SARB
Nov MPC Review

TreasuryONE Optimising Your Cash Flows

etm ANALYTICS

Outcome

25bp Cut

Repo Rate: 6.75%

Vote Split: 6-0

Summary

The SARB matched consensus expectations and cut interest rates by 25bp at its November MPC meeting, with the vote unanimous.

This was the first MPC meeting since the new inflation target regime was formally adopted, but the MPC members agreed that there was scope now to cut rates and make policy less restrictive while still progressing toward the new target.

The SARB's inflation forecasts were trimmed marginally compared to those from the September meeting, while GDP growth estimates were raised. The QPM, finally, points to a similar path as seen in September, with rates expected to average 6.19% by the end of 2026 and 5.99% by the end of 2027.

Dashboard

		May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25
Economics	Consumer Inflation	0,3	1,0	2,9	2,5	2,7	2,9
	Credit Growth	4,4	5,1	4,2	3,6	3,1	3,1
	SARB's Leading Indicator	3,2	3,9	5,3	6,3	6,1	5,9
	ABSA PMI	0,2	3,4	3,9	3,9	4,9	4,1
Market	SA-US Yield Spread	1,2	0,0	0,0	0,0	0,2	0,0
	SA 5y Breakeven Rate	2,5	1,4	1,2	1,0	1,0	1,0
	SA 10y Breakeven Rate	2,2	0,7	0,0	0,0	0,2	0,0
ETM	ZAR Sentiment Indicator	2,8	3,6	3,0	2,7	3,6	4,4
	Inflation Risk Indicator	5,9	3,1	4,1	4,2	5,1	5,6

**Ranked 1 – 10 based on 5-year history*

***Green indicates the measure favours looser monetary policy, Red favours tighter policy*

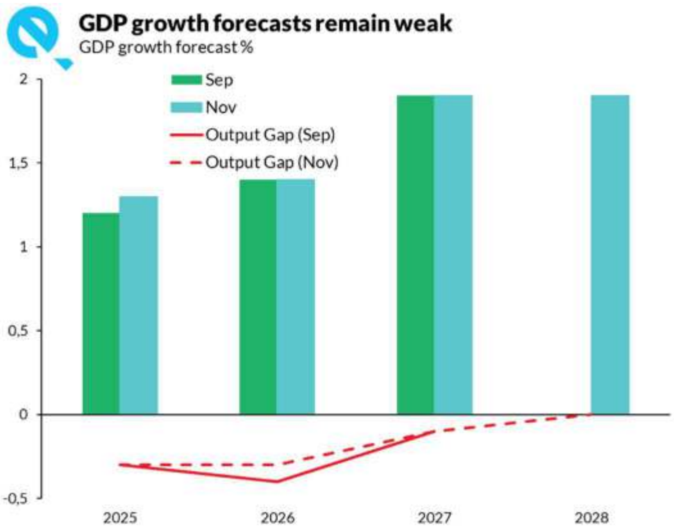
The SARB opted to cut rates by 25bp, by unanimous vote, after pausing its easing cycle at the previous meeting. While many expected this outcome, there was some consternation around the decision, given the recently announced change to the inflation target. A hold at today's meeting would have affirmed the SARB's commitment to achieving the new target as soon as possible and bolstered its credibility. However, that's not to say that the rate cut today was a policy misstep.

As seen in our dashboard above, conditions still broadly favour easier monetary policy. Inflation expectations are contained, economic growth is low, and credit conditions remain tight. While our ZAR Sentiment Indicator shows a weakening in positive sentiment towards the currency, this is largely a function of how far the ZAR has already appreciated, which suggests that it may lose some momentum in the near term, but is unlikely to face any sustained periods of significant depreciation.

Meanwhile, ETM's proprietary inflation risk indicator has ticked higher, but is still assessed as being very low and showing limited scope for any major increases in inflation pressures. Looking ahead, fuel costs are expected to moderate again in November and December, while the ZAR continues to perform well against the USD. These key factors suggest that inflation prints could actually fall back slightly as we head towards the end of the year.

Overall, the final MPC meeting for 2025 has brought some relief to consumers as we enter the final stretch of the year. The SARB took its chance to cut rates a little further while conditions are opportune, with the outlook suggesting that further gradual easing could be on the cards if conditions remain benign and inflation expectations are contained.

