BUREAU *for* ECONOMIC RESEARCH

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SURVEY PUBLICATION | SECOND QUARTER 2024

Survey of Inflation Expectations

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EXECUTIVE SUMMARY

- During the second quarter of 2024, analysts, business people, and trade union officials all lowered their CPI inflation forecast for the entire three-year horizon. On average, they now anticipate inflation of 5.3% in 2024, 5.0% in 2025, and 4.9% in 2026.
- Their five-year inflation forecast fell below 5% (to 4.9%) for the first time since the fourth quarter of 2021.
- One-year-ahead inflation expectations of households continued to trend downward in the second quarter of 2024. It reached 6.4%, from a recent peak of 8.1% a year ago.
- The three social groups, on average, still expect GDP to expand by 0.8% this year (unchanged from the first quarter). A slight acceleration to 1.3% (up from 1.1%) is expected next year.
- Respondents expect wages to rise by 4.9% in both years, compared to just above 5% previously.

Survey conducted during	2024Q1				2024Q2			
	Analysts	Business people	Trade union officials	**Average**	Analysts	Business people	Trade union officials	**Average**
Headline CPI inflation during the year								
2024	5.0	5.8	5.5	**5.4**	5.0	5.6	5.3	**5.3**
2025	4.7	5.6	5.6	**5.3**	4.6	5.4	5.0	**5.0**
2026	4.7	5.4	5.4	**5.2**	4.5	5.3	4.8	**4.9**

Figure 1: Headline CPI inflation during the year

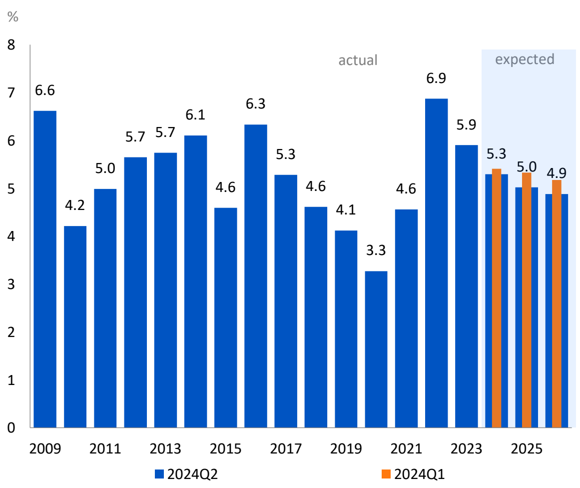
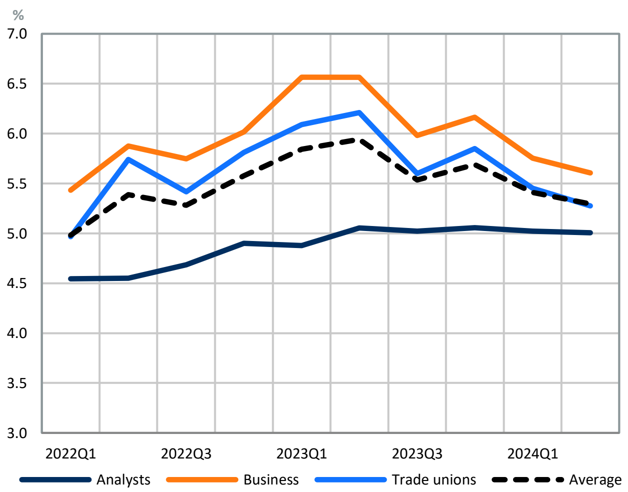


Figure 2: CPI inflation expectations: 2024



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

The survey of inflation expectations for the second quarter of 2024 reveals that analysts, business people, and trade union officials lowered their CPI inflation forecast for the entire three-year horizon. On average, they anticipate inflation of 5.3% in 2024, 5.0% in 2025, and 4.9% in 2026. This is a downward adjustment of 0.1 percentage point (% pt) for this year, and 0.3% pts for the following two years. The adjustment was made against the backdrop of actual annual inflation slowing from 5.6% in January to 5.2% in May.

