

SURVEY PUBLICATION | THIRD QUARTER 2024

Survey of Inflation Expectations

Nicolaas van der Wath | wnwath@sun.ac.za

EXECUTIVE SUMMARY

- The average inflation expectations of analysts, business people and trade unions declined again during the third quarter survey. They now expect headline inflation to be 5.1% this year, before subsiding to 4.8% in both 2025 and 2026.
- Collectively, the three social groups expect inflation to average 4.8% over the next five years. This is slightly lower than the 4.9% expected last quarter.
- In contrast, the one-year-ahead inflation expectations of households picked up by 0.6 percentage points (% pts) to 6.9%. It is now the highest this year.
- The three social groups still expected GDP growth of just below 1% in 2024. However, they have upwardly revised their forecast for next year by 0.2% pts to 1.5%.
- Trade unions made a huge upward revision to their forecast of wage increases. It is around 1% pt higher compared to their second quarter forecast.

Survey conducted during	2024Q2				2024Q3			
	Analysts	Business people	Trade union officials	Average	Analysts	Business people	Trade union officials	Average
Headline CPI inflation during the year								
2024	5.0	5.6	5.3	5.3	4.8	5.4	5.0	5.1
2025	4.6	5.4	5.0	5.0	4.4	5.3	4.7	4.8
2026	4.5	5.3	4.8	4.9	4.5	5.2	4.6	4.8

Figure 1: Headline CPI inflation during the year

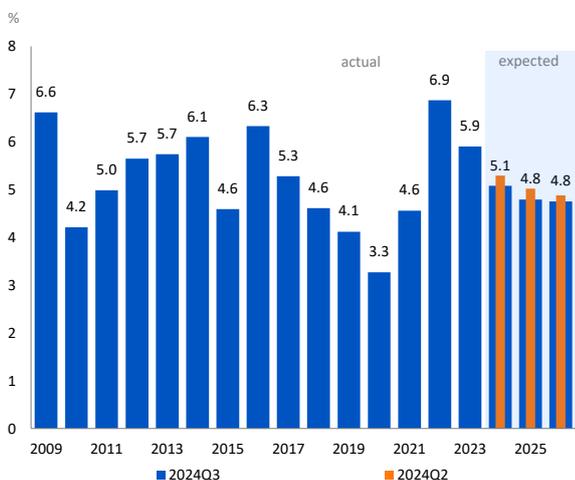
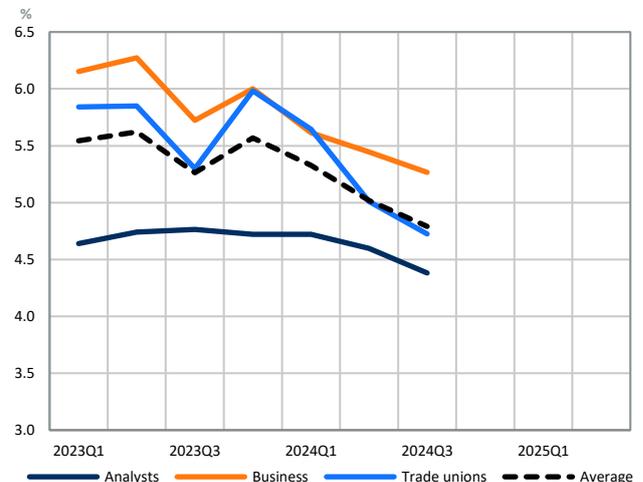


Figure 2: CPI inflation expectations: 2025



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

The average inflation expectations of analysts, business people and trade unions declined again during the third quarter survey. They now expect headline inflation to be 5.1% this year, before subsiding to 4.8% in both 2025 and 2026. In the second quarter they still expected consumer inflation to register 5.3% this year and fall to 4.9% in 2026. This downward revision is slightly smaller than the one during the second quarter, though it maintains the current downward trend. The revision was done against the backdrop where headline inflation, as reported during the second and third quarter surveys, dropped from 5.2% (in May) to 4.6% (in July).

Among the three social groups, analysts expect the lowest inflation rate over the entire forecast horizon, although trade union officials are not far above them. Both expect inflation to drop below 5% next year and settle close to the target of 4.5% by 2026. In contrast, business people anticipate that inflation will remain above 5% for all three years, softening from 5.4% this year to 5.2% in 2026.

