SOUTH AFRICAN RESERVE BANK

PRESS STATEMENT

EMBARGO DELIVERY

19 November 2026

STATEMENT OF THE MONETARY POLICY COMMITTEE

Issued by Lesetja Kganyago, Governor of the South African Reserve Bank

Good day

The global economy is still in a difficult position. Although oil prices have eased over the past few weeks, they remain elevated.[1] Further pressure on fuel costs is coming from higher refinery margins and shipping rates, both linked to geopolitical conflicts. Global food inflation is also accelerating.[2]

Major central banks continue to operate with a tightening bias, with the Bank of England hiking rates recently for the first time since 2023. In the coming months, markets anticipate further increases across major economies, to deal with stubbornly high inflation.

Global growth and trade has been resilient this year, with some countries benefitting from the Artificial Intelligence boom. However, the valuations of major technology companies have dropped recently. Global fiscal positions are also stretched, with unsustainable debt dynamics in several major economies and pressure on borrowing costs.

[1] The 2026Q4 assumption, of $97.90 per barrel, is higher than the 2026Q2 and 2026Q3 numbers of $96.60 and $90.50, respectively. 2026Q1 was $69.20.
[2] The FAO food price index was up 5.9% in October (in US$ terms), compared with 5.4% for September and 3.0% in August.

Turning to South Africa, the growth outlook is broadly unchanged. Statistics South Africa has revised the historical estimates of economic activity, but this has shifted the level of output more than growth rates. We still had a contraction in the second quarter of this year, with the onset of the war. There now appears to be a gradual recovery under way. We envision growth picking up to about 2% annually, over the forecast period, from just over 1% now.[3]

In the short term, this recovery is mainly coming from domestic trade, with wholesale and retail sales both looking stronger. This points to some resilience in household demand.[4] That said, longer-term growth will have to come from rising investment, and not just more consumption. As it stands, fixed investment in South Africa is much too low, at about 13% of output. This is well below historical peaks, and also one of the lowest rates in the world.[5]

We see downside risks to growth.

Moving to prices, our forecast is mostly unchanged.

Near-term inflation is above 5%. This is mainly because of fuel costs.[6] Fuel inflation is around 40% currently. For example, petrol is almost R30 a litre now, up from R21 a year ago.[7] In this context, over a third of all inflation in the country is coming from transport.[8]

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[3] Growth is estimated at 0.3% for 2026Q3 (q/q, seasonally adjusted), followed by 0.5% for 2026Q4. It is 0.4% for 2027Q1 and around 0.5% subsequently.

[4] Household consumption growth is forecast at 2.7% for 2026, compared with a 2.1% projection as of the September MPC. Total fixed investment is at -0.3%, from -0.1% as of September.

[5] The IMF World Economic Outlook database provides 2026 investment-to-GDP ratios for 41 economies. Of these, five are lower than South Africa's 13.1% of GDP: Angola, Comoros, Ghana, Guinea and Malawi. The average for the 41 economies is 22.6%; the median is 21.3%. South Africa's historical peak, for the period 2004 to date, is 21.3% of GDP, for 2008. Stats SA's GDP revision and rebasing exercise lowered the share of gross fixed capital formation (GFCF) in total expenditure; for the 2022 base year, household consumption was revised higher by R314,8 billion and GFCF was revised up by only R4.1 billion (both in nominal terms)

[6] Transport accounts for 13.89% of the consumer price index. The fuel sub-component is 3.8%.

[7] In November 2025, Petrol Unleaded 93 cost R20.97 per litre; for November 2026, the price is R29.87 (in Gauteng). https://aa.co.za/fuel-pricing/

[8] Fuel inflation is forecast at 39% for 2026Q4, followed by 33.2% in 2027Q1 and -3.4% in 2027Q2. The average for 2026 is 19.6%, with -0.5% for 2027. In the October 2026 CPI, transport inflation contributed 2.1pp to the headline figure of 5.2% (40.4% of all inflation).

High inflation prints, over 5%, are expected to persist into early next year.[9] After that, the forecast starts showing somewhat lower inflation.[10] The main reason for this is that we will no longer be comparing to pre-war fuel prices.

Aside from fuel, we have been benefitting from unusually subdued inflation for both food and other goods.[11] We expect more pressure in these categories next year. Food inflation is bottoming out from current lows. The rand is also less appreciated, which affects import prices.[12]

For services, by contrast, we have had rising inflation since about the middle of last year. The forecast anticipates that this will turn around soon, based on inflation expectations moderating.[13]

For this meeting, we have little new information on inflation expectations. Market-based expectations have eased modestly since September. We will however be watching surveyed expectations closely, to see how they respond to high inflation over the next few months.

