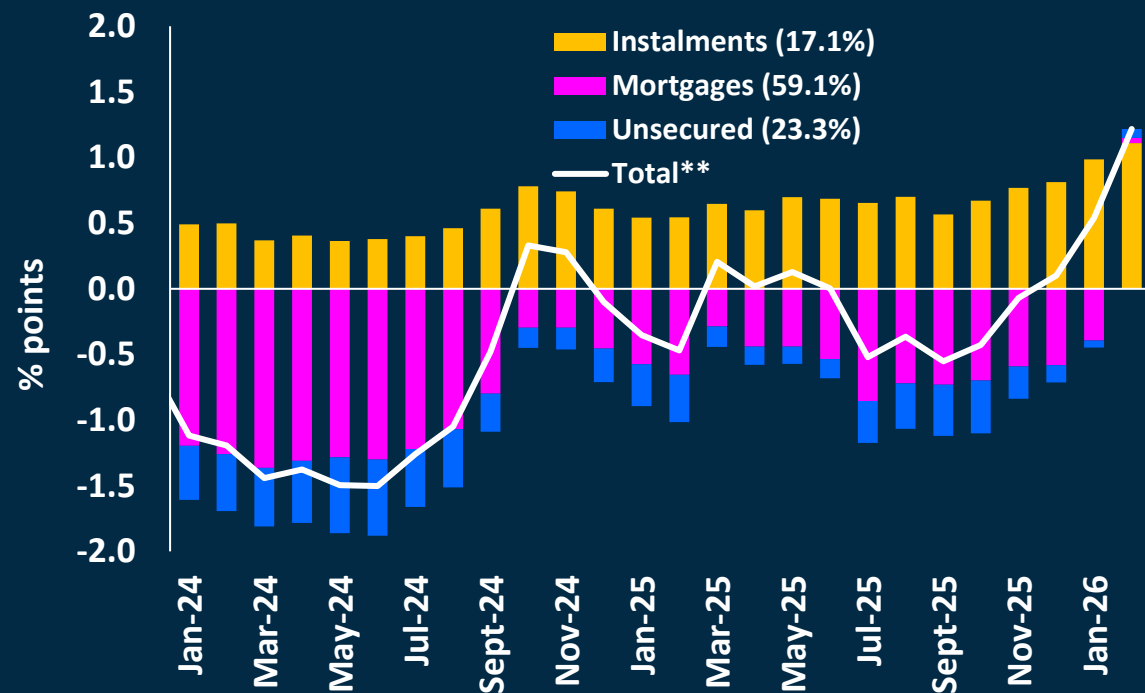
... as lower inflation & rate cuts support consumption aided by 2-pot retirement withdrawals

Total PCE and headline inflation



Source: Stats SA

Contributions to real household credit extension

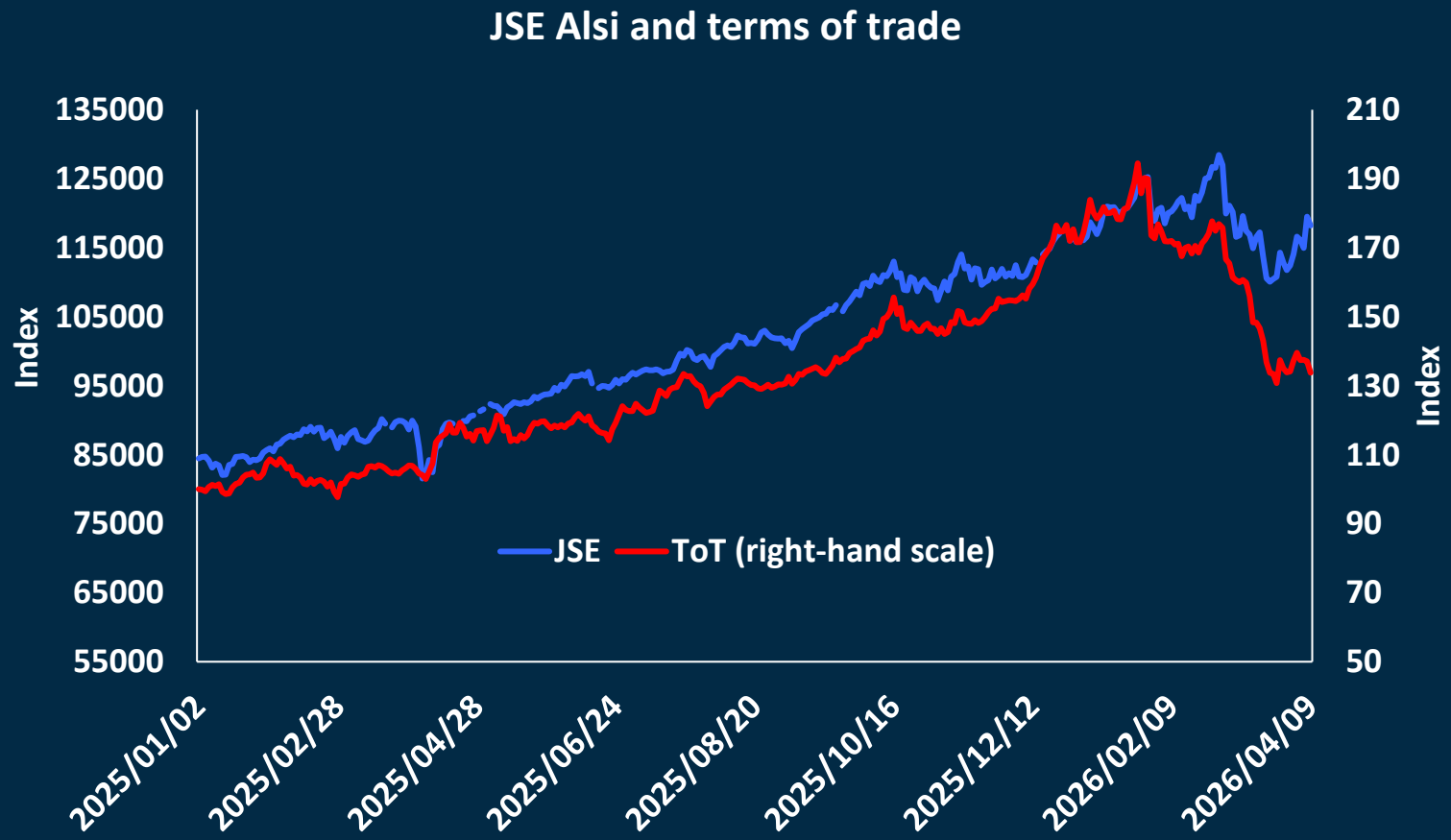


* Weights in brackets

** year-on-year percentage growth

Source: SARB

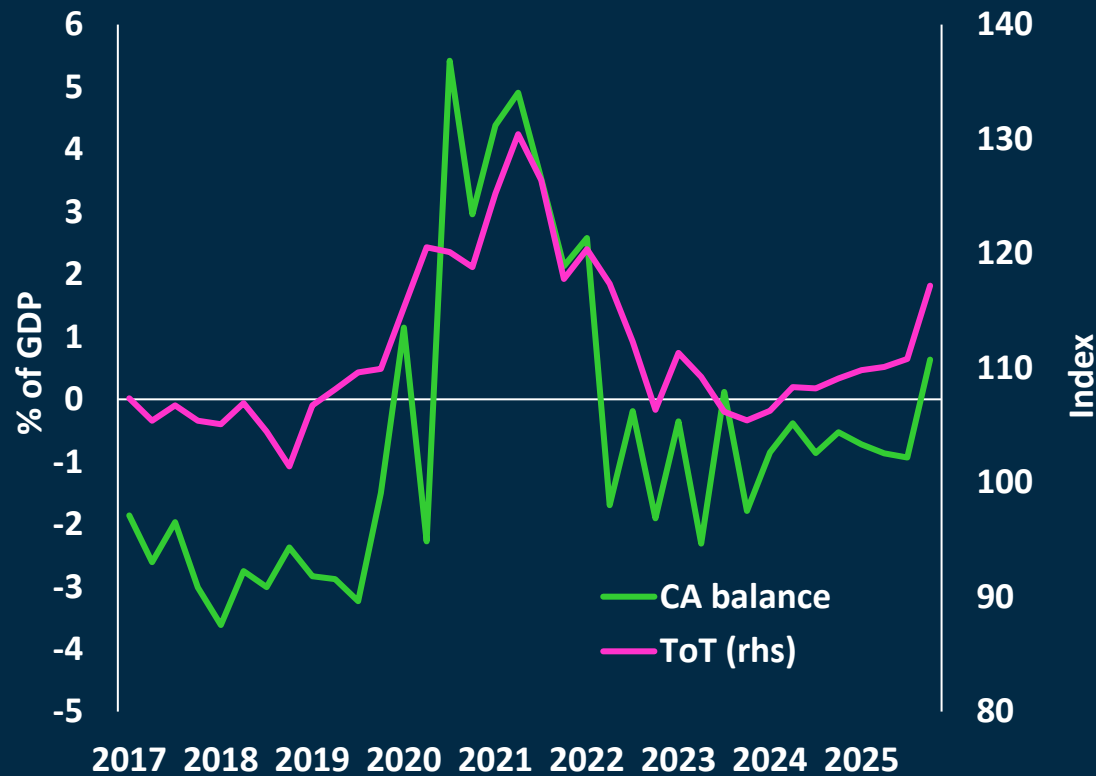
... while buoyant JSE and ToT boost wealth effects



