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Inflation Expectations Survey: 2025Q1

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Inflation expectations still at the targeted midpoint

Against the backdrop of a lower reference rate¹, the survey respondents revised their forecast of headline consumer inflation in 2025 slightly down from 4.5% to 4.3%. This was despite a slight uptick in reported annual inflation between the two survey periods (from 2.8% in October to 3.2% in January). Looking further ahead, their expectations for 2026 were unchanged at 4.6%, though they expect a slight increase to 4.7% in 2027 (surveyed for the first time). Analysts are more optimistic among the three social groups, expecting inflation of only 3.9% this year, then stabilising at 4.3% in the following two years. Business people anticipate a rate of 4.6% this year, then 4.8% over the next two years. On the pessimistic side, trade union officials forecast an acceleration from 4.5% in 2025 to 5.0% by 2027.

Regarding inflation over the next five years, the three social groups anticipate an average of 4.7%, marginally above the targeted midpoint and slightly up from 4.6% before.

Against a similar backdrop¹, households also revised their forecast of inflation in the next year down significantly. They now expect a rate of 5.7% in the next 12 months, compared to 6.6% during the fourth quarter of last year.

In line with their lower inflation forecast during the first quarter of 2025, the three social groups also lowered their expectations for an increase in salaries and wages in 2025. They now foresee, on average, that wages will rise by 4.5% this year, which is lower by 0.4 percentage points compared to their fourth-quarter forecast. However, they foresee a more substantial increase next year (4.8%).

The survey respondents expect economic growth of 1.2% in 2025, slightly lower than the 1.5% anticipated during the fourth quarter survey. Looking further ahead, they forecast economic growth to accelerate very little, reaching only 1.4% in 2026.

¹ As usual, the reference values given in the survey questionnaire are updated in the first quarter of every year. Respondents of the survey are given the previous year's inflation value as a reference point when responding to the survey. With inflation slowing notably through 2024, respondents' experience of the rate of change in price levels as well as the average inflation included in the question came down. The reference for headline CPI declined from 5.9% for 2023 (included in the 2024 surveys) to 4.4% for 2024 (included in the 2025 surveys).

SUMMARY OF THE SURVEY RESULTS

Survey conducted during	2024Q4				2025Q1			
	Analysts	Business people	Trade union officials	Average	Analysts	Business people	Trade union officials	Average
Headline CPI inflation during the year								
2025	4.3	4.8	4.6	4.5	3.9	4.6	4.5	4.3
2026	4.5	4.8	4.4	4.6	4.3	4.8	4.8	4.6
2027					4.3	4.8	5.0	4.7
5 years	4.4	4.8	4.6	4.6	4.2	4.9	5.0	4.7
Salary and wage increase during the year								
2025	4.7	5.0	5.1	4.9	4.8	4.1	4.7	4.5
2026					4.8	4.4	5.1	4.8
M3 money supply growth during the year								
2025	7.5			7.5	6.9			6.9
2026					7.0			7.0
Rand/US dollar at the end of								
2025	17.69	18.29	18.51	18.16	18.07	18.44	18.94	18.48
2026					18.17	18.96	19.06	18.73
Prime overdraft rate at the end of								
2025	10.35	10.47	10.66	10.49	10.62	11.04	10.78	10.81
2026					10.57	10.58	10.91	10.68
Yield on the 10-year government bond at the end of								
2025	9.65			9.65	9.94			9.94
2026					9.98			9.98
Economic growth (% change in real GDP) during the year								
2025	1.7	1.3	1.4	1.5	1.6	0.8	1.2	1.2
2026					1.9	1.0	1.4	1.4
Percentage utilisation of production capacity in manufacturing during the year								
2025	79.3			79.3	77.9			77.9
2026					78.3			78.3
Households: Average price increase over								
The next 12 months				6.6				5.7
The next 5 years				9.7				9.1

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 2025 first quarter survey of financial analysts, business executives and representatives of the trade union movement was conducted between 17 February and 6 March 2025 and the results were computed on 7 March 2025.

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:

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.