Overall, the three social groups expect inflation to average 4.8% over the next five years. This is slightly lower than the 4.9% they expected before. However, in this case only analysts expect a rate close to the target of 4.5%, trade union officials foresee a rate around 5%, similar to business people.

Figure 3: Per survey quarter

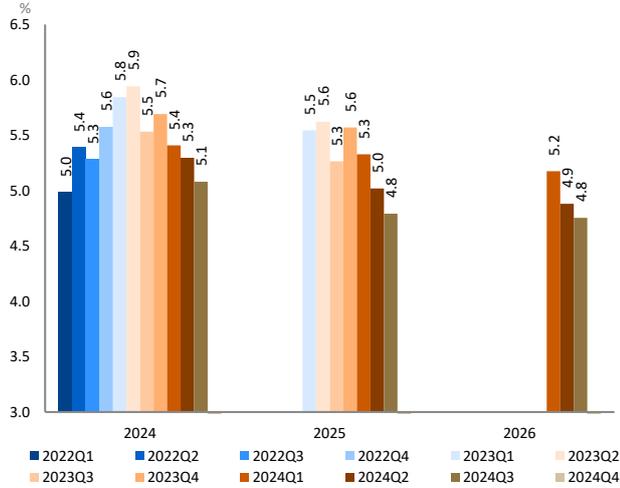


Figure 4: Analysts: one year ahead

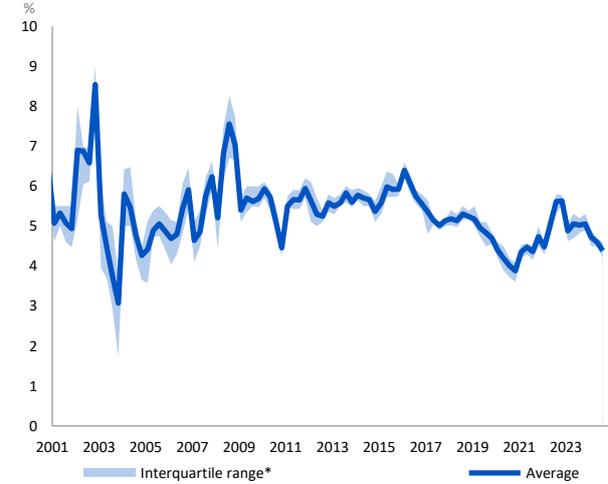


Figure 5: Business people: one year ahead

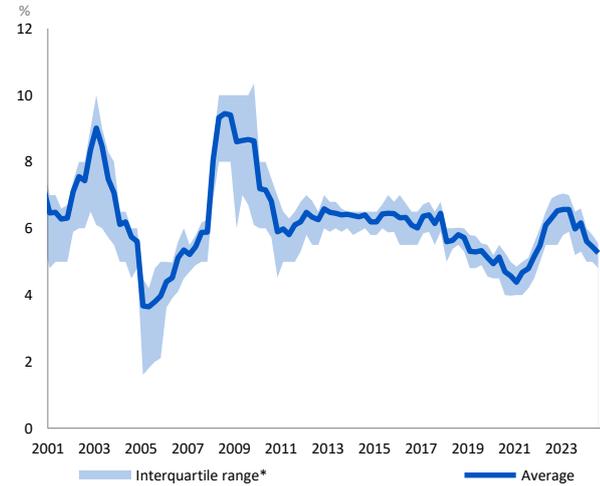


Figure 6: Trade unions: one year ahead

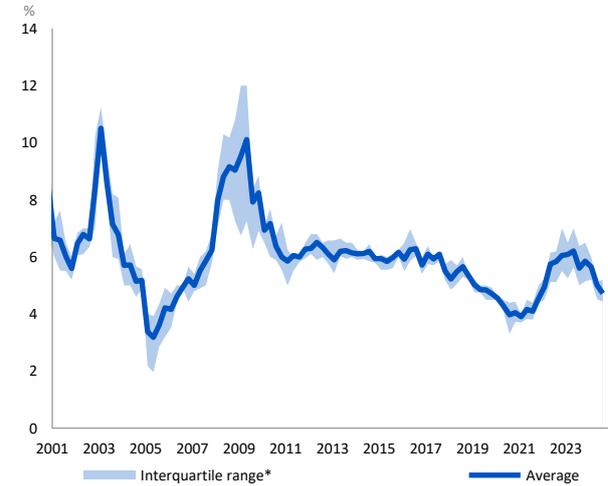
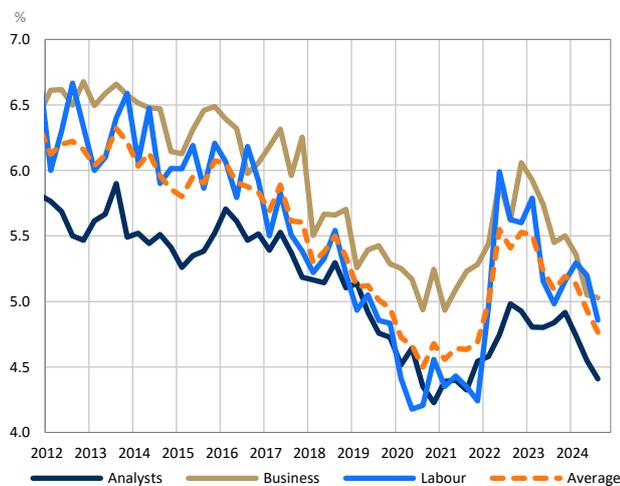


Figure 7: Over the next 5 years



* 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

Household inflation expectations turned significantly higher during the third quarter survey, ending the downward trend that started in the middle of 2023. One-year-ahead