Sources: JSE and SARB

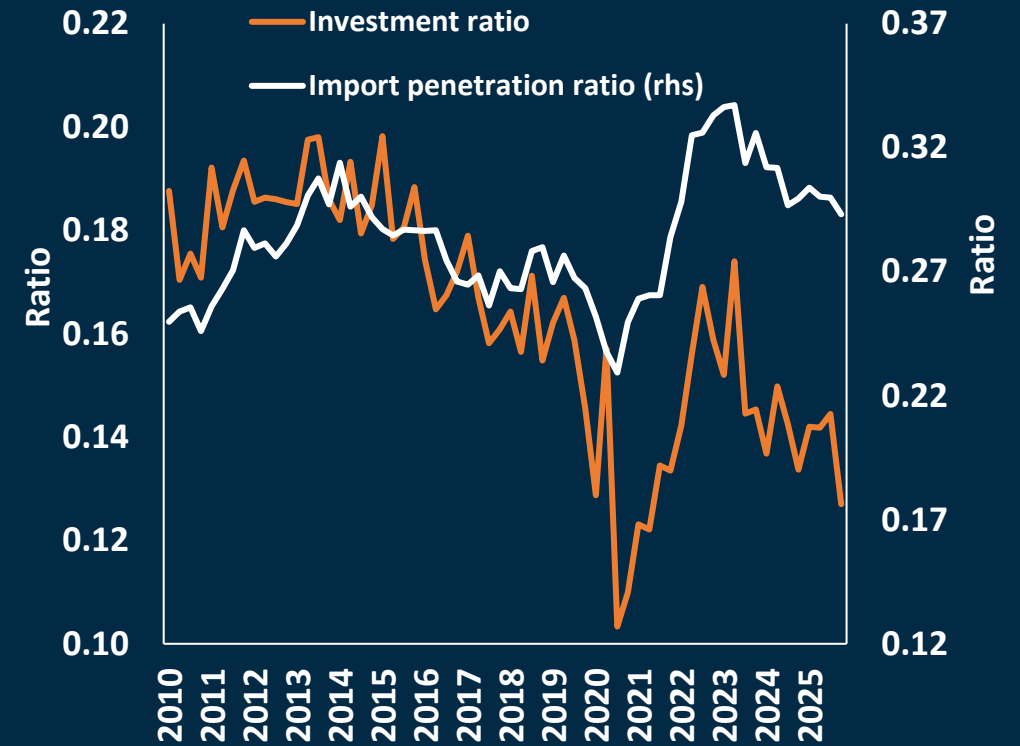
ToT lifted CA into surplus in Q4; but investment (high import content) still weak

Current account and terms of trade



Sources: Stats SA and SARB

Investment and import penetration*



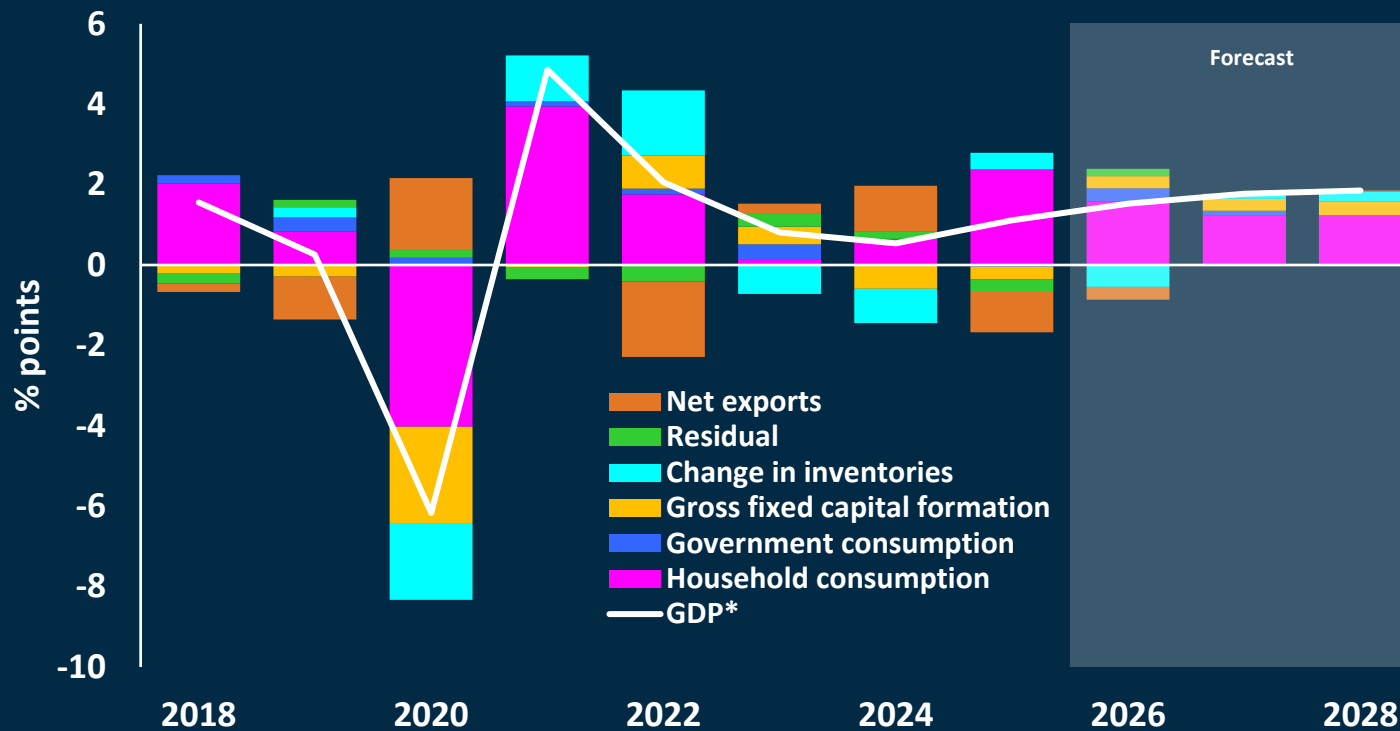
* Saving - current account = investment + change in inventories

Sources: Stats SA and SARB



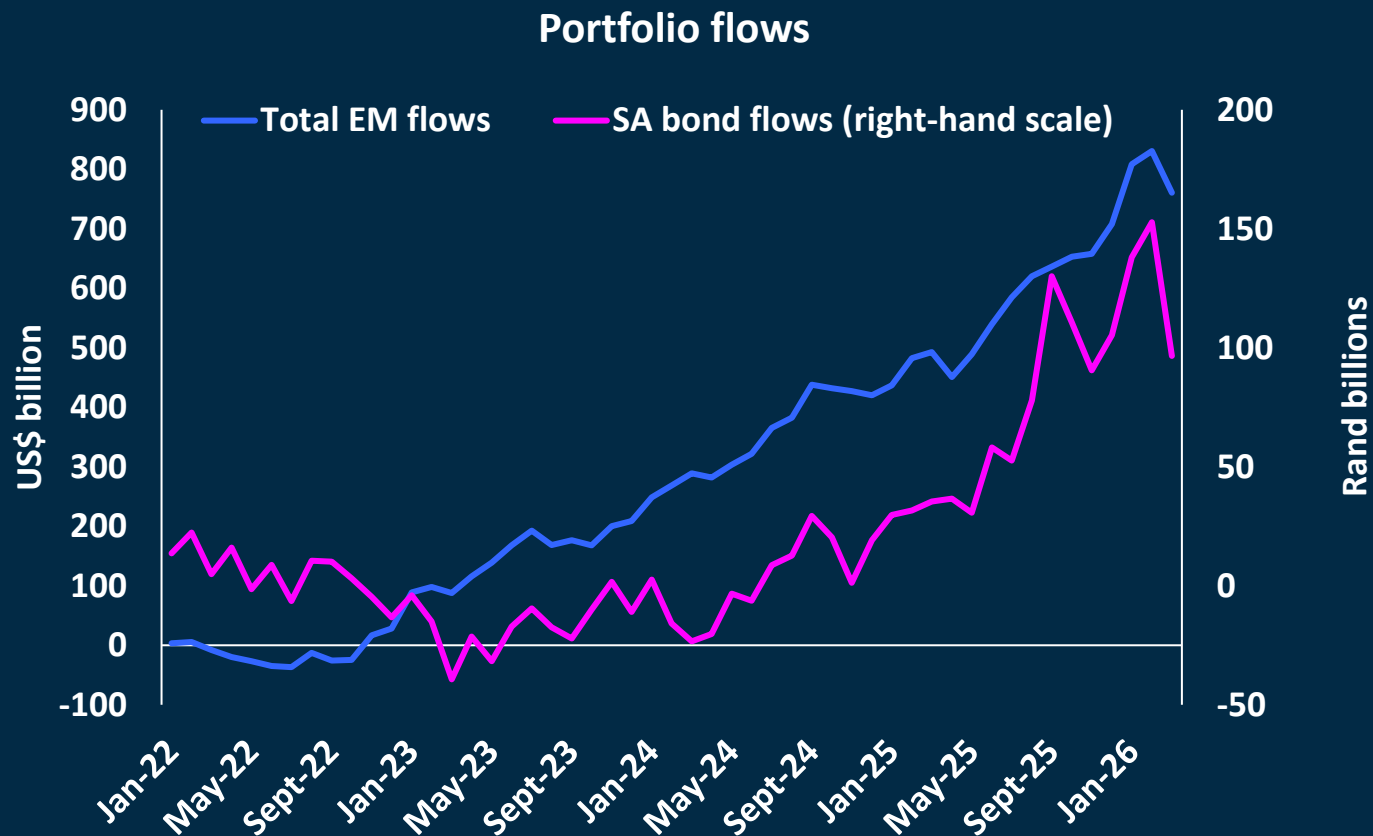
GDP growth to rise closer to 2% over MT, but risks skewed to downside

