

SURVEY PUBLICATION | FIRST QUARTER 2024

Survey of Inflation Expectations

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EXECUTIVE SUMMARY

- In the first quarter of 2024, the average headline CPI inflation expectations of analysts, business people and trade union officials receded by 0.3 percentage points (% pts) for both 2024 and 2025. The respondents now expect inflation to average at 5.4% this year, 5.3% next year and 5.2% in 2026.
- While having moderated from a recent peak of 5.6% in the second quarter of 2022, five-year inflation expectations stuck just above the 5% level for a fourth consecutive quarter.
- One-year-ahead inflation expectations of households edged down in the first quarter of 2024; it declined from 7.2% in the fourth quarter to 6.7%.
- The respondents forecast economic growth to be only 0.8% in 2024. This is 0.5% pts lower than they expected previously. For 2025, they forecast GDP growth of 1.1%.
- The three social groups are in general agreement that salaries and wages will increase by around 5% in 2024 and 2025.

Survey conducted during	2023Q4				2024Q1			
	Analysts	Business people	Trade union officials	Average	Analysts	Business people	Trade union officials	Average
Headline CPI inflation during the year								
2024	5.1	6.2	5.9	5.7	5.0	5.8	5.5	5.4
2025	4.7	6.0	6.0	5.6	4.7	5.6	5.6	5.3
2026					4.7	5.4	5.4	5.2

Figure 1: Headline CPI inflation during the year

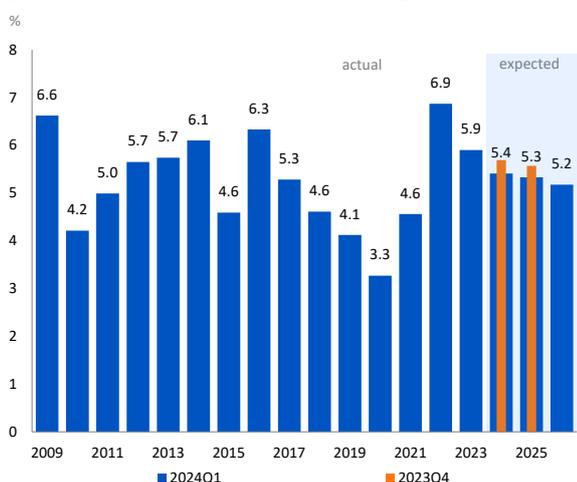
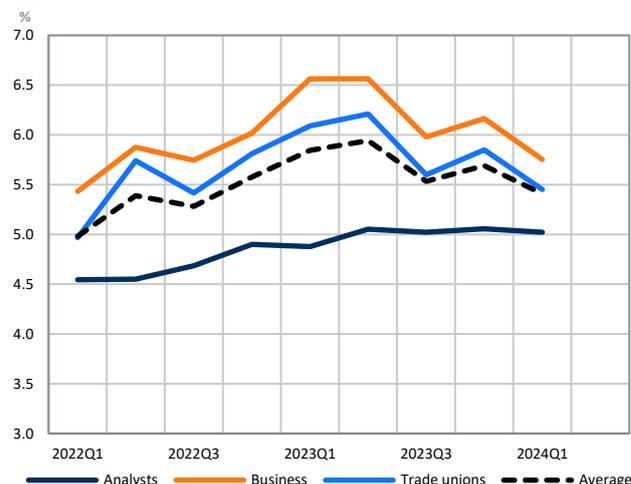


Figure 2: CPI inflation expectations: 2024



Headline CPI inflation expectations of analysts, business people and trade unions

In the first quarter of 2024, the average headline CPI inflation expectations of analysts, business people and trade union officials receded by 0.3 percentage points (% pts) for both 2024 and 2025. The respondents now expect inflation to average 5.4% this year, 5.3% next year and 5.2% in 2026. This downward revision was against the backdrop of a decline in the reference rate provided in the questionnaire (from 6.9% in the 2023 survey to 5.9% in 2024, which is the average inflation rate from the year before). Also, actual headline inflation decelerated from 5.9% y-o-y in October (as reported during the fourth quarter survey) to 5.3% in January (reported during the first quarter survey).