Analysis

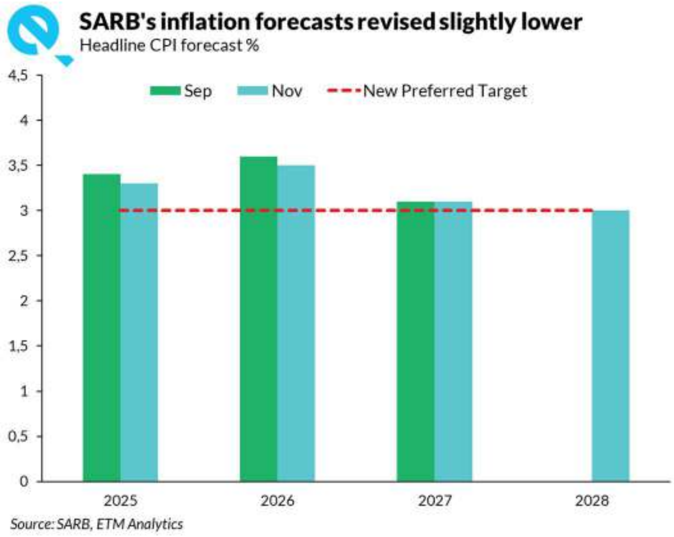


Source: SARB, ETM Analytics

The SARB revised its estimates for domestic economic growth higher for the second consecutive meeting. However, they remain uninspiring and below 2.0% over the forecast horizon. This matches what we have seen from other institutions, with focus on positive sentiment but caution given SA's poor track record of implementing the reforms needed in order to boost growth beyond this 2% ceiling.

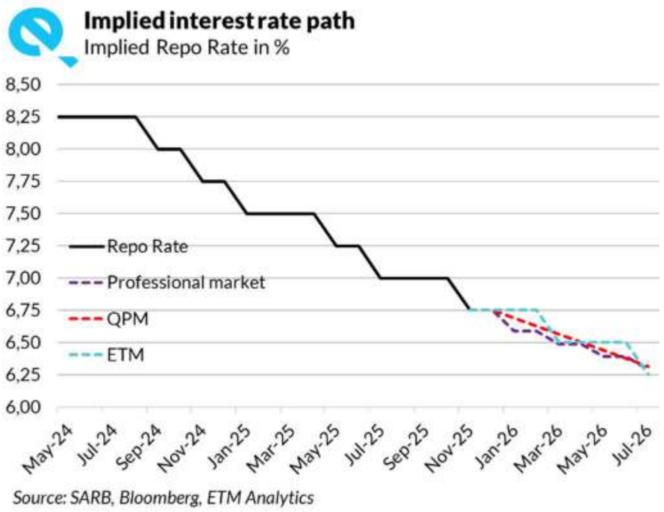
Governor Kganyago reiterated the need for reforms to boost potential growth. While we have seen some green shoots from the MTBPs and the removal from the FATF Grey List, this momentum needs to be continued. The global environment also remains fraught with uncertainty, meaning SA will need to look within for sustainable growth.

The 25bp rate cut at the November MPC meeting will support growth at the margin, but monetary policy is not what has hampered SA's growth in the past, and will not be the main driver in the near future.



There was a slight downward revision to the SARB's inflation forecasts for this year and next. The policy statement put this to recent downside surprises in the official CPI data, a stronger ZAR, and weaker oil prices. However, one must also factor in the soft credit growth environment in SA, which continues to keep tight reins on potential inflationary pressures beyond uncontrollable external factors.

Today's 25bp cut will be supportive of more credit growth as rates become less restrictive. This, combined with improved economic sentiment, could lead to rising investment and loan growth. The SARB will need to be cognisant of this going forward, as it may limit the scope for further rate cuts if inflation pressures materialise.



The broader tone of the November MPC meeting was perhaps slightly more dovish than expected, as was the unanimous vote on the 25bp cut. This suggests that the SARB may see scope for further rate reductions in the coming months, even if the stop-go pattern we are currently in continues.

The SARB is moving into unchartered territory with its new inflation goal, and will not want to damage its credibility by easing too vigorously and allowing inflation to rise near to the top of, or beyond, the new tolerance band.

However, based on the market reaction and the QPM Model, another two cuts could be on the cards before the end of H1 2026. Of course, this will depend on the evolution of inflation over the months ahead. Structurally, inflation in SA may remain contained over the next few months, but the risk of external shocks remains high, and these will need to be navigated with even greater caution now if they materialise.

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