CONCLUDING STATEMENT

South Africa: Staff Concluding Statement of the 2026 Article IV Mission

FOR IMMEDIATE RELEASE

A Concluding Statement describes the preliminary findings of IMF staff at the end of an official staff visit (or 'mission'), in most cases to a member country. Missions are undertaken as part of regular (usually annual) consultations under Article IV of the IMF's Articles of Agreement, in the context of a request to use IMF resources (borrow from the IMF), as part of discussions of staff monitored programs, or as part of other staff monitoring of economic developments.

The authorities have consented to the publication of this statement. The views expressed in this statement are those of the IMF staff and do not necessarily represent the views of the IMF's Executive Board. Based on the preliminary findings of this mission, staff will prepare a report that, subject to management approval, will be presented to the IMF Executive Board for discussion and decision.

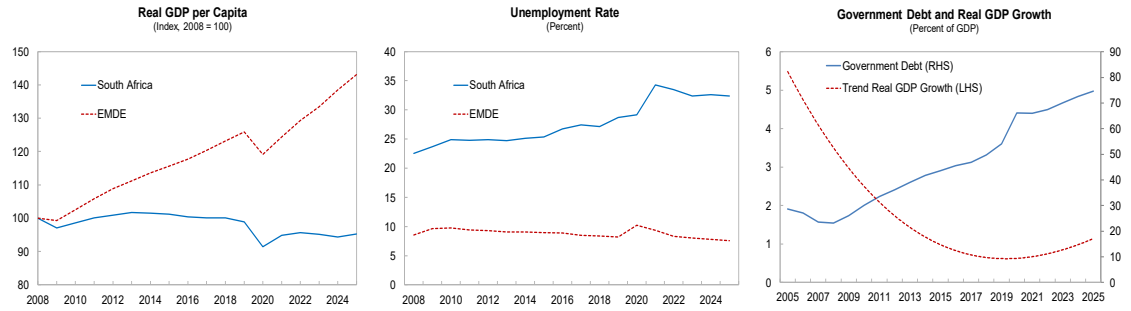
Washington, DC – November 24, 2026: An International Monetary Fund team visited South Africa to hold discussions with the economic authorities and other counterparts from the public and private sectors for the 2026 Article IV consultation. Discussions focused on policies to preserve macroeconomic and financial stability and accelerate reforms needed to durably lift investment and growth, create jobs, and raise living standards.

Context, Outlook, and Risks

Prudent macroeconomic policies and ongoing structural reforms have helped South Africa weather another difficult global shock this year. The Middle East war has dealt a new blow to the global economy in 2026, pushing up oil prices, inflation, interest rates, and uncertainty. Nonetheless, the South African economy has remained relatively resilient, owing to its stronger fundamentals, including its new lower inflation target and proactive monetary policy action, flexible exchange rate, strong reserve buffers, and prudent fiscal policies, with a renewed commitment to debt stabilization this year. Structural reforms under Operation Vulindlela have supported market confidence and resilience. Furthermore, favorable commodity export prices have helped cushion the impact of the oil-price shock on the economy.

At the same time, the economy has long been stuck in a trap of low investment and growth and high unemployment and debt. Investment has been too low to generate sufficient growth and jobs; infrastructure and service-delivery gaps have become prevalent; and product- and labor-market rigidities, crime, corruption, and governance weaknesses have weighed on productivity. As a result, GDP growth has averaged less than 1 percent over the past decade, real output per capita has fallen, and the unemployment rate remains unacceptably high, with one in three adults, and two in three young adults, without a job. Notwithstanding increased contingency reserves, high public debt and associated large interest expenditures limit the room to respond to shocks and address pressing social and developmental needs.

Income, Unemployment and Public Debt Trends



Source: IMF World Economic Outlook, and IMF staff calculations.

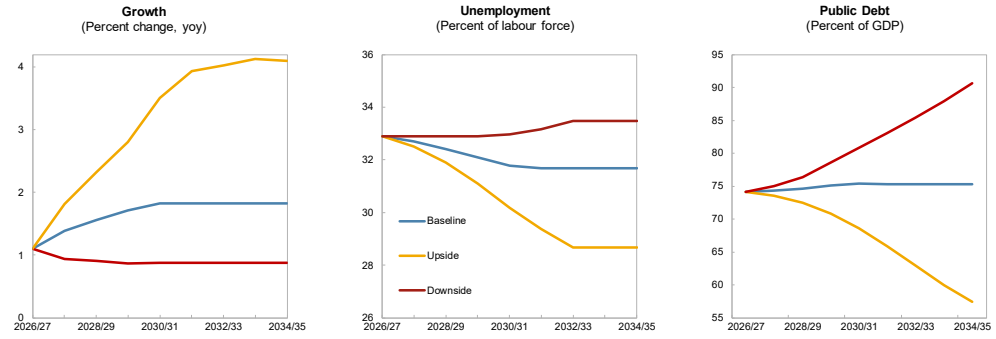
Economic activity is expected to remain subdued in the near term and improve gradually over the medium term. Real GDP growth is projected at 1 and 1.3 percent in 2026 and 2027, respectively, reflecting the impact of high oil prices, interest rates, and uncertainty on investment, even as private consumption remains resilient. Net exports are projected to subtract modestly from growth, as import growth more than offsets resilient export growth supported by still favorable commodity prices. In the medium run, growth is expected to gradually rise toward 1.8 percent, predicated on rising investment driven by electricity and logistics reforms. Inflation is projected to average 4.4 and 3.9 percent in 2026 and 2027, respectively, returning to the South African Reserve Bank's (SARB) 3 percent target by late 2028.