Among the three social groups, only analysts expect that inflation will subside to below 5%, and stabilise at 4.7% in 2025 and 2026. This is close to the midpoint of the target range of the SA Reserve Bank (SARB). Business people and trade union officials foresee inflation getting stuck above 5%, even in 2026. Still, both groups revised their respective forecasts down by 0.4% pts to within the target band this year and next year. Business people forecast inflation to be 5.8% in 2024, while trade unionists expect 5.5%. Both expect inflation to be 5.6% in 2025 and 5.4% in 2026.

Regarding the five-year inflation expectations, on average, the respondents lowered their view slightly from 5.2% to 5.1%. This is the fourth consecutive quarter that the forecast is stuck at just above 5% after initially declining from a recent peak of 5.6% in the second quarter of 2022. Similar to the short-term expectations, analysts are the only group to foresee inflation subside below 5% on the five-year horizon.

Figure 3: Per survey quarter

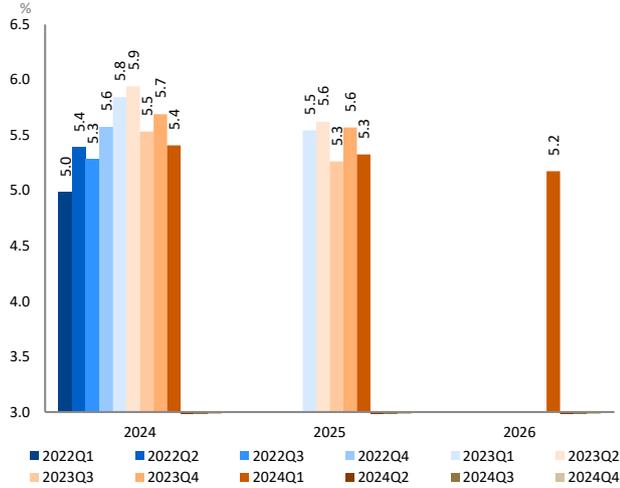


Figure 4: Analysts: one year ahead

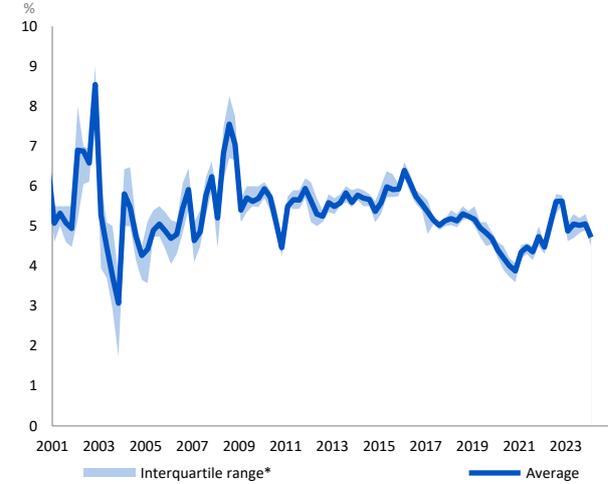


Figure 5: Business people: one year ahead

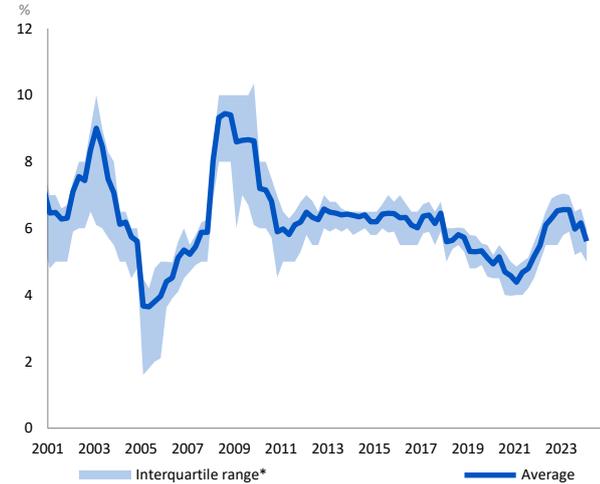


Figure 6: Trade unions: one year ahead

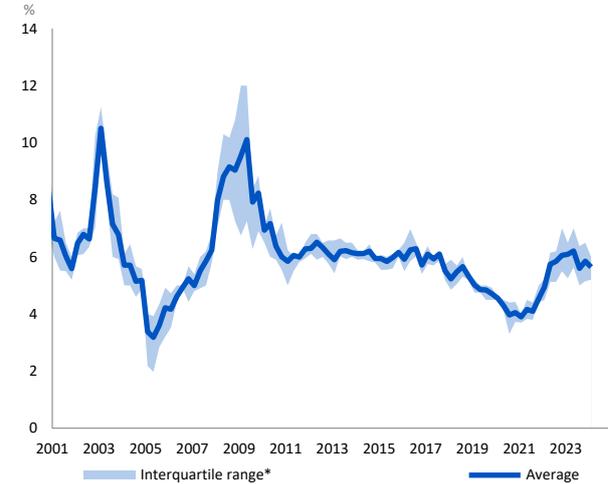