Contributions to real GDP growth



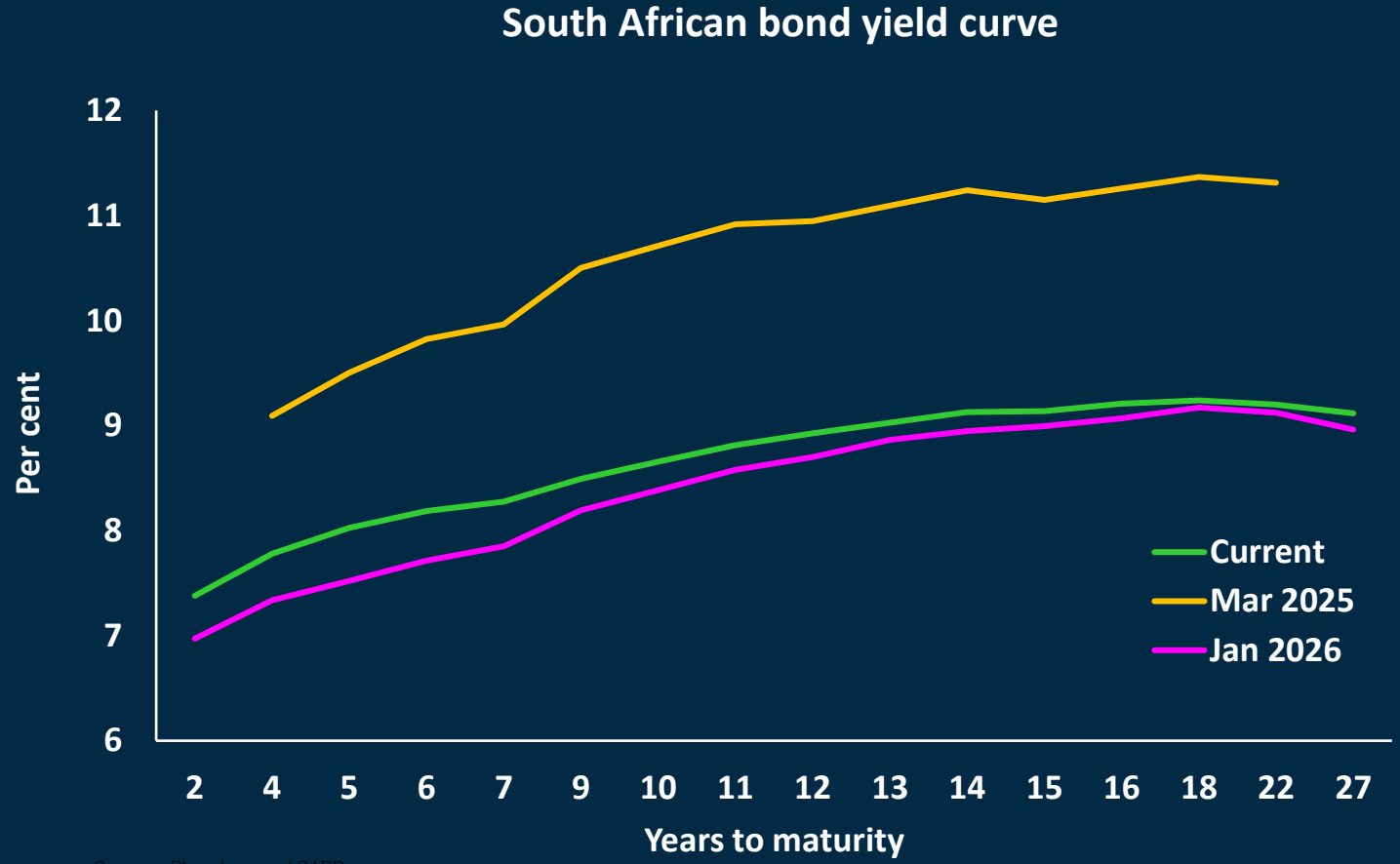
* Percentage change
Sources: Stats SA and SARB

Conflict induced volatility and sell offs in EMs (risk aversion)