Risks are tilted to the downside. Externally, a prolonged conflict in the Middle East, tighter global financial conditions, renewed trade tensions, artificial intelligence (AI)-driven cyberattacks and technical failures, or an El Niño-related drought could weaken activity and intensify inflation pressures. Domestically, political gridlock, slower reform implementation, or rising social tensions could undermine confidence and leave the economy trapped in a low-growth, high-unemployment, and high-debt equilibrium. On the upside, faster implementation of ambitious structural reforms could lift confidence, investment, job creation, and growth.

Reform Priorities in Support of Job-Rich and Resilient Growth

Building on the reform progress achieved so far, the priority is to sustain prudent macroeconomic policies and accelerate structural reforms to foster resilient and job-rich growth. Inaction is not an option: without decisive progress on structural reforms, South Africa risks remaining stuck in an unsustainable low investment and growth and high unemployment and debt trap. Conversely, implementation of the mission's recommended reform package—combining prudent yet pragmatic macroeconomic policies with reforms that make the public finances more efficient and growth friendly, decisively address infrastructure bottlenecks, and strengthen the business environment, labor-market flexibility, and governance—can boost medium-term growth up to 4 percent, lift employment, and support fiscal sustainability. Delivering on this agenda will require political will and cohesion, broad stakeholder engagement, clear communication, careful reform sequencing, and targeted protection of vulnerable groups.

Growth, Unemployment, and Public Debt under Alternative Scenarios



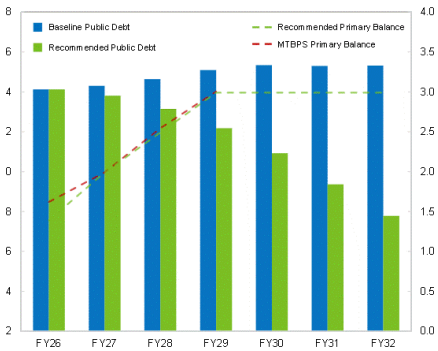
Source: IMF staff calculations.

1. Fiscal Policy

The authorities' commitment to fiscal prudence and debt stabilization is welcome. The October Medium-Term Budget Policy Statement (MTBPS) reaffirmed the government's objective to stabilize public debt in FY26 and reduce it thereafter. This objective is supported by the achievement of a consolidated government primary surplus of 1.6 percent of GDP in FY26, rising to 3 percent by FY29, driven by continued robust revenue performance and ongoing spending reforms, including better administration and verification of social grants and cash-management practices, streamlined and more efficient public programs, workforce planning, and limits on departmental expenditure. Under staff's relatively more conservative assumptions, the primary surplus is expected to reach 1.4 percent of GDP in FY26, rising to 1.8 percent in the medium run, sufficient to stabilize public debt around 75 percent of GDP. The public finances remain subject to downside risks related to upcoming wage negotiations, contingent liabilities related to state-owned enterprises (SOEs) and municipal arrears, higher interest rates, and weaker growth and revenue outcomes.

The mission recommends a fiscal strategy focused on reducing public debt to prudent levels while supporting growth. The mission supports the authorities' MTBPS objective to reduce debt to around 70 percent of GDP by FY33 by achieving a primary surplus of 3 percent of GDP by FY29. This will require a consolidation effort in primary balance terms of ½ percent of GDP per year in the next three years. To do so in a growth-friendly manner, the mission also recommends reallocating 1 percent of GDP from current spending toward public investment over the medium term, while improving the latter's efficiency. Any fiscal support for the unbundling of Eskom and Transnet—needed to credibly unlock the full potential of infrastructure reforms—should be minimized and provided with appropriate safeguards to preserve the financial viability of the unbundled entities, while ensuring that public debt remains on a sustained downward path. Moreover, should the authorities implement staff's recommended growth-

Public Debt and Recommended Primary Balance (Percent of GDP)



Source: National Authorities, and IMF staff calculations.

enhancing structural reforms discussed below, this could allow for faster debt reduction and thus for lower primary surpluses once debt reaches the mission's recommended long-term debt target of 60 percent of GDP.