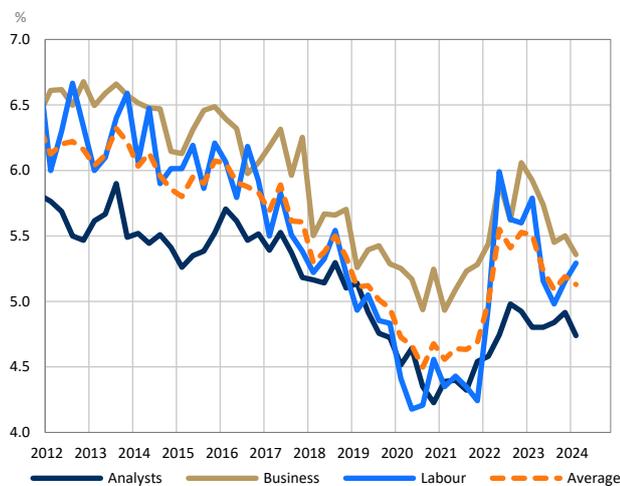


Figure 7: Over the next 5 years



* If all the values from a specific survey quarter are sorted from high to low and divided into four equal quarters, 25% of the values fall above and 25% below the shaded area and the middle 50% falls within it. A wider interquartile range indicates higher disagreement among the respondents and a narrower range more agreement. The extent of disagreement may be related to, but does not necessarily measure, uncertainty. The position of the average relative to the top and bottom of the range provides some clues on the skewness of the distribution of the responses. For instance, a few very high values may pull the average closer to the top of the range, because the distribution of the responses has a long tail to the right.

Household inflation expectations

One-year-ahead inflation expectations of households edged down in the first quarter of 2024; it declined from 7.2% in the fourth quarter to 6.7%. In contrast, their five-year-ahead inflation expectations increased from 10.2% to 10.4%. This upward revision was mostly due to low-income households who changed their view.

Figure 8: Households expectation: Total

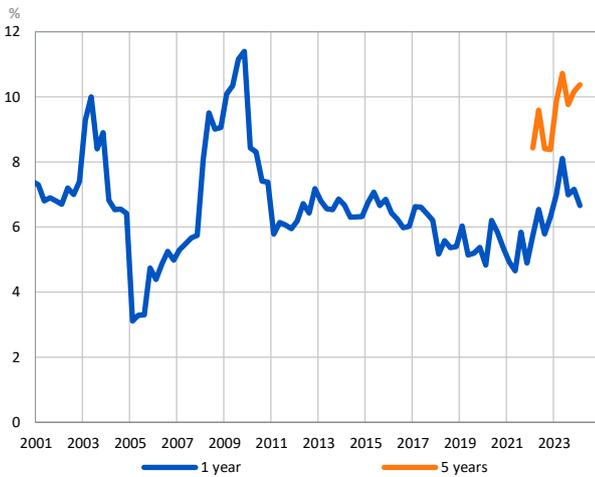
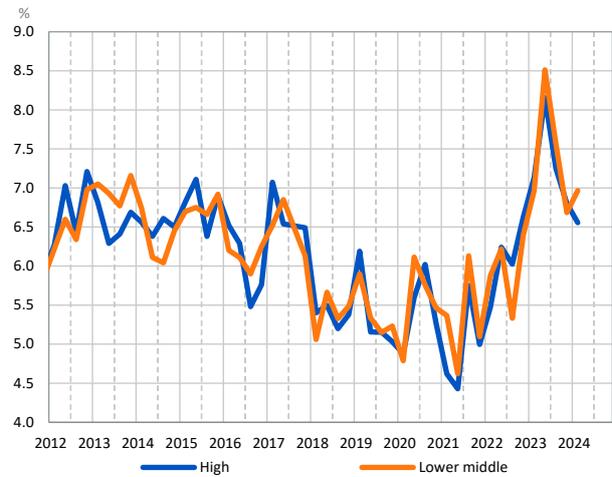