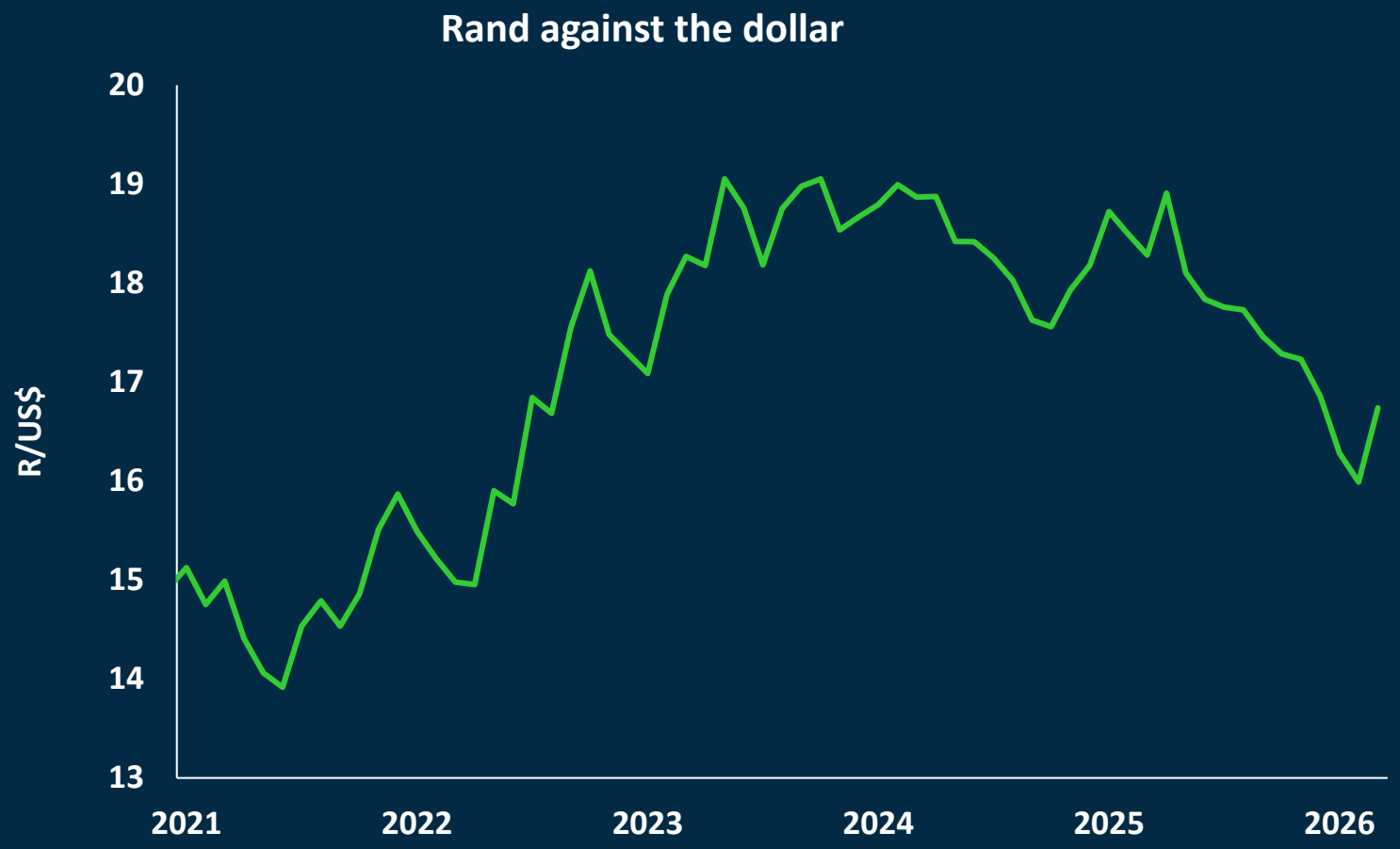
Sources: IIF and JSE

SA bonds proved resilient on improved macro fundamentals

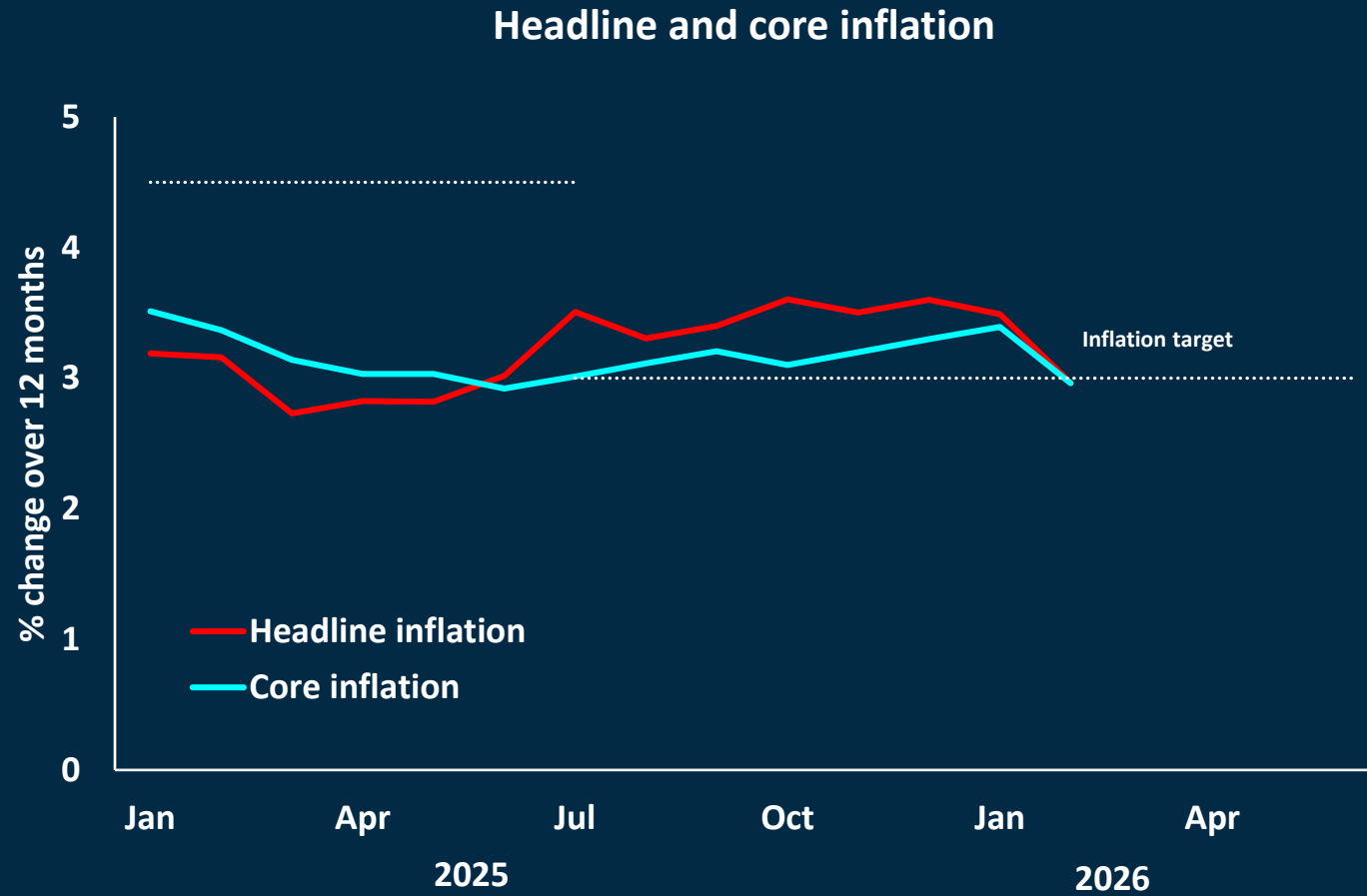


Sources: Bloomberg and SARB

...while rand also benefits from better macro and a stronger starting point



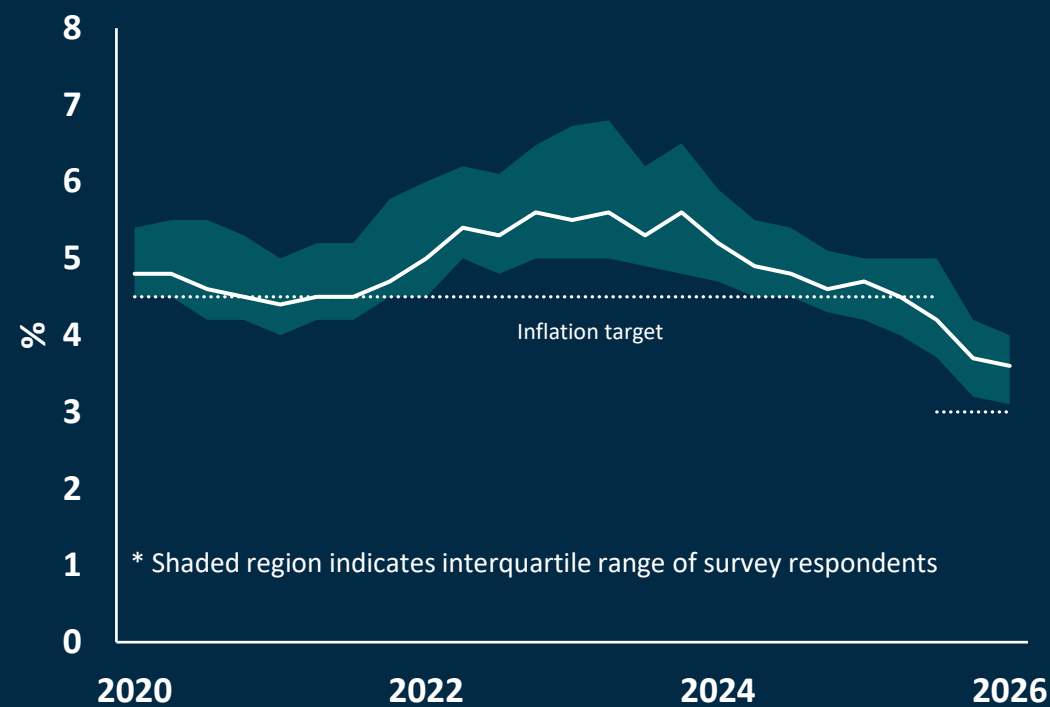
A favourable starting point: headline inflation at target in Feb



Source: Stats SA

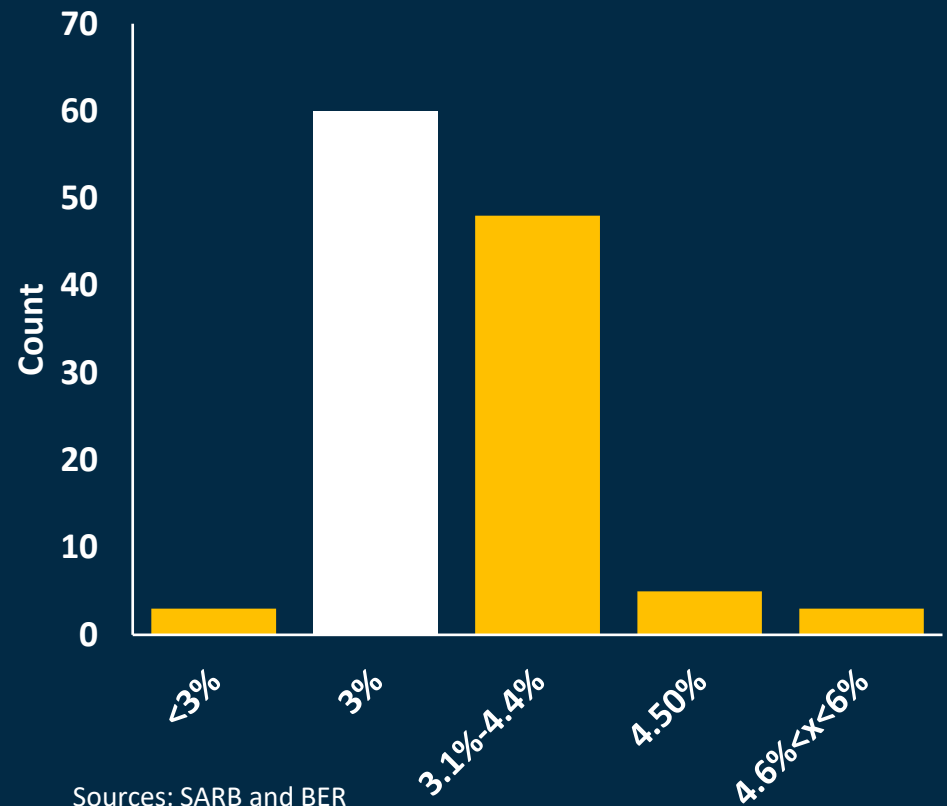
... and inflation expectations at historical lows firms more attentive

