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South African MPC

18 November 2026

Executive summary

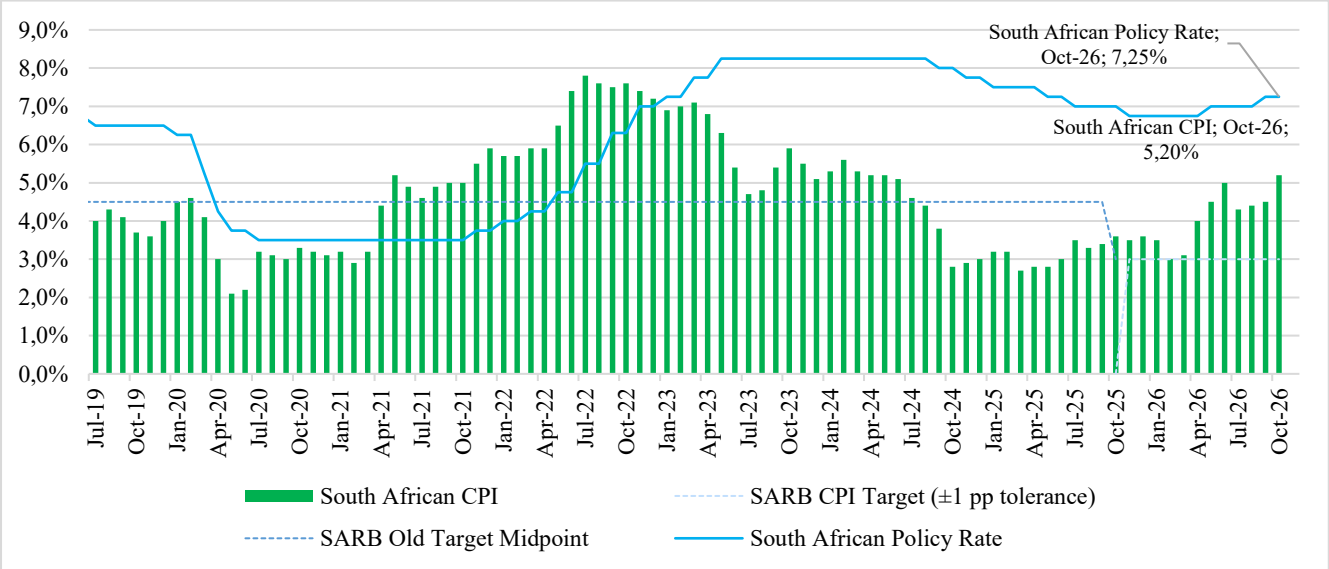
Ahead of the November 2026 MPC meeting, South Africa's inflation rate has risen to 5.2% in October, from 4.5% in the previous month, reaching its highest level in nearly two-and-a-half years. The latest increase points to a renewed build-up of price pressures, complicating the country's inflation outlook.

The external economic environment has become increasingly uncertain since the previous MPC meeting, with elevated international oil prices and geopolitical tensions contributing to renewed inflationary risks. Meanwhile, major central banks have maintained their policy rates, allowing previous monetary tightening to continue filtering through their respective economies.

The upcoming MPC decision is expected to reflect a cautious approach. **On balance the assessment leans towards maintaining the repo rate at 7.25%. However, a further rate increase remains a credible alternative given the heightened external inflationary risks.**

Analysis

Figure 1: South Africa Repo Rate vs Inflation Rate



Source: SARB & StatsSA

As shown in Figure 1, Headline consumer inflation increased to 5.2% in October 2026 from 4.5% in September. The acceleration was driven largely by higher transport costs, particularly fuel prices, alongside a gradual increase in food inflation.

Food and non-alcoholic beverages inflation increased for a third consecutive month, reaching 1.4% in October 2026. The increase was mainly driven by higher prices for fish and seafood, vegetables, and sugar and confectionery products. Although food inflation remains relatively moderate, the continued acceleration suggests emerging price pressures within selected food categories.