expectations picked up by 0.6% pts to 6.9%, the highest this year. Five-year-ahead expectations increased by 0.9% pts to 10.6%, the highest since the second quarter of 2023. Expectations diverged between the two genders, declining among men while increasing among women.

Figure 8: Households expectation: Total

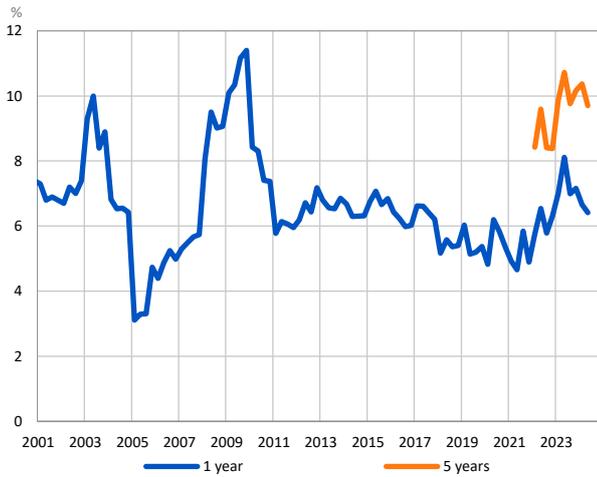
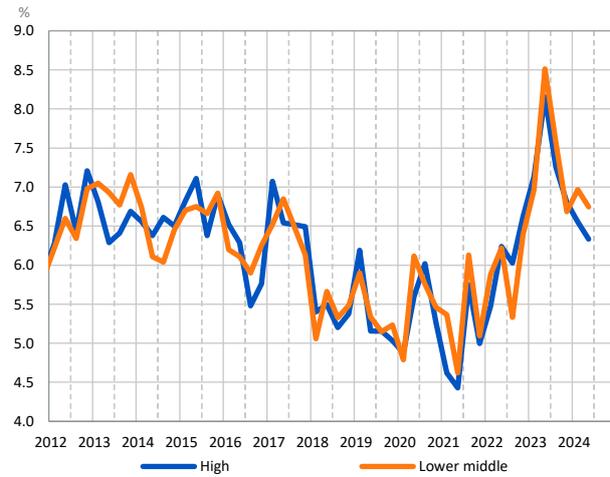


Figure 9: Per income group (one year ahead)



Forecasts of the other variables

During the third quarter survey, the three social groups still expected GDP growth of just below 1% in 2024. However, they revised their forecast for next year up by 0.2% pts to 1.5%. Among the three groups, analysts are the most optimistic; they foresee growth accelerating from 1% this year to nearly 2% next year. Trade unions and business people are less upbeat; both expect growth of around 0.8% and 1.3% in 2024 and 2025, respectively.