Two-years-ahead inflation expectations: all groups*



Sources: BER and SARB

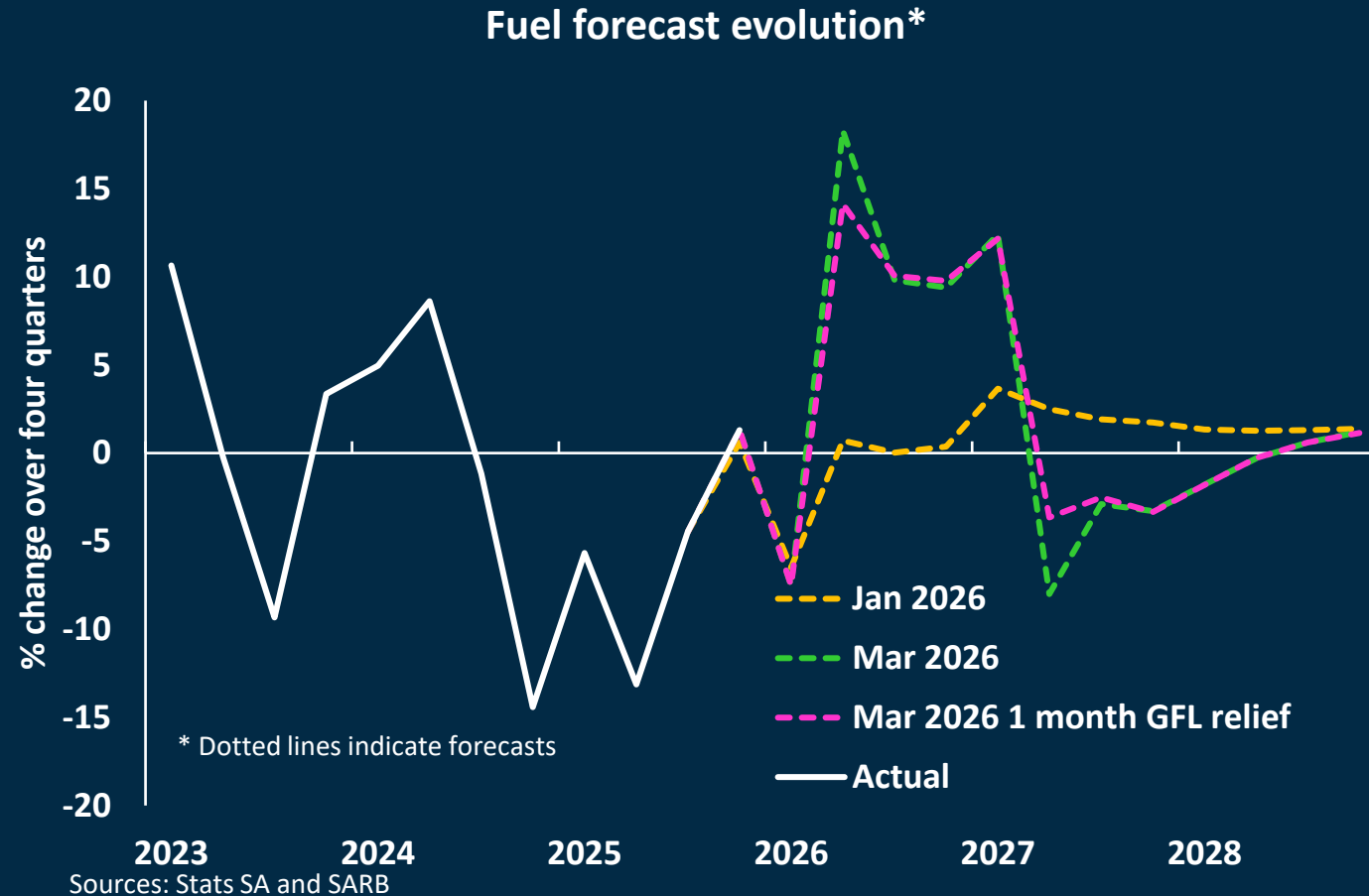
Firms' view of the SARB's preferred target*



Sources: SARB and BER

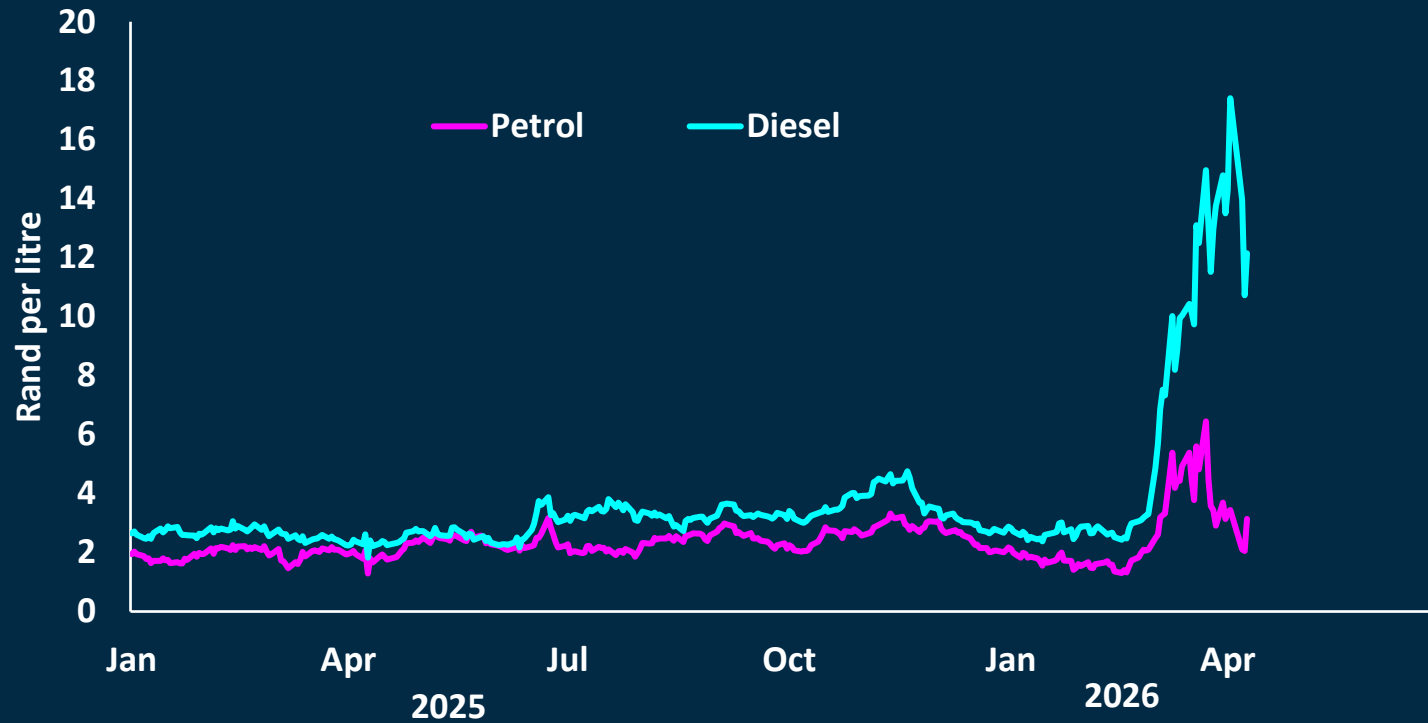
But tailwinds turn into headwinds as oil lifts and rand depreciates