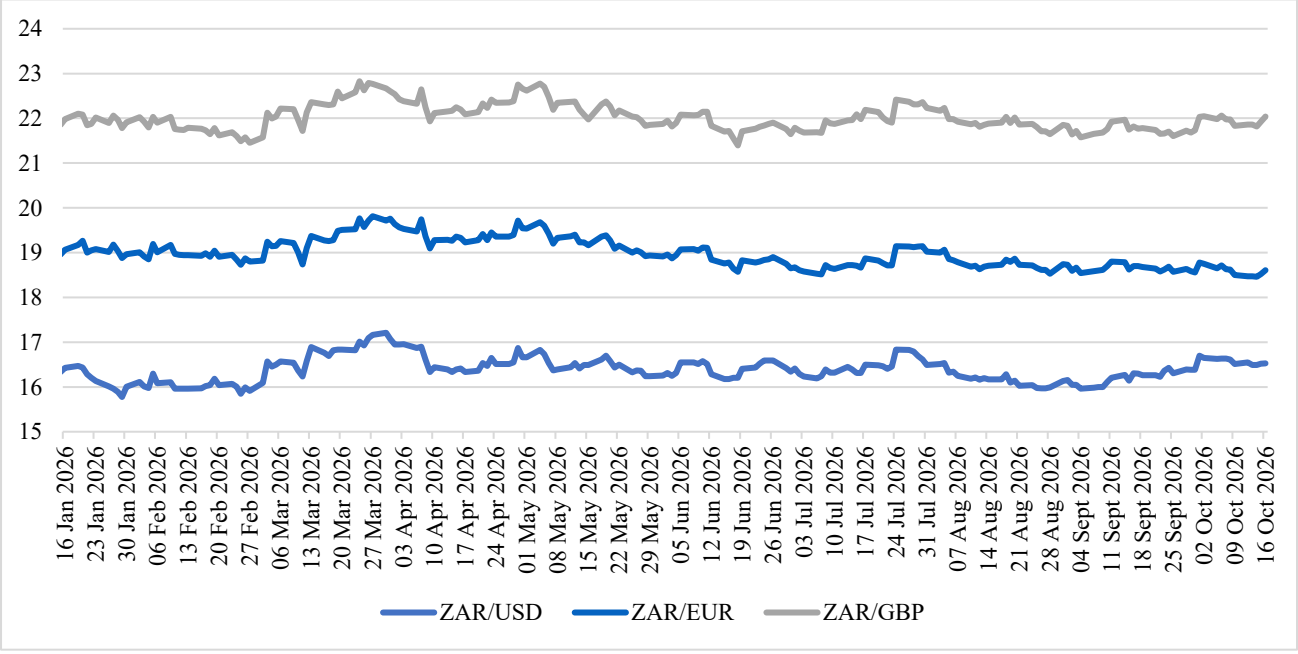
Transport inflation accelerated significantly to 15.2% in October, contributing 2.1 percentage points to headline inflation. The increase was primarily driven by fuel prices, with annual fuel inflation rising sharply to 42.9%, from 27.9% in September, reflecting the substantial increase in domestic fuel costs. This represents the highest annual fuel inflation rate since August 2022, highlighting the renewed impact of higher international oil prices and exchange-rate pressures on domestic prices. The sharp increase in fuel costs presents an additional upside risk to the inflation outlook, particularly through higher transport, distribution and production costs, which could gradually feed into broader consumer prices.

SOUTH AFRICAN ECONOMIC PERFORMANCE

South Africa's manufacturing sector recorded a modest improvement during the third quarter of 2026, with seasonally adjusted production increasing by 0.9% compared to the previous quarter. The improvement was largely supported by stronger activity in the food and beverages sector, as well as basic iron and steel and metal products. However, manufacturing production remained under pressure on an annual basis, declining by 3.5% in September, while monthly output remained unchanged.

Meanwhile, mining activity remained subdued, with production declining by 6.0% on a quarterly basis during the third quarter, despite a monthly increase of 2.8% in September. The annual decline in mining production further highlights persistent challenges within the sector. Overall, the mixed performance across the manufacturing and mining industries points to an uneven recovery in productive activity, with continued weakness in key sectors likely to weigh on South Africa's broader economic performance.

Figure 2: ZAR vs Major Currencies January 2026 - October 2026



Source: HEI Research

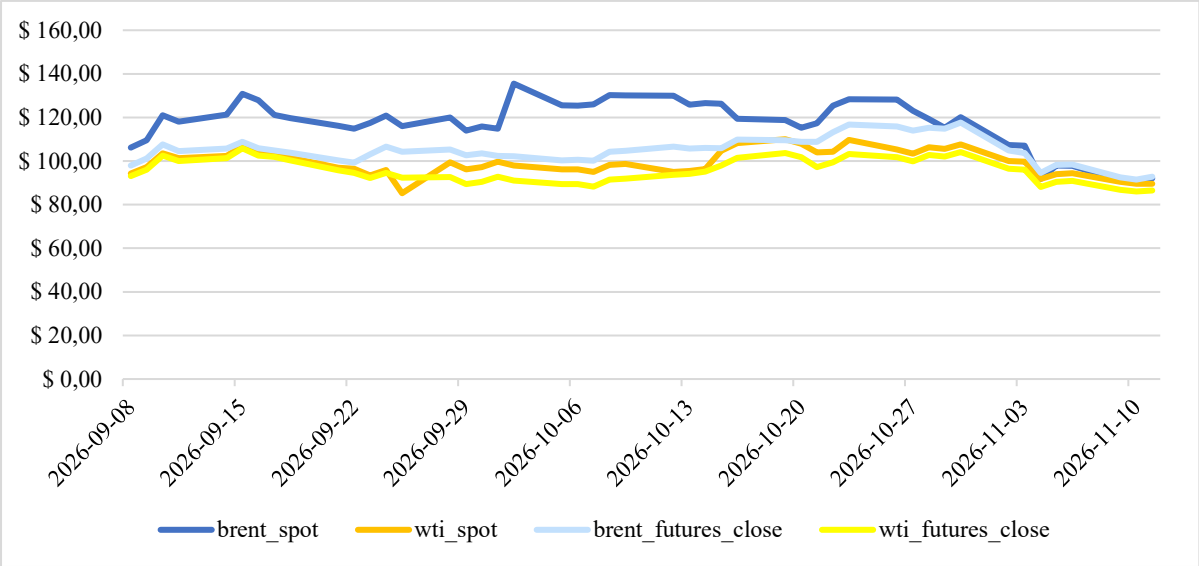
As shown in Figure 2, The rand has exhibited some volatility over the review period, weakening against the US dollar and British pound while recording a modest appreciation against the euro in the latest observations. The currency's performance has reflected fluctuations in global financial markets, with a noticeable weakening across the three currencies towards the beginning of October, followed by some moderation.