Figure 9: Per income group (one-year ahead)



Forecasts of the other variables

During the first quarter survey, the three social groups, on average, forecast economic growth to be only 0.8% in 2024. This is 0.5% pts lower than they expected in the previous quarter. This change in outlook happened against the backdrop of the reference rate quoted for economic growth in the questionnaire changing substantially. In the fourth quarter, 1.9% (for 2022) was quoted, and in the first quarter, 0.6% (for 2023). Furthermore, actual GDP data for the third quarter of 2023, which came out following the fourth quarter survey, was poor with the economy contracting in the third quarter. The three groups anticipate that growth will accelerate to 1.1% next year, though they have divergent views. Analysts forecast economic growth of 1.6% in 2025, while trade unionists only see 0.8% growth, with business people at 1.0%.

The three social groups (on average) expect that the prime overdraft rate will drop by 50 basis points (bps) from the current 11.75% to 11.25% at the end of 2024. This is somewhat higher than they expected previously. It also contrasts their view of slightly lower inflation this year. The revision was due to business people adjusting their forecast up by 50 bps (while trade unions lowered theirs by 25 bps). Next year, the respondents foresee that the SARB will continue to reduce interest rates by another 50 bps so that the prime rate will reach 10.75% at the end of 2025.

Analysts expect the yield on the R2030 government bond to be 10.00% at the end of this year, then falling by another 23 bps to 9.77% at the end of next year. Previously, they expected a higher rate of 10.27% at the end of 2024.

During the first quarter survey, all three social groups had a more pessimistic outlook on the rand than before. On average, they now expect the rand to trade at R18.94 per US dollar at the end of this year, which is 50c weaker compared to the fourth quarter (at R18.44). This revision was against the backdrop of the rand trading 30c weaker during the first quarter survey (at R19.05/\$) compared to the fourth. Also, the reference rate in the questionnaire changed from R17.28 (in 2022) to R18.67 (in 2023). Analysts are more optimistic than the other two groups and expect an exchange rate of R18.34 at the end of 2024, followed by an appreciation of 6c during 2025. Business people and trade unionists expect the rand to trade above R19 per dollar by the end of this year, and to depreciate towards R20 per dollar next year.

Analysts expect growth in the M3 money supply to be 6.7% this year, unchanged from the forecast they made during the fourth quarter survey. Regarding next year, they expect growth to be slightly higher, at 7.0%.

On balance, the survey respondents still expect salary and wage increases to be 5.1% in 2024, though the underlying forecasts of the three social groups diverged slightly. Analysts revised their forecast down by 0.4% pts to 4.9%, while the other two groups still anticipate rates above 5%. For next year, analysts expect 5.0% growth in wages, while business people and trade union officials pencilled in 5.3% each. As such, their average forecast ticked up to 5.2% in 2025.

Analysts expect the utilisation of production capacity in manufacturing to improve slightly from 78.0% this year to 78.7% next year. Previously, they expected 78.1% in 2024.