Temporary R3/litre fuel levy relief



Refinery margins present serious upside pressure

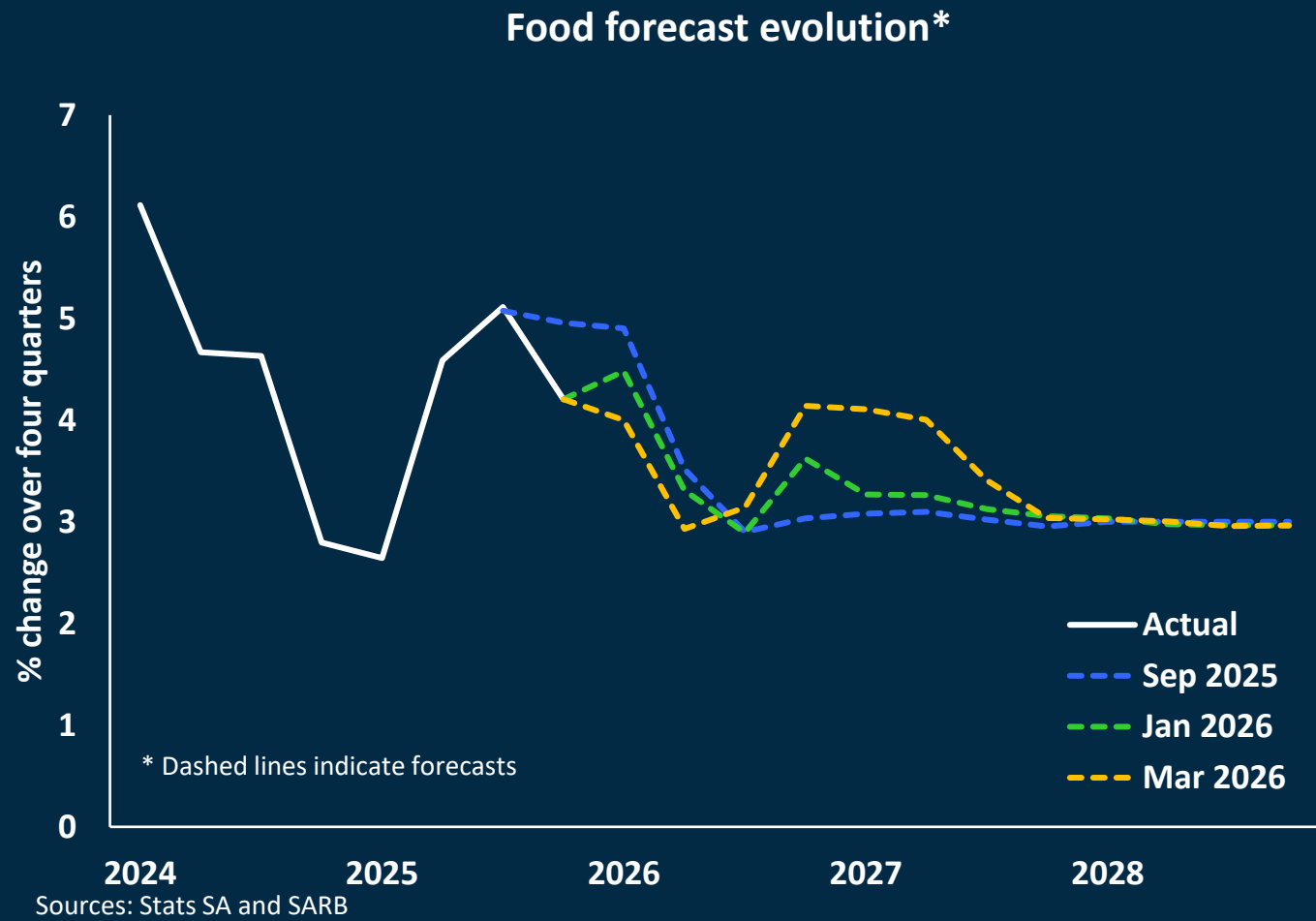
International fuel refinery margin proxies*



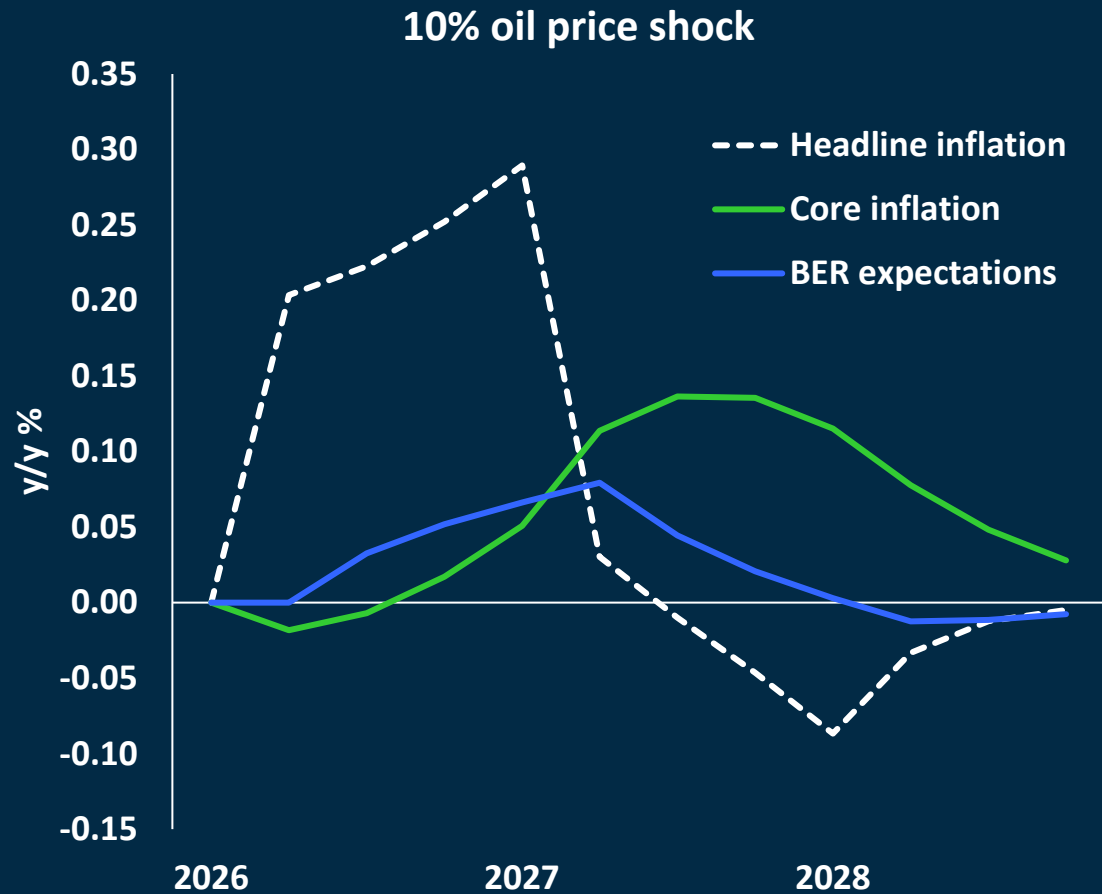
* The difference between the daily basic fuel price and rand-denominated Brent crude oil price. Reflects refining, shipping and other related costs.

Sources: Haver and SARB

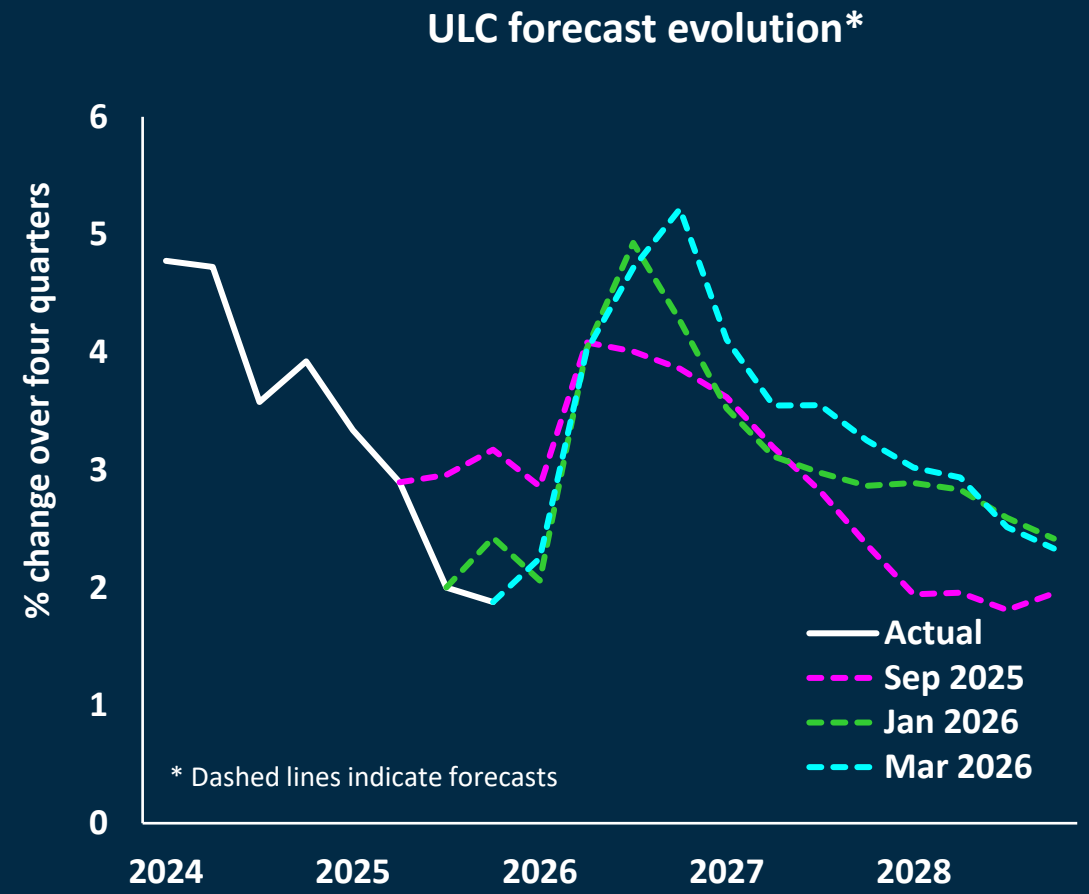
Shock also seen propagating (with a lag) into food



... and into underlying drivers of headline (second-round effects)