Analysts project inflation to fall below 5% in 2025, while trade union officials expect this to happen in 2026. Business people are the only group that foresee inflation remaining above 5%, even two years from now. Trade union officials changed their view the most; they lowered their forecast by 0.6% pts for both 2025 and 2026. For these two years, analysts and business people lowered their respective forecasts by 0.2% pts or less.

The five-year inflation forecast fell below 5% for the first time since the fourth quarter of 2021. However, among the three social groups, only analysts anticipate a drop below 5%, though all three lowered their respective forecasts compared to the first quarter.

Figure 3: Per survey quarter

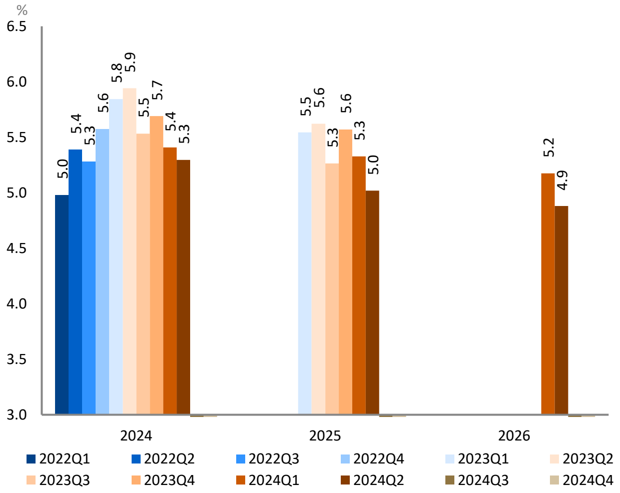


Figure 4: Analysts: one year ahead

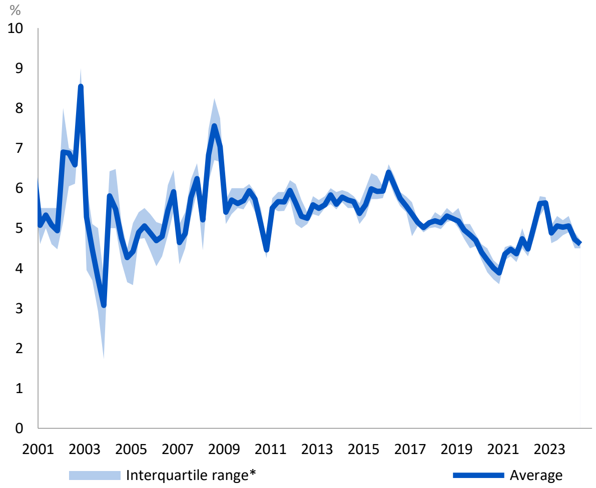


Figure 5: Business people: one year ahead

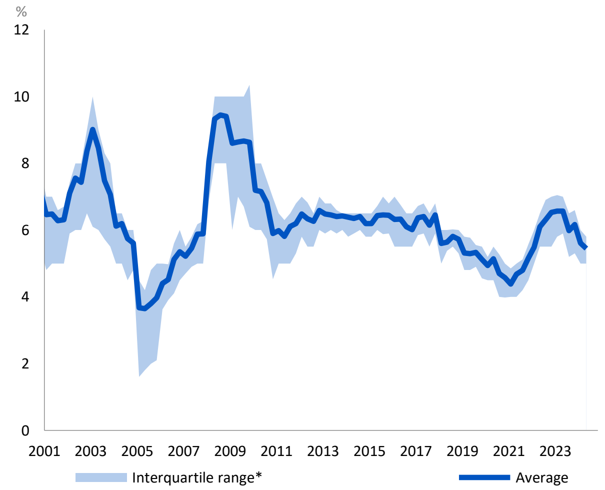
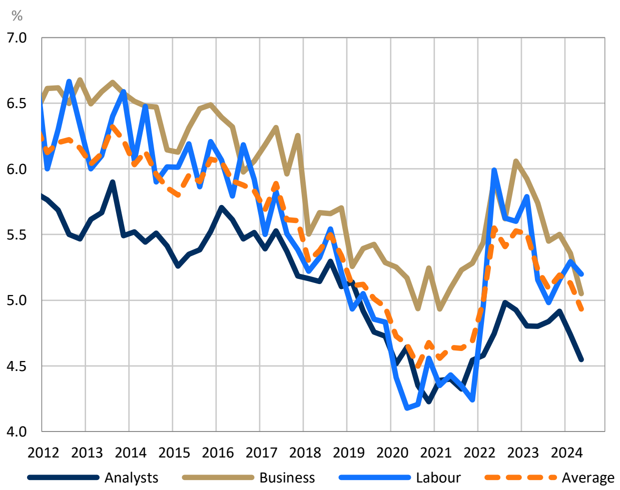