Regarding the prime overdraft rate, on average, the survey respondents still expect a 50 basis points (bps) reduction to 11.25% by the end of this year. However, they now expect cuts totalling 75 bps during 2025, slightly more than the 50 bps they anticipated during the second quarter. Among them, analysts are more dovish, they now foresee 75 bps worth of cuts this year already, followed by another 50 bps worth of cuts next year to reach 10.50%. Business people also see a drop in rates to 10.50% by the end of 2025, although more gradually. Trade unions anticipate rates to drop to 10.75% over the same period.

Analysts expect the yield on the 10-year government bond to be 10.40% by the end of 2024, then subsiding to 10.09% by the end of 2025. The yield was at an average of 10.50% during the time of the third quarter survey. *(The upward revision in their forecast is most likely due to the reference value in the questionnaire that changed, from the R2030-bond at 9.80%, to the R2035-bond at 11.04%.)*

From the period of the second quarter survey to the third, the rand appreciated from an average of R18.29 to R17.90 per US dollar. Against this background, the three social groups all revised their forecasts to reflect a stronger exchange rate. On average, they expect the rand to trade around R18.22 per dollar by the end of this year and next. This rate is somewhat stronger than the mid-R18.40s they pencilled in during the previous survey. Among the groups, analysts are more optimistic; they are the only group expecting the rand to trade stronger than R18 to the dollar by the end of both years. On the pessimistic side, business people forecast a rate of R18.54 by the end of 2025 (and trade unions R18.12).

Analysts revised their forecast of the growth rate in the M3 money supply down. They now expect a rate of 6.7% in 2024 and 7.3% in 2025. During the second quarter, they anticipated 7.2% and 7.5%, respectively.

Trade unions made a huge upward revision to their forecast of wage increases. They now expect wages to rise by 5.6% in 2024 and by 5.9% in 2025. This is around 1% pt higher for both years compared to their second quarter forecast. It stands in contrast to analysts and business people, who lowered their forecasts by as much as 0.2% pts. Consequently, the average forecast for 2025 increased slightly from 4.9% to 5.0%, while that for 2026 increased from 4.9% to 5.3%. Analysts are now the only group anticipating wage increases below 5% in both years.

During the third quarter survey, analysts forecasted the utilisation of production capacity in manufacturing to be 78.2% during this year, then improving to 79.4% next year. This is virtually unchanged from their forecast in the second quarter.