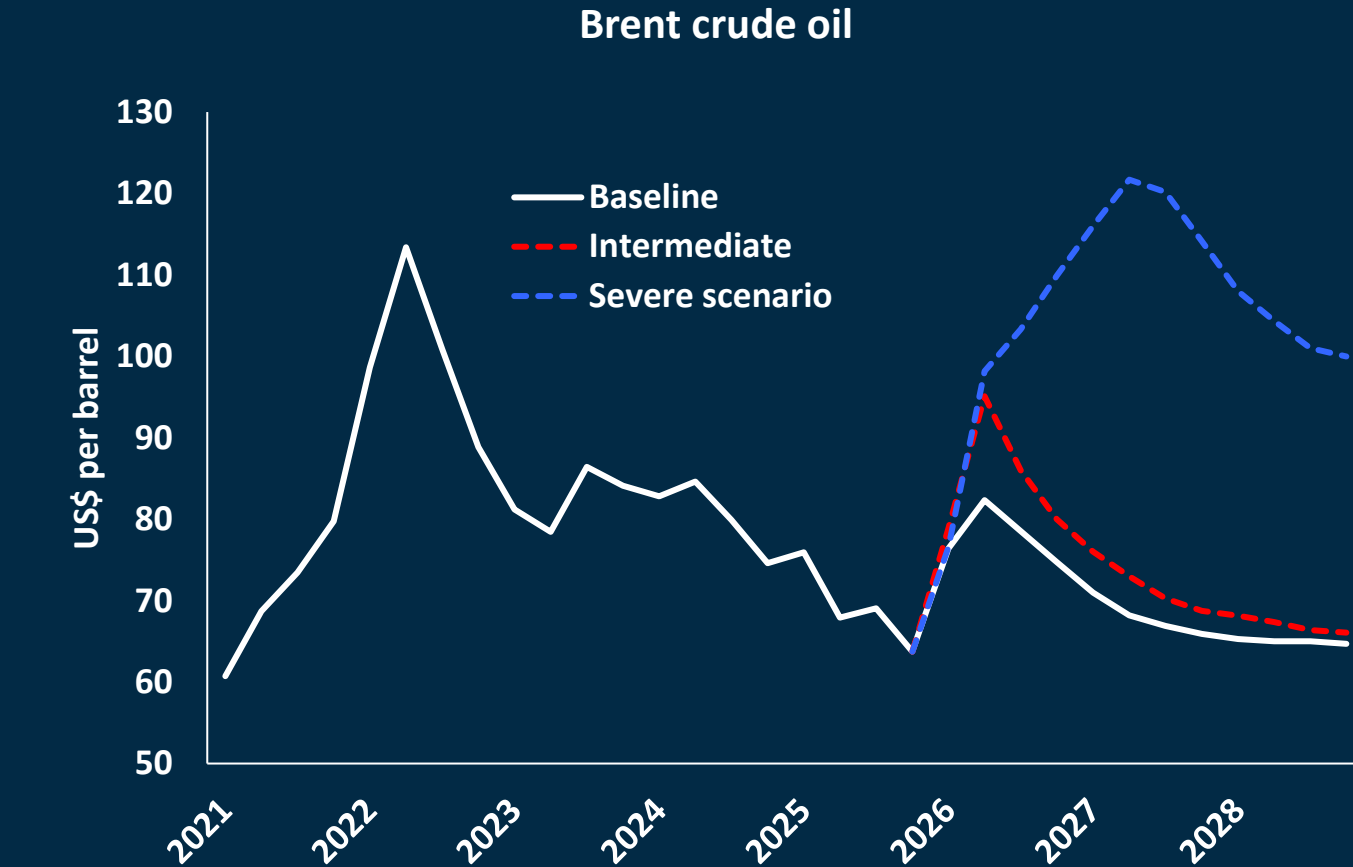


Source: SARB



Sources: Stats SA and SARB

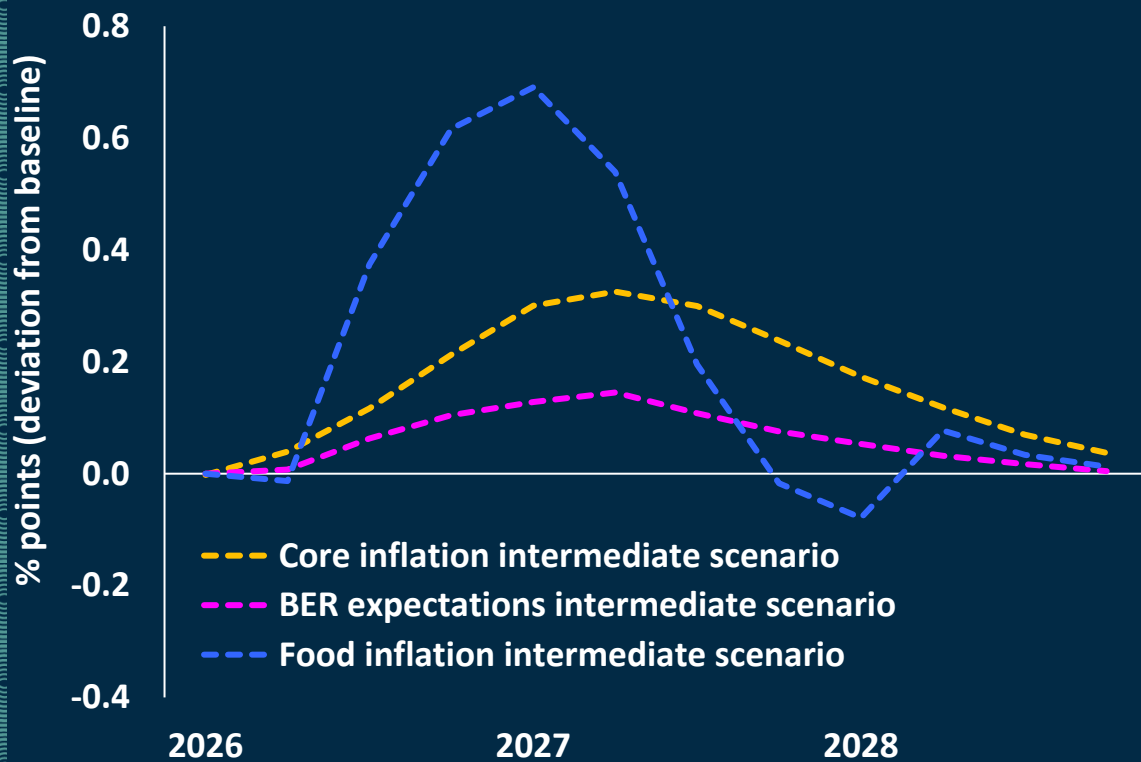
High uncertainty implies various alternative oil price paths (SARB scenarios)



Source: SARB

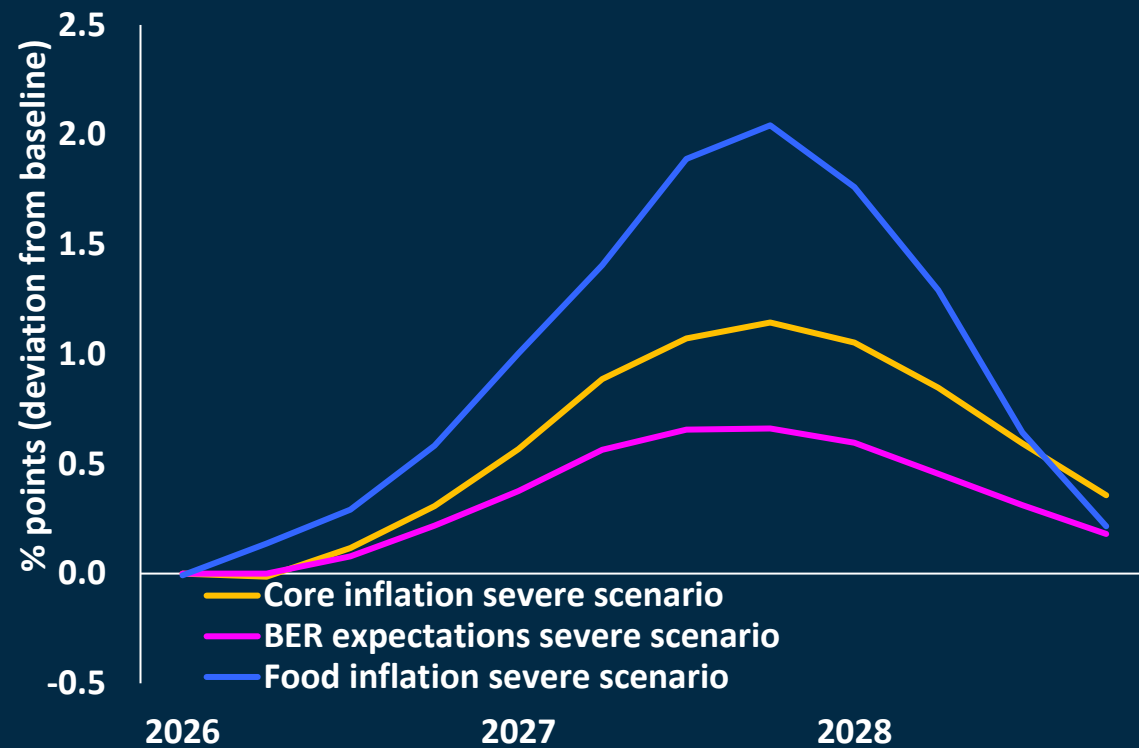
... with materially different second-round impacts ... but fading