Figure 6: Trade unions: one year ahead

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 continued to trend downward in the second quarter of 2024. It reached 6.4%, from a recent peak of 8.1% a year ago. Five-year-ahead expectations also edged down, from 10.4% to 9.7%. This is the first reduction in three quarters.

Figure 8: Households expectation: Total

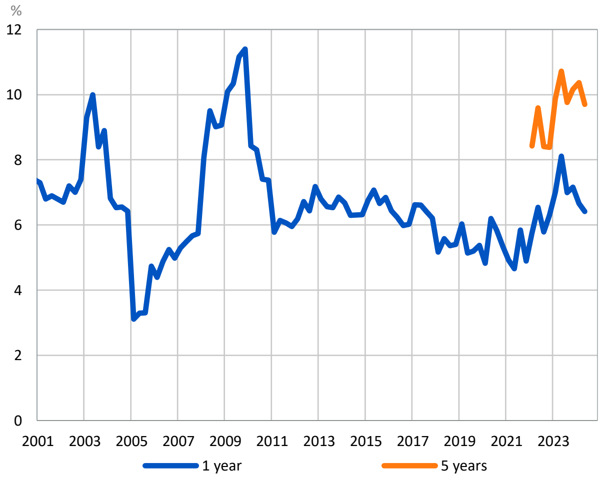
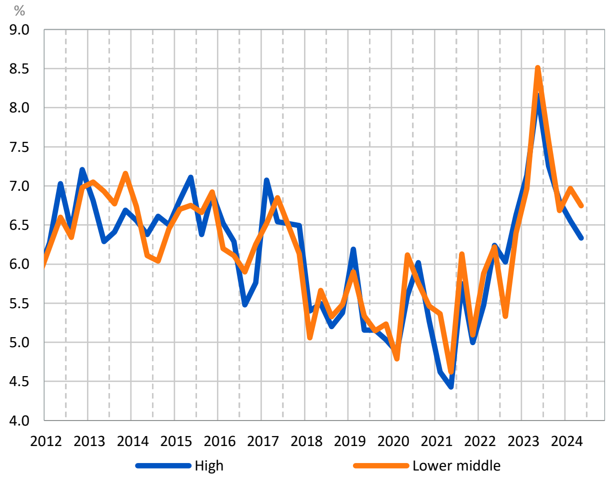


Figure 9: Per income group (one year ahead)



Forecasts of the other variables

The combined economic growth forecast for this year was unchanged during the second quarter survey. The three social groups, on average, still expect GDP to expand by 0.8%. Thereafter, they expect a slight acceleration to 1.3% in 2025, which is slightly better than the 1.1% anticipated in the first quarter. Among the social groups, analysts are the most optimistic; they foresee economic growth of 1% this year, while the other two pencilled in a lower number. For next year, analysts anticipate a rate of 1.7%, while the others both expect only 1.1%.