Figure 10: Economic growth during the year

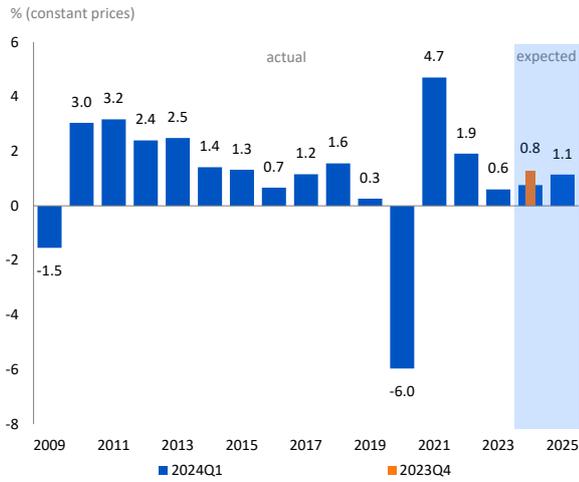


Figure 11: Prime overdraft rate at the end of the year

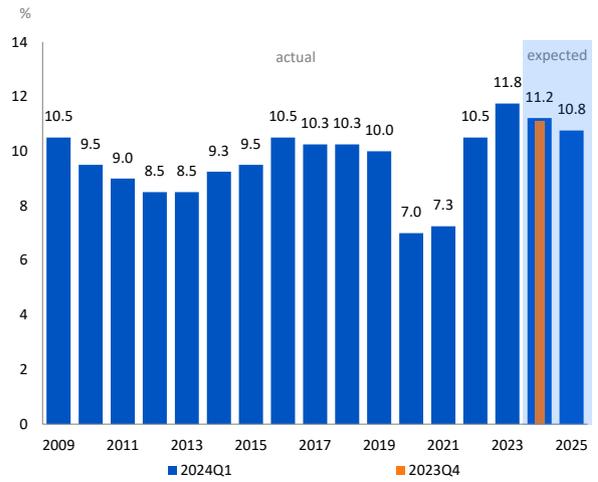


Figure 12: Yield on R2030 at the end of the year

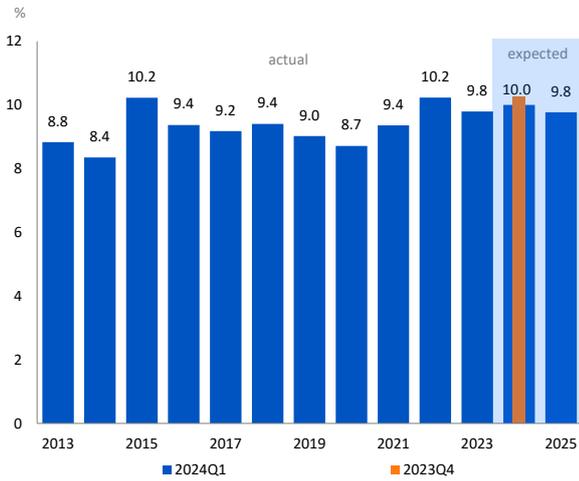


Figure 13: M3 money supply growth during the year

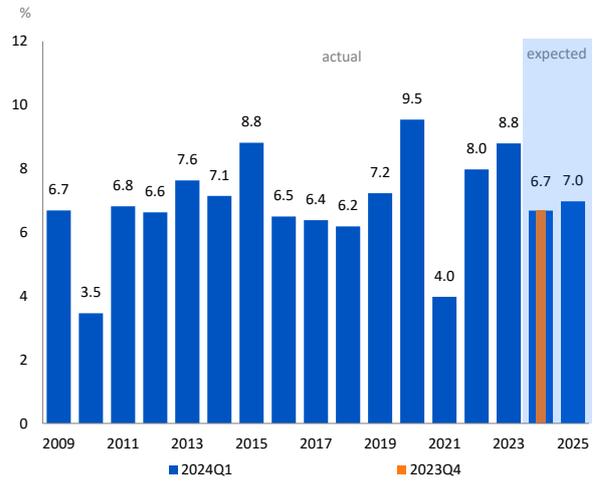


Figure 14: Rand/US dollar at the end of the year

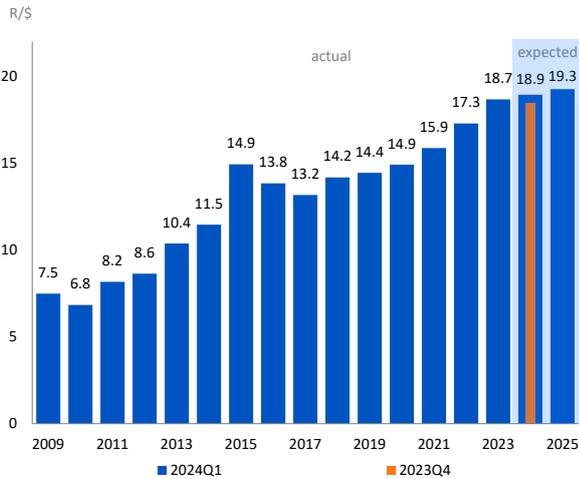
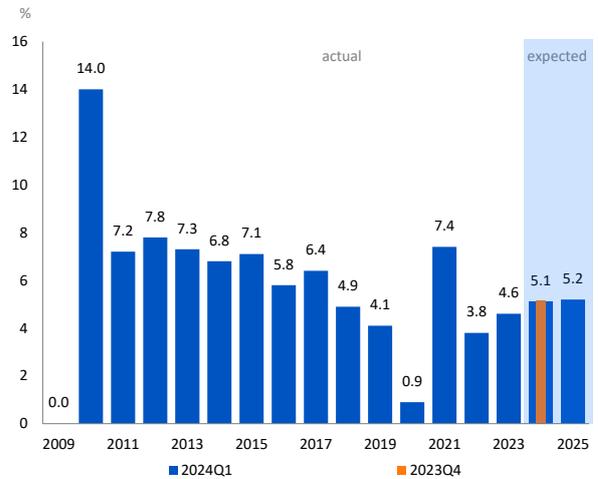


Figure 15: Salary and wage increases during the year



Appendix

SURVEY DATA AND DATES

Table 1: Summary of the survey results

Survey conducted during	2023Q4				2024Q1			
	Analysts	Business people	Trade union officials	Average	Analysts	Business people	Trade union officials	Average
Headline CPI inflation during the year								
2024	5.1	6.2	5.9	5.7	5.0	5.8	5.5	5.4
2025	4.7	6.0	6.0	5.6	4.7	5.6	5.6	5.3
2026					4.7	5.4	5.4	5.2
Economic growth (% change in real GDP) during the year								
2024	1.1	1.2	1.5	1.3	1.0	0.7	0.5	0.8
2025					1.6	1.0	0.8	1.1
Prime overdraft rate at the end of								
2024	11.02	10.68	11.60	11.10	11.10	11.26	11.30	11.22
2025					10.54	10.69	11.04	10.76
Yield on R2030 at the end of								
2024	10.27			10.27	10.00			10.00
2025					9.77			9.77
Rand/US dollar at the end of								
2024	17.98	18.97	18.38	18.44	18.34	19.16	19.31	18.94
2025					18.28	19.62	19.87	19.26
