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# Inflation Expectations Survey: 2025Q4

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## Broad-based decline in inflation expectations

In the fourth quarter of 2025, the average inflation expectations of the three professional groups subsided significantly; it dropped by around ½ a percentage point (% pt) for 2026, 2027 and the next five years. The respondents now expect headline inflation to be 3.8% next year and 3.7% thereafter, which is a record low<sup>1</sup>. This significant downward revision happened against the backdrop where the Minister of Finance announced a new inflation target of 3% (down from a midpoint target of 4.5% previously) during the Medium Term Budget Policy Statement (MTBPS) on 12 November. *Actual reported headline inflation moved sideways around 3.5% from the period of the third to the fourth quarter survey.*

Among the professional groups, both business people and trade union officials adjusted their long-run forecasts (two and five years ahead) down by around 0.5% pts, while analysts did so by only 0.3% pts (but they were at a lower level to start). Indeed, analysts expect the lowest inflation two years from now (at 3.4%) while business people anticipate it to stabilise around 4%. In the middle, trade unions foresee inflation of 3.8% in 2027. As such, none of the groups yet expect inflation to stabilise in the long run around the new 3% target, but the broad-based downward shift is nonetheless remarkable.

Household inflation expectations resumed its downward trend in the fourth quarter of 2025, after a brief pause in the third quarter; one-year expectations were observed at 5.3% (5.5% previously). This is now the lowest in four years, after reaching a recent peak of 8.1% in the second quarter of 2023.

In contrast to their lower inflation outlook, during the fourth quarter, the professional groups did not downwardly revise their forecast of wage growth. They anticipate salaries to rise by 4.7% next year, which is virtually the same as the 4.8% they expected in the third quarter.

In the fourth quarter of 2025, the survey respondents expected GDP growth of 1.3% in 2026, which is very similar to the 1.2% they foresaw in the third quarter.

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<sup>1</sup> Two-year ahead expectations were surveyed since 2000Q2 and five-year average expectations since 2011Q3.

## SUMMARY OF THE SURVEY RESULTS

Survey conducted during	2025Q3				2025Q4			
	Analysts	Business people	Trade union officials	Average	Analysts	Business people	Trade union officials	Average
<b>Headline CPI inflation during the year</b>								
2025	3.4	4.2	3.8	<b>3.8</b>	3.3	3.9	3.8	<b>3.7</b>
2026	3.9	4.4	4.2	<b>4.2</b>	3.5	3.9	3.9	<b>3.8</b>
2027	3.7	4.5	4.2	<b>4.2</b>	3.4	4.0	3.8	<b>3.7</b>
5 years	3.6	4.5	4.3	<b>4.2</b>	3.3	4.1	3.8	<b>3.7</b>
<b>Salary and wage increase during the year</b>								
2025	4.4	4.9	4.9	<b>4.7</b>	4.1	4.8	4.8	<b>4.6</b>
2026	4.3	5.0	5.1	<b>4.8</b>	4.0	4.9	5.1	<b>4.7</b>
<b>M3 money supply growth during the year</b>								
2025	6.1			<b>6.1</b>	6.3			<b>6.3</b>
2026	6.6			<b>6.6</b>	6.8			<b>6.8</b>
<b>Rand/US dollar at the end of</b>								
2025	17.64	18.10	18.15	<b>17.96</b>	17.21	17.53	17.56	<b>17.43</b>
2026	17.59	18.55	18.38	<b>18.17</b>	17.09	17.65	17.48	<b>17.41</b>
<b>Prime overdraft rate at the end of</b>								
2025	10.29	10.43	10.39	<b>10.37</b>	10.17	10.43	10.48	<b>10.36</b>
2026	9.96	10.18	9.86	<b>10.00</b>	9.58	10.06	10.11	<b>9.92</b>
<b>Yield on the 10-year government bond at the end of</b>								
2025	9.73			<b>9.73</b>	8.83			<b>8.83</b>
2026	9.48			<b>9.48</b>	8.62			<b>8.62</b>
<b>Economic growth (% change in real GDP) during the year</b>								
2025	0.9	0.6	0.8	<b>0.8</b>	1.2	0.9	1.0	<b>1.0</b>
2026	1.4	0.9	1.2	<b>1.2</b>	1.6	1.2	1.2	<b>1.3</b>
<b>Percentage utilisation of production capacity in manufacturing during the year</b>								
2025	77.9			<b>77.9</b>	78.2			<b>78.2</b>
2026	78.6			<b>78.6</b>	78.9			<b>78.9</b>
<b>Households: Average price increase over</b>								
The next 12 months				<b>5.5</b>				<b>5.3</b>
The next 5 years				<b>8.9</b>				<b>7.7</b>

# Background

In 2001, the South African Reserve Bank (SARB) commissioned the BER to conduct a quarterly survey to measure inflation expectations and other macro-economic variables related to inflation<sup>1</sup>. Four social groups are covered, namely analysts, business people, senior representatives of trade unions and households. This is done because each group has a different perspective and impact on inflation. For instance, business people affect prices in the real economy, while analysts affect financial markets. In contrast, trade union representatives and households – in their role as employees – affect wage increases, which, in turn, have a big impact on inflation.

The results of the inflation expectations survey are one of many factors that the Monetary Policy Committee (MPC) of the SARB considers when it decides on the interest rate. The MPC will be concerned if inflation expectations increase, inflation expectations are significantly above the lower of the inflation target range of 3% to 6% and / or the other inflation indicators deteriorate. Rising inflation expectations may, for example, lead to higher wage demands as workers feel they need to be compensated for the higher expected inflation in future. Businesses may also adjust their price increases upwards if demand is robust enough. To prevent higher expectations from becoming a reality, the SARB may be forced to increase the interest rate. The opposite happens if inflation expectations and other indicators decline.

The 2025 fourth quarter survey of financial analysts, business executives and representatives of the trade union movement was conducted between 17 November and 4 December 2025 and the results were computed on 5 December 2025.

The latest results are discussed in more detail in a report that appears on our webpage at [www.ber.ac.za](http://www.ber.ac.za).

The inflation expectations release dates for 2026 are as follows:

17 March  
24 June  
9 September  
8 December

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