Figure 10: Economic growth during the year

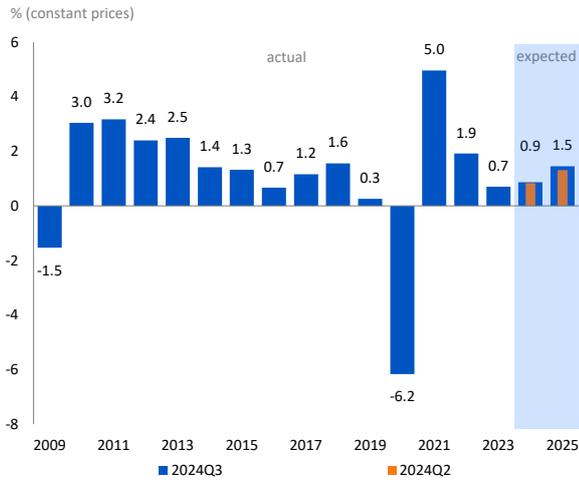


Figure 11: Prime overdraft rate at the end of the year

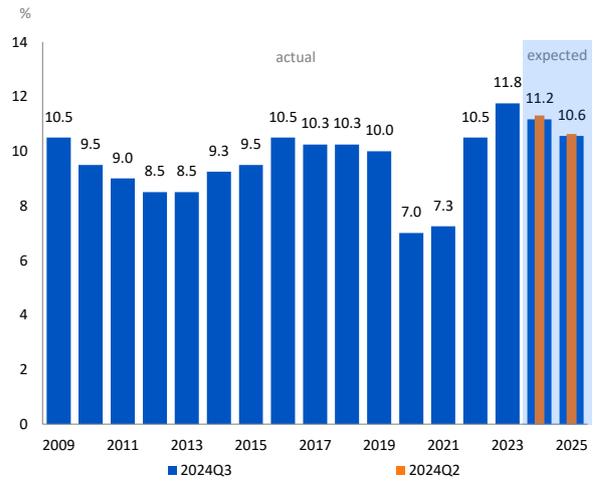


Figure 12: Ten-year gov. bond yield at the end of the year

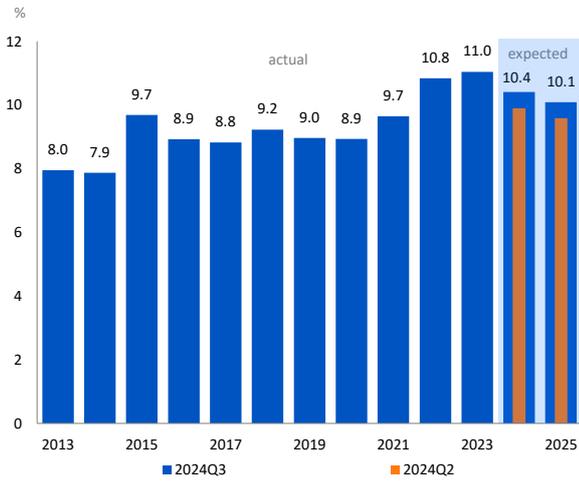


Figure 13: M3 money supply growth during the year

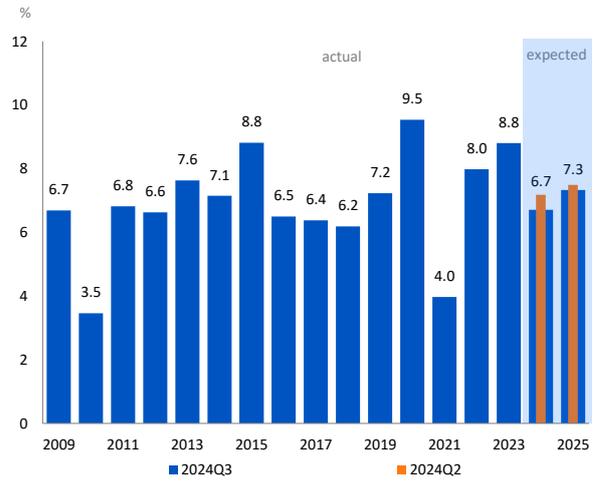


Figure 14: Rand/US dollar at the end of the year

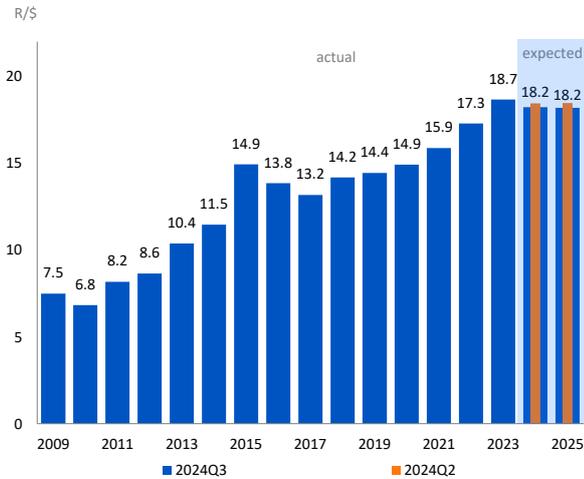
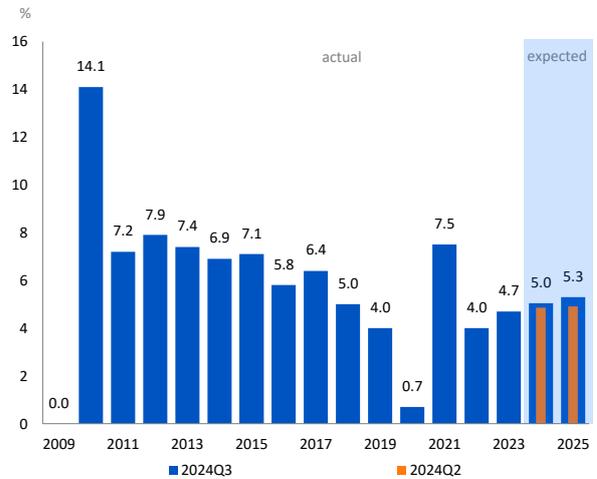