M3 money supply growth during the year								
2024	6.7			6.7	6.7			6.7
2025					7.0			7.0
Salary and wage increase during the year								
2024	5.3	5.1	5.0	5.1	4.9	5.3	5.2	5.1
2025					5.0	5.3	5.3	5.2
Percentage utilisation of production capacity in manufacturing during the year								
2024	78.1			78.1	78.0			78.0
2025					78.7			78.7
Households: Average price increase over								
The next 12 months				7.2				6.7
The next 5 years				10.2				10.4

Table 2: Dates when the surveys were conducted

	Analysts, businesses and trade unions				Households			
	Mail questionnaires	Date of return	Process results		Fieldwork		Process results	
2020Q3	11-Aug	27-Aug	28-Aug		11-Aug	-	21-Aug	25-Aug
2020Q4	08-Oct	03-Dec	04-Dec		23-Nov	-	04-Dec	07-Dec
2021Q1	13-Jan	25-Feb	26-Feb		22-Feb	-	05-Mar	10-Mar
2021Q2	12-May	24-Jun	25-Jun		07-Jun	-	14-Jun	17-Jun
2021Q3	21-Jul	02-Sep	03-Sep		16-Aug	-	30-Aug	01-Sep
2021Q4	13-Oct	09-Dec	10-Dec		14-Nov	-	25-Nov	30-Nov
2022Q1	12-Jan	24-Feb	25-Feb		21-Feb	-	04-Mar	08-Mar
2022Q2	11-May	23-Jun	24-Jun		06-Jun	-	20-Jun	22-Jun
2022Q3	20-Jul	01-Sep	02-Sep		15-Aug	-	22-Aug	25-Aug
2022Q4	21-Nov	08-Dec	09-Dec		14-Nov	-	23-Nov	25-Nov
2023Q1	20-Feb	09-Mar	10-Mar		27-Feb	-	09-Mar	13-Mar
2023Q2	19-Jun	29-Jun	30-Jun		05-Jun	-	15-Jun	21-Jun
2023Q3	14-Aug	31-Aug	01-Sep		15-Aug	-	24-Aug	30-Aug
2023Q4	20-Nov	07-Dec	08-Dec		13-Nov	-	24-Nov	28-Nov
2024Q1	19-Feb	07-Mar	08-Mar		26-Feb	-	08-Mar	12-Mar

