Interest Rates Dashboard
November 2025

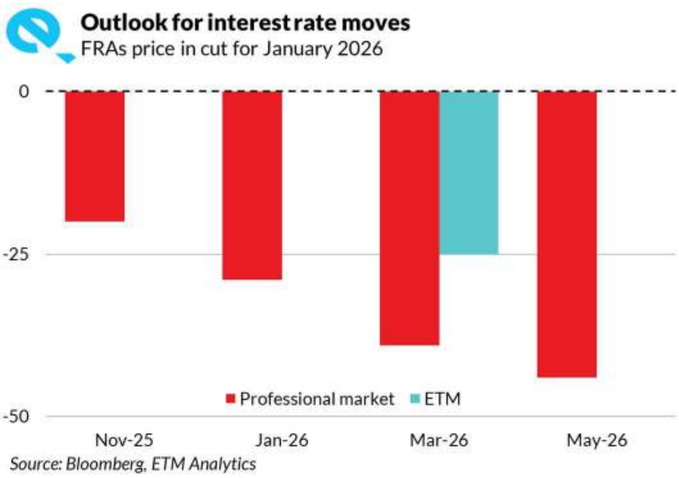
TreasuryONE Optimising Your Cash Flows | etm ANALYTICS

A visual roundup of ETM's FX Indicators

Summary of macroeconomic research views:

- **Inflation:** Headline inflation ticked up to +3.4% y/y in September from +3.3% y/y in August. Core CPI excluding volatile food and energy components ticked higher for the third consecutive month to +3.2% y/y from +3.1% y/y in August. Overall, low inflation outcomes are expected to persist into Q4, with consumer prices continuing to rise only modestly as we head towards 2026.
- **Repo rate:** The muted inflation outlook implies that there is scope for further rate reductions by the SARB in coming months, even as it targets its preferred inflation target of 3%. ETM believes that a January rate cut remains possible, but that a March reduction is more likely, potentially followed by another one in September.
- **Government Finances:** From a ytd perspective, the budget deficit stood at -R230.5bn, marking an improvement from the -R251.8bn recorded over the same period in the 2024/25 fiscal year. The delayed 2025/26 Budget has helped improve year-to-date budget balances through constrained expenditure ahead of the eventual passage of the 2025/26 Budget, while falling government bond yields have reduced debt-servicing costs, supporting the fiscal position.
- **GDP Growth:** SA's economy grew by +0.8% q/q in Q2, up from a marginal +0.1% q/q in Q1. On a y/y basis, slower growth of +0.6% was reported in Q2 from +0.8% in Q1. A temporary rebound in industrial production drove the uptick in quarterly GDP. Overall growth in 2025 is still likely to remain below +1.0% and the ongoing decline in investment further underscores the economy's stagnation. Without stronger investment, prospects for sustained growth remain limited.
- **Currency:** The ZAR closed October -0.4% weaker against the USD, ending the month mid-tier amongst emerging market currencies. This was a function of a stronger USD, which was supported by risk aversion amid mixed central bank signals, tech earnings, a tentative U.S.-China tariff truce at the time and traders reducing expectations for further Fed rate cuts in December. Nonetheless, the ZAR managed to perform relatively favourably against the EUR and GBP. It strengthened by 1.5% against the EUR in October and by 1.9% against the GBP.
- **Offshore conditions:** Towards the end of the month, the US Fed cut interest rates by 25bps as expected. However, US Fed Chair Powell's guidance was less dovish than expected, resulting in markets pricing out expectations for a December rate cut, which supported the USD against its major peers. In terms of US-Sino trade tensions, US President Donald Trump and China's President Xi Jinping agreed to ease trade tensions through partial tariff reductions and new commitments on agricultural purchases. Beijing will suspend export controls on rare earths, while China is expected to purchase large volumes of US soybeans and other agricultural goods.

Interest rate indicators:



The ZAR's resilience in the face of increased market volatility has been impressive, and leaves the door open for the SARB to cut interest rates further in the coming months.

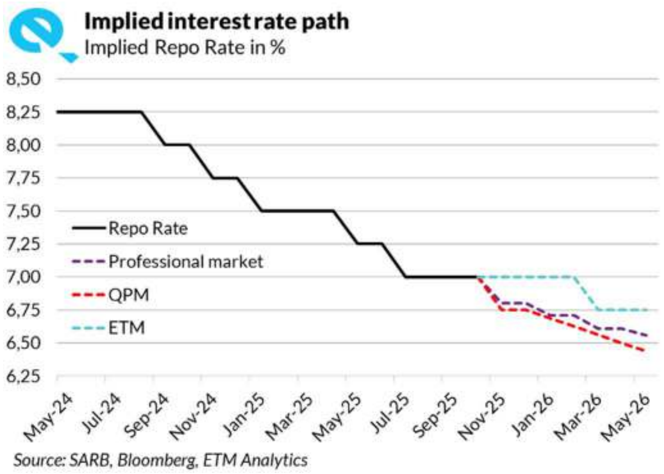
The FRA curve is pricing in the possibility of two more rate cuts to come by May 2026, with further easing beyond that still looking possible. The 1x4 FRA, which covers the November MPC meeting, reflects 20bp worth of rate cut risk priced in, while coverage of the January meeting factors in a full 25bp reduction.

By the May meeting, market-implied rates reflect 44bp of rate cut risk. This broadly aligns with the SARB's Quarterly Projection Model (QPM) presented at the last MPC meeting.

ETM believes that a January rate cut remains possible, but a March reduction is more likely, potentially followed by a September reduction.

Of course, this will depend largely on the inflation data released over the coming months and any developments regarding the shift in the SARB's inflation target.

The SARB's 3% inflation preference is likely to be confirmed by the government in the coming months, which will likely lead to a steady decline in inflation expectations.



Recall that headline inflation accelerated slightly in September but came out in line with expectations and remained near the lower bound of the SARB's 3–6% target and below its 3.6% y/y forecast for 3Q25. With inflation running below the SARB's Q3 forecast and matching its 3.4% full-year projection, policy space remains for further easing.

On the global front, while major central banks have expressed caution regarding further policy easing, the market's belief that the Fed will cut further persists, with a January cut fully priced in and at least three more expected before the end of 2026. Further Fed rate reductions will provide scope for the SARB to gradually ease policy without having a detrimental impact on the ZAR.

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