

PRESS RELEASE | EMBARGO 2 JULY 2025 (10H00)

Inflation Expectations Survey: 2025Q2

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Broad-based decline in inflation expectations

The second quarter survey reflects a broad-based and significant decline in the inflation expectations of the survey respondents. Inflation expectations of all three social groups, (business people, trade union representatives and analysts) declined, with the downward adjustment extending across the forecast horizon. On average, the respondents expect that headline consumer inflation will be 3.9% during 2025, then rise gradually to 4.3% in 2026 and 4.5% in 2027. In the first quarter survey, they still expected 4.4%, 4.6% and 4.7% respectively. It is the first time in more than four years that expectations for the current year have fallen below 4%. This downward revision was done against the backdrop where reported annual consumer inflation fell from 3.0% in December 2024 to 2.8% in April 2025.

Regarding their five-year ahead inflation expectations, all social groups made a downward revision. On average, they now expect a rate of 4.4%, which is 0.3 percentage points (% pts) lower than previously.

The inflation expectations of households for the next 12 months decreased to 5.4%, from 5.7% before. This is the lowest rate since the fourth quarter of 2021. Their expectations for the next 5 years also declined, from 9.1% to 8.5%.

In contrast to their view on lower consumer inflation, the survey respondents upwardly revised their forecast of wage increases during the second quarter. They now expect salaries to rise by 4.9% this year and 5.1% next year, compared to 4.5% and 4.8% previously.

All three social groups are now more pessimistic about economic growth. On average, they expect GDP to expand by 0.9% this year, compared to 1.2% before. For 2026, they anticipate growth of 1.2%, lower than the 1.4% expected during the first quarter.

SUMMARY OF THE SURVEY RESULTS

Survey conducted during	2025Q1				2025Q2				
	Analysts	Business people	Trade union officials	Average	Analysts	Business people	Trade union officials	Average	
Headline CPI inflation during the year									
2025	3.9	4.6	4.5	4.4	3.4	4.3	4.0	3.9	
2026	4.3	4.8	4.8	4.6	4.1	4.4	4.3	4.3	
2027	4.4	4.8	5.0	4.7	4.2	4.5	4.7	4.5	
5 years	4.3	4.9	5.0	4.7	4.0	4.5	4.7	4.4	
Salary and wage increase during the year									
2025	4.8	4.1	4.7	4.5	4.5	5.1	5.1	4.9	
2026	4.8	4.4	5.1	4.8	4.7	5.1	5.5	5.1	
M3 money supply growth during the year									
2025	7.0			7.0	6.3			6.3	
2026	7.1			7.1	6.6			6.6	
Rand/US dollar at the end of									
2025	18.12	18.44	18.94	18.50	18.09	18.35	18.30	18.25	
2026	18.21	18.96	19.06	18.74	18.17	18.53	18.46	18.39	
Prime overdraft rate at the end of									
2025	10.58	11.04	10.78	10.80	10.36	11.05	10.88	10.76	
2026	10.50	10.58	10.91	10.66	10.18	10.54	10.51	10.41	
Yield on the 10-year government bond at the end of									
2025	9.86			9.86	10.21			10.21	
2026	9.92			9.92	9.92			9.92	
Economic growth (% change in real GDP) during the year									
2025	1.6	0.8	1.2	1.2	1.1	0.7	0.9	0.9	
2026	1.9	1.0	1.4	1.4	1.6	0.9	1.2	1.2	
Percentage utilisation of production capacity in manufacturing during the year									
2025	77.9			77.9	77.7			77.7	
2026	78.4			78.4	78.2			78.2	
Households: Average price increase over									
The next 12 months				5.7					5.4
The next 5 years				9.1					8.5

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 second quarter survey of financial analysts, business executives and representatives of the trade union movement was conducted between 19 May and 5 June 2025 and the results were computed on 6 June 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:

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.*