In 2024Q1, 19 analysts, 145 business people, 13 trade unions and 500 households participated.

Table 3: Historical data of analysts, businesses and trade unions (average %)

CPI	Total				Analysts				Business				Trade unions				Next five years			
	2023	2024	2025	2026	2023	2024	2025	2026	2023	2024	2025	2026	2023	2024	2025	2026	Total	Analysts	Business	Trade unions
2021Q1	4.4				4.4				4.7				4.2				4.6	4.4	4.9	4.4
2021Q2	4.5				4.5				5.0				4.2				4.6	4.4	5.1	4.4
2021Q3	4.5				4.4				5.0				4.1				4.6	4.3	5.2	4.3
2021Q4	4.7				4.5				5.3				4.4				4.7	4.5	5.3	4.2
2022Q1	5.0	5.0			4.5	4.5			5.5	5.4			5.0	5.0			5.0	4.6	5.4	5.0
2022Q2	5.6	5.4			5.1	4.6			6.1	5.9			5.7	5.7			5.6	4.7	5.9	6.0
2022Q3	5.9	5.3			5.6	4.7			6.3	5.7			5.8	5.4			5.4	5.0	5.6	5.6
2022Q4	6.1	5.6			5.6	4.9			6.5	6.0			6.1	5.8			5.5	4.9	6.1	5.6
2023Q1	6.3	5.8	5.5		5.6	4.9	4.6		6.8	6.6	6.2		6.5	6.1	5.8		5.5	4.8	5.9	5.8
2023Q2	6.5	5.9	5.6		5.9	5.1	4.7		6.9	6.6	6.3		6.6	6.2	5.9		5.2	4.8	5.7	5.2
2023Q3	6.1	5.5	5.3		5.9	5.0	4.8		6.3	6.0	5.7		6.0	5.6	5.3		5.1	4.8	5.5	5.0
2023Q4	6.1	5.7	5.6		5.8	5.1	4.7		6.4	6.2	6.0		6.0	5.9	6.0		5.2	4.9	5.5	5.2
2024Q1		5.4	5.3	5.2		5.0	4.7	4.7		5.8	5.6	5.4		5.5	5.6	5.4	5.1	4.7	5.4	5.3
2024Q2																				
2024Q3																				
2024Q4																				

Table 4: Historical data of households (average %)