There are various risks to the inflation outlook, which may overlap.

Global interest rates seem to be re-setting higher, with many currencies depreciating against a stronger dollar.

Fuel prices are exposed to geopolitical risks, both through oil prices and refinery costs.

We are also concerned about the El Niño weather pattern. Water restrictions have already been announced for the Western Cape, due to lower dam levels. Elsewhere in the country, rainfall has been generally better, but dry conditions early next year could damage harvests, driving up food prices.

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[9] Peak inflation is likely to be 5.4% in November, followed by 5% in December. Inflation is expected to stay around 5% in early 2027, with another 5.4% outcome plausible (for February).
[10] For 2027Q1, the headline inflation forecast is 5.2%; for 2027Q4 it is 3.3%
[11] This refers to the core goods category, where inflation is on track to average 1.7% this year; the QPM has 3.8% for 2027.
[12] The forecast has the exchange rate averaging R16.53 per US dollar for 2026Q4, followed by R16.71 for 2027Q1 and R17.11 for 2027Q2.
[13] The forecast has the BER 2-year ahead measure moving from 3.9% in 2026Q3 to 3.8% in 2026Q4 and also 2027Q1, followed by 3.7%, 3.6% and 3.4% in 2027Q2, 2027Q3 and 2027Q4, respectively.

Finally, we are concerned about an upward trend in core inflation. We need to see that reverse, to show that price setters are aligning with our 3% target.[14]

We assess inflation risks to the upside.

Against this backdrop, the committee decided to keep the policy rate unchanged, at 7.25%. Four members preferred no change, while three favoured an increase of 25 basis points.

After two policy adjustments this year, and with a moderately restrictive policy stance, we decided to pause for now. We are mindful of risks, and will not hesitate to raise rates if needed, to return inflation to target over the policy horizon.

The Quarterly Projection Model (QPM) continues to show lower rates next year.[15] The model is moving to more neutral policy settings based on inflation dropping back towards 3%. As usual, this QPM rate path remains a broad policy guide. Our decisions will continue to be taken on a meeting-by-meeting basis, with careful attention to the outlook, data outcomes, and the balance of risks.

To better understand these risks, we continue to use scenarios. For this meeting, we looked at what would happen if energy prices were to increase further. This scenario had oil peaking at $130 a barrel, with refinery margins also elevated. The result was another year of high fuel inflation, causing headline to remain above 5% next year, with growth subdued at about 1%, and the policy rate moving higher by around two hikes.[16] This scenario shows South Africa's vulnerability to the global geopolitical environment.

For a second scenario, we looked at fiscal risks. South Africa's fiscal position has improved, but global dynamics are challenging. To unpack these risks, we considered a scenario where bond yields rise globally, with increased risk premiums for countries like South Africa as well as a weaker rand. This scenario showed

[14] For the current forecast, headline inflation averages 4.3% in 2026, compared with 4.0% in 2027, while core inflation is 3.8% in 2026 and 4.0% in 2027.
[15] The 2026Q4 policy rate in the QPM is 7.15%, easing to 6.89% in 2027Q1, 6.70% in 2027Q2, and 6.57% in 2027Q3.
[16] In this scenario, headline inflation is 5.4% in 2027 rather than 4.0%. The policy rate peaks at 7.73%. Growth is 1.3% in 2027 rather than 1.7% (per the baseline).

similar outcomes to the first scenario, with higher inflation, lower growth and at least two hikes.[17]

To conclude, 2026 has been a challenging year. Inflation has been much higher than expected at the start of the year, and growth has been lower, with unemployment rising.[18] We trace this mainly to negative supply shocks from geopolitical conflicts. It is unclear how conditions will evolve from here – but we remain committed to steering inflation back to the 3% target.[19] With lower inflation, an improving fiscal position, and ongoing structural reforms, South Africa has clear potential to achieve higher growth in the years ahead.

Lesetja Kganyago

GOVERNOR

The next statement of the Monetary Policy Committee will be released on 28 January.

Contact person:

Thoraya Pandy

082.416.8416

media@resbank.co.za

As noted in the September MPC statement, the dates for the 2027 policy rate announcements will be as follows: 28 January; 18 March; 27 May; 22 July; 29 September (Wednesday); 25 November.

[17] In this scenario, headline inflation is 5.6% in 2027. The policy rate peak is 7.84%. Growth is 1.2% in 2027.
[18] The January 2026 MPC forecast had 2026 inflation at 3.3%, and growth at 1.4%. The current (November) forecast has inflation at 4.3% and growth at 1.2%
[19] Headline inflation was 3.2% in 2025; it was also 3.2% in 2026Q1. The current forecast likewise has 3.2% for 2027Q4 and 3.2% as the average for 2028.