The survey respondents still expect the prime overdraft rate to fall by 50 basis points (bps) during the remained of this year, from 11.75% to 11.25%. Next year, a further reduction of another 50bps to 10.75% is still expected. Even though the combined view is unchanged, there were some adjustments by the respective groups. Both analysts and trade union officials upped their forecasts for this year by 25bps (i.e. they expect fewer rate cuts). Most notably, trade union officials now expect an additional 25bps cut next year relative to before. Among the three, analysts have the lowest forecast; they expect a rate of only 10.50% at the end of 2025, while the other two expect 10.75%.

Analysts downwardly revised their forecast of the yield on the R2030 government bond. They now expect a yield of 9.90% at the end of this year, compared to 10% previously. By the end of next year, they expect the yield to drop to 9.59%, compared to 9.77% previously.

Between the first and second quarter surveys, the rand appreciated by 76c, from an average of R19.05 to R18.29 per US dollar. Against this backdrop, the survey respondents also adjusted their respective forecasts in the same direction. Combined, they foresee the rand to trade at R18.44 per dollar by the end of this year, which is 50c stronger relative to their previous projection. Further ahead, they do not see the rand changing much, closing at R18.46 by the end of 2025, which is 80c stronger than previously. Among the three groups, only analysts anticipate the rand to appreciate further from its current level. However, unlike before, none of the three groups expect it to trade weaker than R19 in this or next year.

Analysts expect the M3 money supply to grow by 7.2% this year, then accelerate to 7.5% next year. In the first quarter, they expected milder growth rates (6.7% and 7.0% respectively).

On average, the survey respondents lowered their forecast of the increase in salaries and wages in 2024 and 2025. They now expect wages to rise by 4.9% in both years, compared to slightly above 5% previously. Trade union officials downwardly revised their forecast the most. Only business people still expect wages to escalate faster than 5% (in both years), while the other two groups expect around 4.7%.

Analysts expect the utilisation in production capacity in manufacturing to improve from 78.2% this year to 79.3% next year. This is higher compared to what they expected in the first quarter (78% and 78.7%).

