SOUTH AFRICAN RESERVE BANK

Address by Lesetja Kganyago,
Governor of the South African Reserve Bank,
at the 106th Ordinary Annual General Meeting,
South African Reserve Bank,
Pretoria, 31 July 2026

Good morning, ladies and gentlemen.

This year we celebrate a milestone birthday for the South African Reserve Bank (SARB). It sounds like a cricket score: we are 105, not out! As you know, we are the oldest central bank in Africa. We are also among the 20 oldest central banks in the world.

At an old age like this, people are often confined to a home. I am happy to say this hasn’t happened to us. We finished the stay-at-home phase in 2025, and we have now been back in the office, full time, for exactly one year. We were honoured to host the President here in June to launch our new museum, and we appreciated his comment that the SARB Head Office is one of the architectural gems of our capital city. Our new building is indeed beautiful, and a fitting headquarters for the SARB as we work on our next hundred years.

Our constitutional mandate is to protect the value of the currency in the interest of balanced and sustainable economic growth. Since our previous Annual General Meeting, we have taken a big step to do that better. After 25 years, our inflation target has finally been reformed. We used to target a range of 3–6%. From 2017, we explicitly aimed at the 4.5% midpoint of that band. In 2025, South Africa formally adopted a 3% target, plus or minus one percentage point.

This new target is in line with the inflation rates of our peer countries as well as major economies. It will also deliver rand users an experience much closer to price stability.

We have just been hit by a big oil shock, which pushed headline inflation to 4.5% in May and 5% in June. Everyone feels the pain of rising prices, and everyone is worried about inflation being too high, including us. But, until very recently, 4.5% was our inflation goal and we were satisfied when we got there. Last decade we often tolerated inflation at 6%. We now see, clearly, that those rates were too high.

Last year we made a choice to have lower inflation. Yes, we have now been hit by a shock that was completely exogenous and has nothing to do with our choices. But shocks will happen. For the SARB, our job is to ensure inflation reverts to target. Monetary policy does not control the prices of individual goods and services. But we do have a lot of influence over the longer-run buying power of the rand, across a broad purchase basket, and we intend to protect that. That is why we raised rates to 7% in May – to ensure that inflation gets back to target. This created the space for us to hold rates at our MPC meeting in July.

Before this shock hit, our main forecasting model showed the policy rate declining to about 6%. Markets had similar expectations. As a Monetary Policy Committee, we do not make any promises about the path for interest rates. That kind of forward guidance often fails, with embarrassing results.[1] But I can say with confidence that lower inflation produces lower rates.

Financial markets have already priced in this principle across the yield curve. This helped drive the big drop in longer-term rates we have seen since last year. Those lower rates also seem to have survived the oil shock; long bond yields are close to where they were before the war started. I think this shows an understanding in markets that the shock is temporary and inflation will come back to the new target. We will

[1] https://www.rba.gov.au/monetary-policy/reviews/approach-to-forward-guidance/index.html

continue to work, through our communication and our policymaking, to ensure that our message on driving inflation down is widely heard and widely believed – and, of course, act as appropriate to deliver this outcome.

The oil shock is not the only challenge we have had coming out of the global environment lately. Last time we met, we held the Group of Twenty (G20) Presidency. I am happy to say that we fulfilled our responsibilities, and we are remembered for our effective and efficient stewardship. Unfortunately, we have not been invited to the G20 this year, which is not consistent with G20 practice. We look forward to participating in the G20 under the Presidency of the United Kingdom. Meanwhile, we continue our international engagements across many other forums.

One engagement that has borne fruit is our work with the Financial Action Task Force (FATF). Since our greylisting in 2022, there have been major investments by the South African authorities, including the SARB, to get our house in order. We were happy to come off the greylist late last year – and stand ready as we face the next FATF mutual evaluation.

The global central banking community is also wrestling with technological changes, particularly artificial intelligence (AI) as well as fintech products like stablecoins. These present opportunities but also threats.

It seems clear that AI will transform how we work by making large datasets much more tractable. At the same time, it is equally clear that AI presents new threats, for instance if it is used to hack sensitive systems that previously seemed secure.

Just as AI presents both unprecedented opportunities and risks, there are also two sides to stablecoins. If they can make cross-border payments faster and cheaper, that would be welcome progress. But if they mainly make it easier to transact anonymously, helping their users get around prudential controls or escape with the proceeds of crime, that is dangerous.[2]

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[2] https://www.bis.org/events/agm2026/sp260628_lecture.pdf

Our broad task as regulators is to achieve a balance – to limit risks without stifling innovation. Of course, finding that balance is not easy, and our efforts can leave people unhappy. We saw this, for example, with the draft cross-border regulations on crypto assets. The fact of the matter is that South Africa has a system of capital flow measures. It has been cumbersome and the much-needed reforms to modernise the framework are underway. But, if we have these rules, we cannot simultaneously have weak regulatory frameworks for crypto assets alongside a rigorous system of reporting and permissions for everyone else. That is not a level playing field. What we are trying to do is get common rules here for everyone. At the same time, we would like those rules to be more appropriate for contemporary conditions.

When it comes to innovation, it may be that fintech solutions will radically improve payments. But it could be the simpler, less hyped, technologies that deliver larger gains. Our Payment Ecosystem Modernisation programme does not use tokenisation or a distributed ledger, but we still expect it to achieve much cheaper and faster digital payments, just like countries such as Brazil, India, Thailand and the Philippines have achieved. With our purchase of a 50% stake in BankservAfrica in November last year, and its rebranding as PayInc, we are making progress. We nonetheless acknowledge that other emerging markets are ahead of us. We have a lot of catch-up growth to achieve.

Ladies and gentlemen, to conclude: the SARB is in a strong position. We have taken a big step forward with our new 3% inflation target. Our financial system continues to demonstrate resilience in an uncertain and difficult world. We are driving payment innovation to close the gap with the leading countries.

I should also mention that our balance sheet is strong. We have grown our foreign exchange reserves. Ten years ago, we had $47 billion in reserves. This time a year ago we had $68 billion. The latest number is $74 billion.[3] In the last decade we often made losses and coped with a relatively thin capital cushion. More recently, the SARB has been more profitable and equity has grown substantially, making us one of the better capitalised central banks in the world.

[3] These data points refer to the June Information Notices for 2017, 2025 and 2026.

I am very grateful to the SARB staff and to my leadership team, including the three Deputy Governors, for all their work over the past year. I would also like to thank the Board of Directors for their expertise and dedication. If the South African experience of the past two decades teaches anything, it is the importance of having well-governed institutions. The SARB's institutional strength is clear, but it comes from a lot of hard work. We acknowledge with immense gratitude the people who put in those hours.

Thank you.