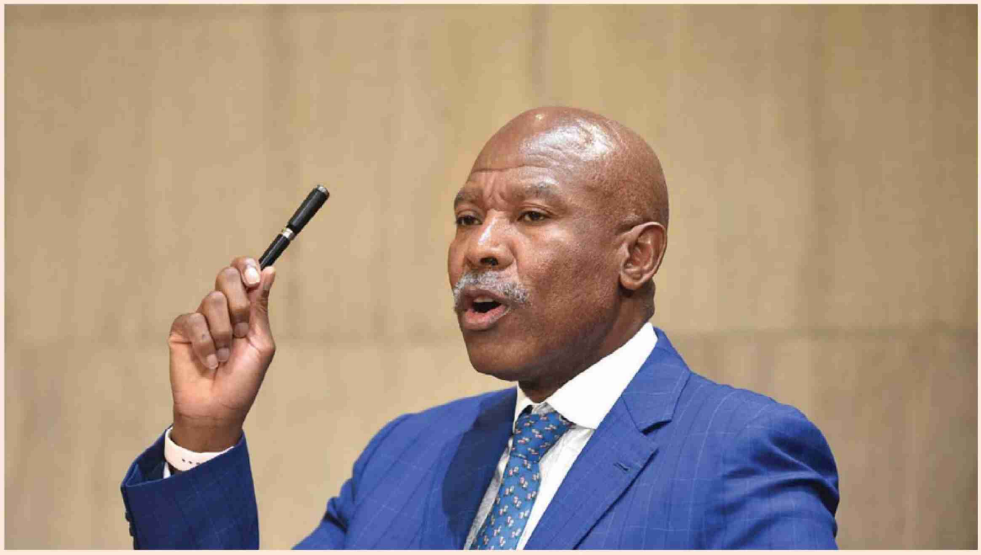
Publication: The Star - Business Report
Title: SARB holds interest rates steady despite inflation risks
AVE: 67468.16
Page: 13
Publish Date: 20 November 2026
Author: ASHLEY LECHMAN

MONETARY POLICY COMMITTEE

SARB holds interest rates steady despite inflation risks

Four members of the MPC voted to keep the repo rate unchanged, three others voted for an increase

ASHLEY LECHMAN



SOUTH African Reserve Bank Governor Lesetja Kganyago. The SARB kept the repo rate at 7.25% on Thursday, with four MPC members voting to hold and three backing a 25-basis-point increase. | THOBILE MATHONSI ANA Studio

THE South African Reserve Bank (SARB) kept the repurchase rate (repo rate) unchanged at 7.25% on Thursday, despite inflation hovering well above the central bank's target range of 3%.

Four members of the SARB's Monetary Policy Committee (MPC) voted to keep the repo rate unchanged, while three members voted for a 25-basis-point increase.

SARB Governor Lesetja Kganyago's announcement means that the prime lending rate in South Africa will also remain steady at 10.75%.

Kganyago said the global economy remained in a difficult position, with global oil prices still elevated regardless of some easing in recent weeks.

"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. 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," Kganyago said.

He said that global growth and trade had been resilient this year, with some countries benefiting from the artificial intelligence (AI) boom. Closer to home, the central bank governor said that their growth outlook was broadly unchanged.

"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," Kganyago said.

"Near-term inflation is above 5%. This is mainly because of fuel costs. Fuel inflation is around 40% currently. For example, petrol is almost R30 a litre now, up from R21 a year ago. In this context, over a third of all inflation in the country is coming from transport. High inflation prints, over 5%, are expected to persist into early next year. After that, the forecast starts showing somewhat lower inflation. The main reason for this is that we will no longer be comparing to pre-war fuel prices," he said.

"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," Kganyago said.

"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. With lower inflation, an improving fiscal position, and ongoing structural reforms, South Africa has clear potential to achieve higher growth in the years ahead," he said.

Frank Blackmore, lead economist at KPMG South Africa, said that the governor highlighted that the inflation outlook had improved slightly.

"He also emphasised that households suffered from increasing costs, and as a baseline, the economy started to recover from the second half of this year. Petrol and diesel prices have eased slightly, although remain elevated, and the exchange rate is relatively stable at a level where it approximately started the year," Blackmore said.

"He did highlight that the risk factors remain to the upside for inflation and the downside for economic growth. I think this would be a relief to a lot of South Africans, as it will mean that no further interest rate increases are expected for this year. And we hope that those won't be necessary, come January, with inflation showing signs of easing between now and then," Blackmore added.

Neil Roets, CEO of Debt Rescue, said that keeping the rate unchanged offered little meaningful relief to consumers, who are already struggling to meet their financial obligations.

"South Africans are approaching the festive season against a backdrop of sustained financial pressure. Years of rising living costs have eroded household purchasing power, while existing debt commitments continue to place considerable demands on monthly incomes. October's inflation increase to 5.2%, from 4.5% in September, highlights renewed pressure on household budgets, particularly from fuel and transport costs. We recognise the difficult balancing act facing the SARB as it seeks to contain inflation without placing additional strain on economic activity and indebted consumers," Roets said.

Full Page Image