Figure 10: Economic growth during the year

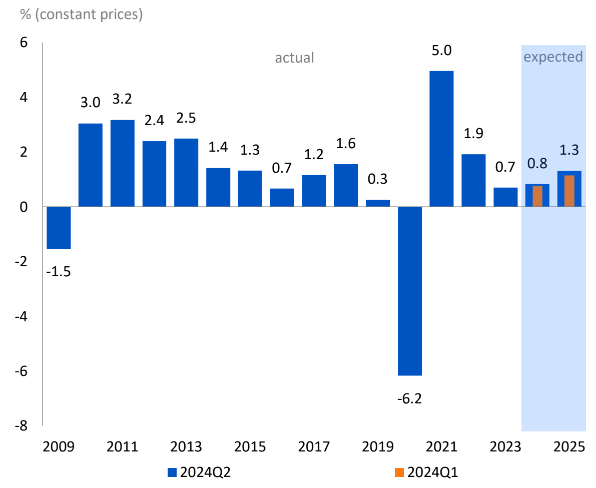


Figure 11: Prime overdraft rate at the end of the year

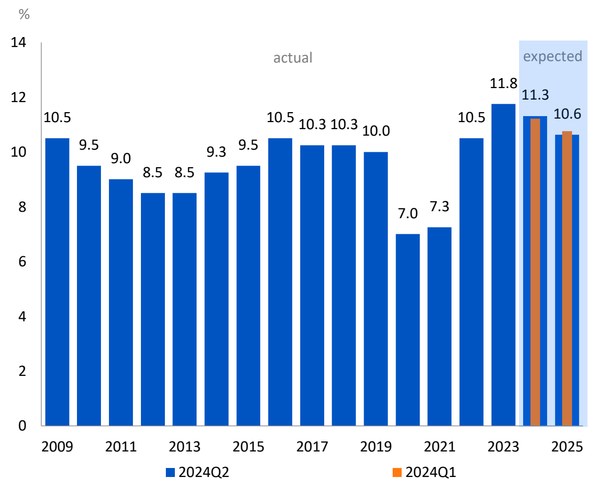


Figure 12: Yield on the R2030 at the end of the year

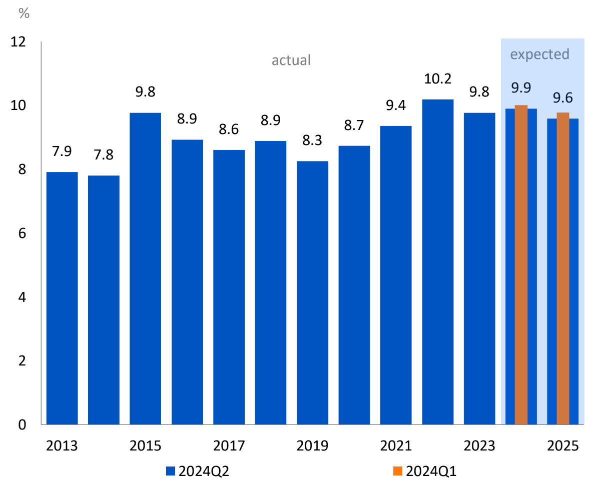


Figure 13: M3 money supply growth during the year

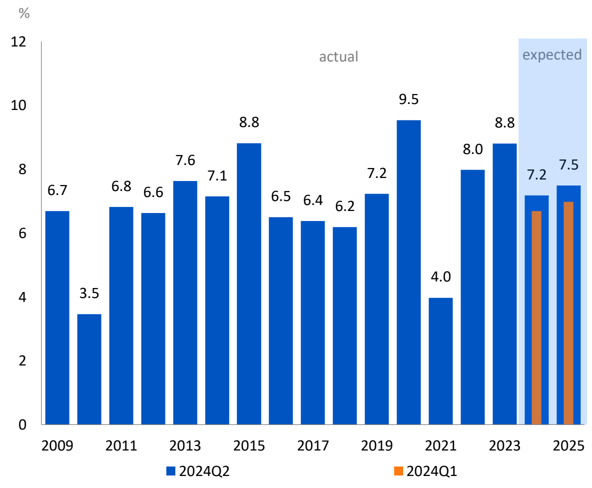


Figure 14: Rand/US dollar at the end of the year

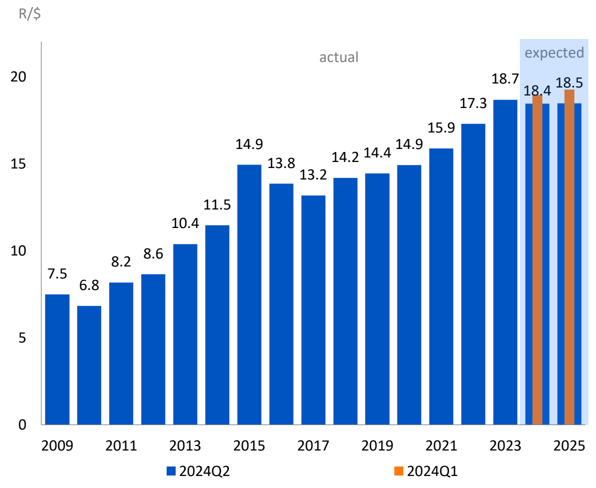
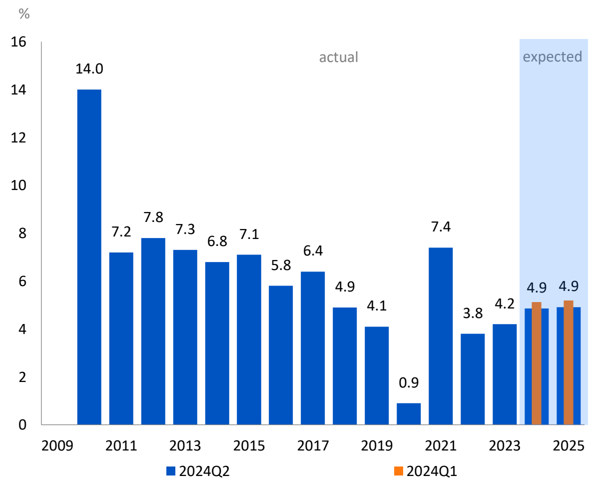