Second-round effects under intermediate scenario



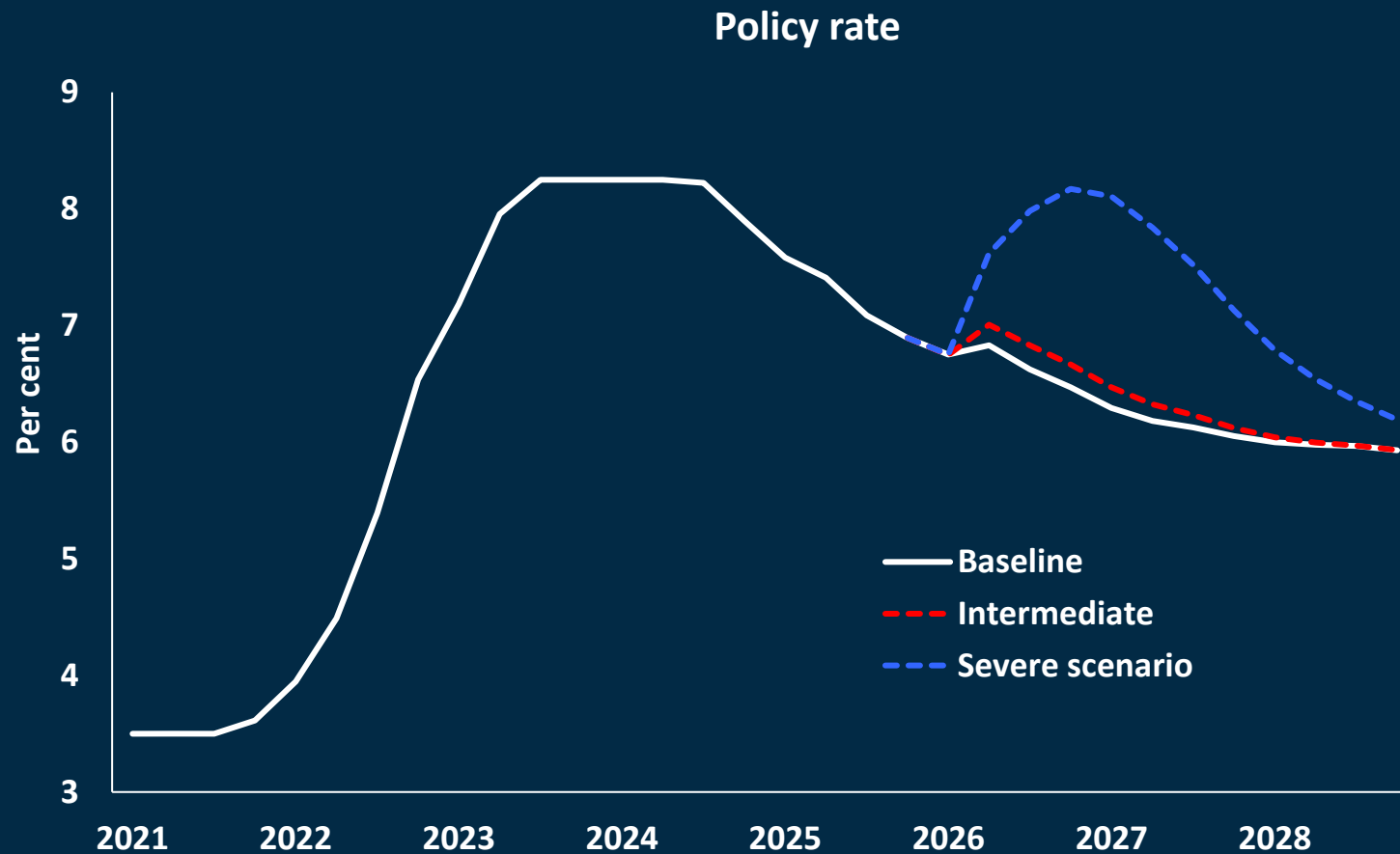
Sources: BER, Stats SA and SARB

Second-round effects under severe scenario



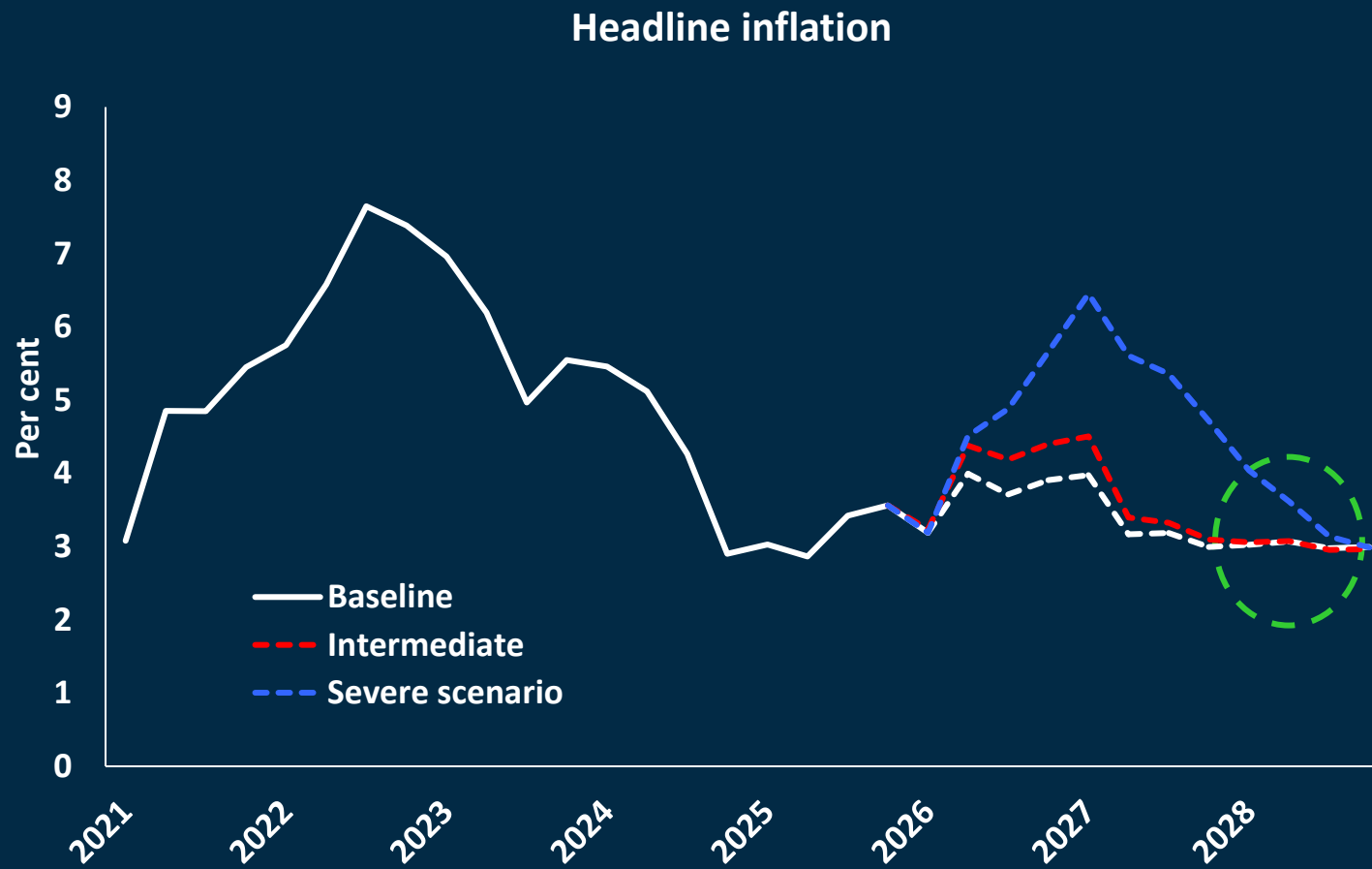
Sources: BER, Stats SA and SARB

... moderated by endogenous policy response in the QPM



Source: SARB

Overall, shock may delay, but not derail, achievement of 3% target



Source: SARB



Conclusion

- ME war has raised stagflation concerns; impacts still uncertain
- How will CBs respond?
- SA growth: will fuel shock capsize the boat?
- Inflation currently at target ... and seen returning to target in forecast horizon even under severe scenario...
- ...but that may require rates to rise
- Uncertainty around inflation expectations & 2nd-round effects (non-linearities)
- New risks, such as El Nino, or further conflict escalation ...
- Policy makers to remain vigilant, and act prudently



Thank you for your attendance



SOUTH AFRICAN RESERVE BANK