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Inflation Expectations Survey: 2024Q4

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Inflation expectations now at the targeted midpoint

From the time of the third quarter survey to the fourth quarter survey, reported headline inflation subsided significantly, from 4.6% in July to 2.8% in October. Against this background, business people especially, but also trade union officials, lowered their expectations of inflation in both 2025 and 2026. In contrast, the outlook of analysts (which was already lower) was practically unchanged between these two quarters. Consequently, the combined average forecast of the three groups is that inflation will decline to 4.5% in 2025, which is 0.3 percentage points (% pts) lower than the 4.8% they still anticipated in the previous survey. The last time their inflation expectations were this low was in the middle of 2021, when reported inflation was still at 4.7%, before peaking above 7% early in 2023.

Regarding inflation over the next five years, the three social groups now anticipate an average of 4.6%, basically at the targeted midpoint. This is marginally lower than the 4.8% they expected before.

The one-year-ahead inflation expectations of households fell from 6.9% in the third quarter to 6.6% in the fourth quarter. Though lower, it is not that much further down compared to the 6.7% expected in the first quarter of 2024. As such, expectations practically moved sideways this year. Even more so, their five-year-ahead expectations have remained stuck around the 10% level since 2023 –again dipping just below this level in the fourth quarter.

On average, the three social groups still expect GDP growth of only 1% in 2024 and 1.5% in 2025.

In the case of salaries and wages, the three groups now anticipate these to increase by less than 5% this year and next (4.8% and 4.9% respectively). Most of this change was driven by trade unionists, who lowered their forecast for next year by 0.8% pts to 5.1%.

SUMMARY OF THE SURVEY RESULTS

Survey conducted during	2024Q3				2024Q4			
	Analysts	Business people	Trade union officials	Average	Analysts	Business people	Trade union officials	Average
Headline CPI inflation during the year								
2024	4.8	5.4	5.0	5.1	4.5	4.8	4.5	4.6
2025	4.4	5.3	4.7	4.8	4.3	4.8	4.5	4.5
2026	4.5	5.2	4.6	4.8	4.5	4.8	4.3	4.6
Economic growth (% change in real GDP) during the year								
2024	1.0	0.8	0.7	0.9	1.0	0.9	1.0	1.0
2025	1.9	1.3	1.2	1.5	1.7	1.3	1.4	1.5
Prime overdraft rate at the end of								
2024	11.03	11.22	11.25	11.17	11.21	11.16	11.28	11.22
2025	10.42	10.48	10.78	10.56	10.35	10.47	10.65	10.49
Yield on the 10-year government bond at the end of								
2024	10.40			10.40	10.05			10.05
2025	10.09			10.09	9.65			9.65
Rand/US dollar at the end of								
2024	17.96	18.42	18.27	18.22	17.90	18.17	18.40	18.16
2025	17.92	18.54	18.12	18.19	17.69	18.30	18.46	18.15
M3 money supply growth during the year								
2024	6.7			6.7	6.7			6.7
2025	7.3			7.3	7.5			7.5
Salary and wage increase during the year								
2024	4.5	5.0	5.6	5.0	4.7	4.9	4.9	4.8
2025	4.7	5.2	5.9	5.3	4.7	5.0	5.1	4.9
Percentage utilisation of production capacity in manufacturing during the year								
2024	78.2			78.2	78.4			78.4
2025	79.4			79.4	79.3			79.3
Households: Average price increase over								
The next 12 months				6.9				6.6
The next 5 years				10.6				9.7

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 inflation¹. 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 midpoint 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 2024 fourth quarter survey of financial analysts, business executives and representatives of the trade union movement was conducted between 18 November and 5 December 2024 and the results were computed on 6 December 2024.

The latest results are discussed in more detail in a report that appears on our webpage at www.ber.ac.za.

The inflation expectations release dates for 2025 are as follows:

17 March

30 June

15 September

12 December

¹ Click [here](#) for more information about the survey method and [here](#) for the findings of academic research based on it.