Figure 15: Salary and wage increases during the year



Appendix

SURVEY DATA AND DATES

Table 1: Summary of the survey results

Survey conducted during	2024Q1 Analysts	2024Q1 Business people	2024Q1 Trade union officials	2024Q1 Average	2024Q2 Analysts	2024Q2 Business people	2024Q2 Trade union officials	2024Q2 Average
Headline CPI inflation during the year								
2024	5.0	5.8	5.5	**5.4**	5.0	5.6	5.3	**5.3**
2025	4.7	5.6	5.6	**5.3**	4.6	5.4	5.0	**5.0**
2026	4.7	5.4	5.4	**5.2**	4.5	5.3	4.8	**4.9**
Economic growth (% change in real GDP) during the year								
2024	1.0	0.7	0.5	**0.8**	1.0	0.8	0.7	**0.8**
2025	1.6	1.0	0.8	**1.1**	1.7	1.1	1.1	**1.3**
Prime overdraft rate at the end of								
2024	11.10	11.26	11.30	**11.22**	11.18	11.32	11.44	**11.31**
2025	10.54	10.69	11.04	**10.76**	10.48	10.65	10.78	**10.63**
Yield on the R2030-government bond at the end of								
2024	10.00			**10.00**	9.90			**9.90**
2025	9.77			**9.77**	9.59			**9.59**
Rand/US dollar at the end of								
2024	18.34	19.16	19.31	**18.94**	18.15	18.58	18.60	**18.44**
2025	18.28	19.62	19.87	**19.26**	18.09	18.80	18.49	**18.46**
M3 money supply growth during the year								
2024	6.7			**6.7**	7.2			**7.2**
2025	7.0			**7.0**	7.5			**7.5**
Salary and wage increase during the year								
2024	4.9	5.3	5.2	**5.1**	4.7	5.1	4.7	**4.9**
2025	5.0	5.3	5.3	**5.2**	4.7	5.3	4.8	**4.9**
Percentage utilisation of production capacity in manufacturing during the year								
2024	78.0			**78.0**	78.2			**78.2**
2025	78.7			**78.7**	79.3			**79.3**
Households: Average price increase over								
The next 12 months				**6.7**				**6.4**
The next 5 years				**10.4**				**9.7**

Table 2: Dates when the surveys were conducted

	Analysts, businesses and trade unions: Mail questionnaires	Date of return	Process results	Households: Fieldwork			Process results
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
2024Q2	10-Jun	27-Jun	28-Jun	03-Jun	-	14-Jun	19-Jun

In 2024Q2, 44 analysts, 171 business people, 11 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			
Survey quarter	**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		5.3	5.0	4.9		5.0	4.6	4.5		5.6	5.4	5.3		5.3	5.0	4.8	4.9	4.5	5.1	5.2
2024Q3																				
2024Q4																				

Table 4: Historical data of households (average %)

	Total	Gender		Race				Income				Age			
Survey quarter		Male	Female	Blacks	Coloureds	Indians	Whites	High	Higher middle	Lower middle	Low	16-24	25-34	35-49	50+
1-year expectations															
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
2024Q2	6.4	6.8	6.1	6.3	6.9	7.2	5.2	6.3	6.4	6.7	6.0	6.4	6.5	6.7	5.9
5-year expectations															
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
2024Q2	9.7	9.8	9.6	9.6	9.9	10.2	9.5	9.7	10.1	10.0	9.2	10.3	10.0	9.4	9.0

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

What do you expect the …	**Average 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

What do you expect the …	**Average 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

What do you expect the …	**Average 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

What do you expect the …	**Average 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

What do you expect the …	**Average 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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