The rand remains sensitive to global financial conditions, monetary policy developments in major economies and shifts in investor risk sentiment. Weakness against major currencies could increase the cost of imported goods and contribute to imported inflationary pressures. Going forward, developments in global markets, commodity prices and geopolitical uncertainty are likely to remain important factors influencing the rand's performance.

GLOBAL CONDITIONS

Since the previous MPC meeting in September, the global economic environment has faced renewed pressures, largely driven by rising international oil prices and heightened geopolitical uncertainties.

Figure 3: Daily Brent Spot vs Futures Price September 2026– November 2026



Source: U.S. Energy Information Administration (EIA), via FRED & Market Data, via Yahoo Finance

Global oil market conditions remained under pressure, with average Brent crude oil prices increasing from approximately US$101 to US$108 per barrel during the period under review. The increase was largely driven by heightened geopolitical tensions in the Middle East, including attacks on Saudi Arabian infrastructure, as well as elevated freight and insurance costs associated with shipping disruptions. International petroleum product prices also increased, reflecting tighter global supplies, stronger seasonal demand ahead of the Northern Hemisphere winter and continued Russia-Ukraine conflict. These developments contributed to upward pressure on international fuel prices and heightened the risk of imported inflation.

In South Africa, the impact of higher international oil and petroleum product prices was partly cushioned by temporary reductions in the general fuel levy announced in October. Although domestic fuel prices recorded marginal decreases in November, the weakening of the rand against the US dollar and the increase in the slate levy continued to exert upward pressure on fuel costs.

Meanwhile, major central banks, including the US Federal Reserve, European Central Bank and Bank of Japan, maintained their policy rates, reflecting a cautious approach to monetary policy following previous rate adjustments. Nevertheless, sustained increases in global oil prices remain an upside risk to domestic inflation through higher transport, production and distribution costs.

Outlook

The November MPC meeting presents a more challenging inflation outlook than the previous meeting. Headline inflation increased to 5.2% in October, from 4.5% in September, reaching its highest level in nearly two-and-a-half years. The acceleration was driven largely by a sharp increase in transport inflation, particularly fuel prices, while food inflation also recorded a gradual increase. These developments point to renewed inflationary pressures, although the relatively moderate level of food inflation suggests that price increases remain concentrated in selected categories.

The external environment has also become less favourable. International oil prices remained elevated during the review period, reflecting heightened geopolitical tensions and supply-side disruptions. At the same time, the rand weakened against the US dollar, adding to imported inflation risks. Although major central banks have maintained their policy rates, continued uncertainty in global markets and elevated energy prices remain key risks to the domestic inflation outlook.

Domestically, the sharp increase in fuel prices presents a significant challenge for the inflation outlook, particularly as higher transport and distribution costs could gradually feed through to other consumer prices. However, the broader economic environment remains subdued, with mining and manufacturing activity recording mixed and generally weak performance during the third quarter. This creates a policy trade-off for the SARB, as further monetary tightening could add pressure to an already weak economic environment, while allowing inflationary pressures to persist could complicate the Bank's efforts to maintain price stability.

Ahead of the November 2026 MPC announcement, the decision will therefore centre on whether the recent acceleration in inflation warrants further policy tightening or whether the Bank should allow more time to assess the persistence of these pressures. The deterioration in the inflation outlook, elevated oil prices and rand weakness, strengthen the case for a more cautious policy stance. Conversely, subdued domestic economic activity and the lagged effects of previous monetary tightening provide some justification for maintaining the current policy rate. **On balance, the assessment leans towards maintaining the repo rate at 7.25%, allowing the MPC to assess whether the recent increase in inflation is sustained, although a further 25-basis point increase remains a credible alternative.**