Figure 15: Salary and wage increases during the year



Appendix

SURVEY DATA AND DATES

Table 1: Summary of the survey results

Survey conducted during	2024Q2				2024Q3			
	Analysts	Business people	Trade union officials	Average	Analysts	Business people	Trade union officials	Average
Headline CPI inflation during the year								
2024	5.0	5.6	5.3	5.3	4.8	5.4	5.0	5.1
2025	4.6	5.4	5.0	5.0	4.4	5.3	4.7	4.8
2026	4.5	5.3	4.8	4.9	4.5	5.2	4.6	4.8
Economic growth (% change in real GDP) during the year								
2024	1.0	0.8	0.7	0.8	1.0	0.8	0.7	0.9
2025	1.7	1.1	1.1	1.3	1.9	1.3	1.2	1.5
Prime overdraft rate at the end of								
2024	11.18	11.32	11.44	11.31	11.03	11.22	11.25	11.17
2025	10.48	10.65	10.78	10.63	10.42	10.48	10.78	10.56
Yield on the 10-year government bond at the end of								
2024	9.90			9.90	10.40			10.40
2025	9.59			9.59	10.09			10.09
Rand/US dollar at the end of								
2024	18.15	18.58	18.60	18.44	17.96	18.42	18.27	18.22
2025	18.09	18.80	18.49	18.46	17.92	18.54	18.12	18.19
M3 money supply growth during the year								
2024	7.2			7.2	6.7			6.7
2025	7.5			7.5	7.3			7.3
Salary and wage increase during the year								
2024	4.7	5.1	4.7	4.9	4.5	5.0	5.6	5.0
2025	4.7	5.3	4.8	4.9	4.7	5.2	5.9	5.3
Percentage utilisation of production capacity in manufacturing during the year								
2024	78.2			78.2	78.2			78.2
2025	79.3			79.3	79.4			79.4
Households: Average price increase over								
The next 12 months				6.4				6.9
The next 5 years				9.7				10.6

Table 2: Dates when the surveys were conducted

	Analysts, businesses and trade unions			Households		
	Mail questionnaires	Date of return	Process results	Fieldwork		Process results
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
2024Q3	12-Aug	29-Aug	30-Aug	19-Aug	- 30-Aug	03-Sep

In 2024Q3, 33 analysts, 177 business people, 14 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		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		5.1	4.8	4.8		4.8	4.4	4.5		5.4	5.3	5.2		5.0	4.7	4.6	4.8	4.4	5.0	4.9
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															
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
2024Q3	6.9	6.8	6.9	7.0	6.0	6.4	7.8	6.6	6.7	6.3	8.1	7.6	6.3	6.9	6.8
5-year expectations															
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
2024Q3	10.6	9.5	11.6	10.4	11.0	10.6	13.6	11.8	9.9	9.9	11.3	10.7	9.6	10.4	11.6

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?

CONTACT US

Tel: +27 (21) 808 9779

Email: wnwath@sun.ac.za

Click [here](#) for previous editions of this publication.

Please refer to the glossary on the **BER website** for explanations of technical terms.

Copyright, South African Reserve Bank



Copyright for this publication is held by the South African Reserve Bank. The Bureau for Economic Research (BER), a division of Stellenbosch University, conducts the survey and publishes this report on behalf of the Reserve Bank. Although reasonable professional skill, care and diligence are exercised to record and interpret all information correctly, Stellenbosch University, its division BER, the author(s) and the Reserve Bank do not accept any liability for any direct or indirect loss whatsoever that might result from unintentional inaccurate data and interpretations provided by the BER as well as any interpretations by third parties. Stellenbosch University and the Reserve Bank accept no liability for the consequences of any decisions or actions taken by any third party on the basis of information provided in this publication. The views, conclusions or opinions contained in this publication are those of the BER and do not necessarily reflect those of Stellenbosch University or the Reserve Bank.