Survey quarter	Total		Gender		Race				Income				Age			
			Male	Female	Blacks	Coloureds	Indians	Whites	High	Higher middle	Lower middle	Low	16-24	25-34	35-49	50+
1-year expectations																
2022Q1	5.7		5.7	5.8	5.6	5.8	6.3	6.4	5.5	5.5	5.9	6.7	5.3	5.7	5.9	6.2
2022Q2	6.5		6.2	6.6	6.6	6.3	7.4	5.1	6.2	6.9	6.2	5.5	6.7	6.1	7.0	9.0
2022Q3	5.8		5.5	5.8	5.5	7.3	6.0	8.9	6.0	5.8	5.3	6.4	6.0	5.4	6.0	8.4
2022Q4	6.3		5.9	6.4	6.2	7.3	7.1	5.5	6.6	5.9	6.4	5.7	5.6	6.1	6.4	7.7
2023Q1	7.0		7.1	7.0	6.8	8.0	7.6	6.7	7.1	7.6	7.0	6.4	6.7	7.0	7.2	7.1
2023Q2	8.1		8.0	8.2	7.9	9.5	8.5	8.1	8.2	8.2	8.5	7.7	8.6	7.7	7.4	10.2
2023Q3	7.0		6.9	7.0	6.9	7.1	6.9	9.2	7.3	6.0	7.6	6.9	7.2	7.1	6.4	7.3
2023Q4	7.2		6.9	7.4	6.9	8.1	8.1	7.2	6.8	8.0	6.7	7.4	7.0	7.2	7.1	7.4
2024Q1	6.7		6.0	7.3	6.6	6.6	7.3	6.8	6.6	6.4	7.0	6.6	6.6	6.2	6.4	7.5
5-year expectations																
2022Q1	8.4		8.2	8.5	8.0	8.9	9.6	10.0	8.5	8.8	7.7	8.7	8.3	8.3	8.5	9.2
2022Q2	9.6		9.4	9.6	9.4	9.5	12.1	8.8	10.0	9.4	8.8	10.3	11.3	9.1	9.8	10.3
2022Q3	8.4		7.8	8.6	8.1	8.4	11.3	9.2	9.5	8.1	7.3	8.1	9.7	7.5	9.2	8.9
2022Q4	8.4		8.3	9.3	8.4	12.2	13.9	13.7	9.4	9.3	8.7	8.1	9.5	8.9	9.0	11.2
2023Q1	9.9		9.9	9.8	9.4	11.1	12.1	10.2	11.1	10.6	8.8	8.5	10.1	10.2	9.6	8.7
2023Q2	10.7		10.7	10.7	10.4	10.3	14.1	10.9	12.3	10.7	10.6	9.3	11.2	10.1	10.8	11.3
2023Q3	9.8		9.6	10.0	9.4	13.1	9.7	8.7	10.5	8.7	9.6	10.0	10.4	9.4	8.6	10.8
2023Q4	10.2		10.1	10.2	9.7	12.0	12.2	10.7	10.7	10.5	10.0	9.4	11.5	9.3	9.7	11.0
2024Q1	10.4		10.2	10.6	10.2	10.7	11.5	10.2	10.7	10.4	10.8	10.5	10.4	10.0	10.2	11.0

Note: The survey method was switched from face-to-face interviews to telephone calls in the third quarter of 2019. The results of the telephone call surveys are likely to be more volatile than face-to-face interviews due to the smaller sample size, non-weighting and treatment of non-respondents. Care should be taken when considering the results of consecutive quarters especially for smaller demographic groups, such as all races other than Blacks, the low-income group and the 50+ age group.

Contact the BER for more descriptive statistics for the current quarter.

HISTORICAL INFORMATION PROVIDED TO RESPONDENTS

Analysts, business people and trade union officials

2020

	Average				
What do you expect the ...	2015-19	2019	2020	2021	2022
average headline inflation rate (as measured by the percentage change in the CPI) to be during the year:	5.0	4.1			

2021

	Average				
What do you expect the ...	2016-20	2020	2021	2022	2023
average overall inflation rate (as measured by the percentage change in the CPI) to be during the year:	4.7	3.3			

2022

	Average				
What do you expect the ...	2017-21	2021	2022	2023	2024
average headline inflation rate (as measured by the percentage change in the CPI) to be during the year:	4.4	4.6			

2023

	Average				
What do you expect the ...	2018-22	2022	2023	2024	2025
average headline inflation rate (as measured by the percentage change in the CPI) to be during the year:	4.7	6.9			

2024

	Average				
What do you expect the ...	2019-23	2023	2024	2025	2026
average headline inflation rate (as measured by the percentage change in the CPI) to be during the year:	4.9	5.9			

Households

2021

Over the past five years prices increased by on average 4.7 per cent per year. During 2020 prices increased by 3.3 per cent. By about how much do you expect prices in general to increase during the next 12 months?

2022

Over the past five years prices increased by on average 4.4 per cent per year. During 2021 prices increased by 4.6 per cent. By about how much do you expect prices in general to increase during the next 12 months?

2023

Over the past five years prices increased by on average 4.7 per cent per year. During 2022 prices increased by 6.9 per cent. By about how much do you expect prices in general to increase during the next 12 months?

2024

Over the past five years prices increased by on average 4.9 per cent per year. During 2023 prices increased by 5.9 per cent. By about how much do you expect prices in general to increase during the next 12 months?

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