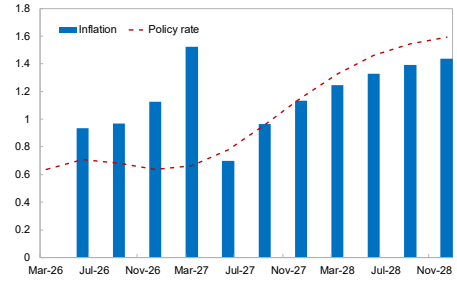
Durable fiscal reforms focused on improving the growth-friendliness and efficiency of public spending should underpin the strategy. The mission supports the authorities' efforts to streamline current spending while raising public infrastructure investment. Building on these efforts, additional savings to support consolidation and create space for more efficient public investment could be achieved through broader public wage-bill reforms (including through prudent cost-of-living adjustments, streamlining pay scales, and curbing automatic progression and allowances), better targeting of subsidies and transfers, and further rationalizing public entities, alongside continued efforts to improve revenue administration. Strengthening public-investment management by raising implementation capacity and minimizing fragmentation—including through accelerating the implementation of a public procurement framework that promotes transparency, competition, and accountability—is equally critical to maximizing the value of scarce public resources. Support for vulnerable groups should be well targeted, and fuel-levy relief should remain temporary and within the budget envelope.

A robust fiscal rule can further support the strategy and its credibility. The mission welcomes the authorities' intention to strengthen the fiscal framework through new legislation aiming to anchor fiscal policy across budget cycles, reduce policy uncertainty, and support fiscal planning. The framework should be strengthened by better clarifying debt sustainability objectives and modalities to achieve them, including by specifying explicit numerical debt targets supported by expenditure ceilings, primary-balance targets, correction mechanisms, and escape clauses. Prompt implementation, clear operational guidance, transparent reporting, credible accountability, and independent review will be essential.

2. Monetary and Financial Sector Policies

The mission commends the SARB for its implementation of the revised inflation-targeting framework and appropriate response to the oil-price shock. The move to a lower 3 percent target supported confidence and declines in inflation, inflation expectations, and yields through early 2026. The new framework is now being tested by the oil-price shock. Nonetheless, in the absence of the new framework, inflation and policy rates would have been higher for longer. In response to rising inflation, the SARB has raised the policy rate by a cumulative 50 basis points since May. The mission assesses that the current moderately restrictive monetary policy stance is appropriate to return inflation to target over the policy horizon. Over the medium run, the lower target allows for a lower nominal policy rate that can support debt sustainability and growth.

Counterfactual Inflation and Policy Rates (Percent deviation from baseline)



Source: IMF staff calculations.
Note: The bar and line represent percentage point deviations from baseline in absence of the lower 3 percent inflation target.

Monetary policy should remain data driven and focused on returning inflation to the target. Persistent inflationary pressures argue against premature easing, while the negative output gap should help contain second-round effects. On balance, the mission recommends maintaining the current moderately restrictive policy stance until inflation pressures durably subside. Given elevated uncertainty, the SARB should remain data-dependent and ready to tighten further if risks, such as El Niño or new energy-price shocks, materialize and lead to stronger-than expected second-round effects or de-anchoring of inflation expectations. Clear communication remains key for policy credibility. The planned benchmark and prime-lending rate reforms are welcome steps that should further improve transparency and transmission.

The supervisory authorities have continued to manage financial sector risks prudently. Although external and cyber risks have increased and pockets of vulnerability in the household sector persist, systemic risks to financial stability remain manageable. The banking system is sound, profitable, liquid, and well capitalized. Financial stability is supported by a strengthened resolution framework and the establishment of a deposit insurance scheme, as well as by the increase in banks' countercyclical capital buffer and the ongoing issuance of new loss-absorbing instruments. The mission welcomes the authorities' system-wide assessment of interconnections between banks and non-bank financial institutions, which can help identify potential contagion risks, as well as the draft Conduct of Financial Institutions Bill, aiming to harmonize rules by moving from sectoral to activity-based regulation.

Continued vigilance, strong supervision, and proactive risk mitigation remain essential to safeguarding financial stability. Supervisory authorities should continue to monitor risks closely, focusing on key areas of vulnerability, including impaired loans and sectors facing relatively higher risks. In addition, the mission encourages system-wide stress tests incorporating contagion analysis, as well as enhancing reporting by non-bank institutions. Risks from the sovereign-bank nexus should primarily be addressed through growth-friendly fiscal consolidation; should risks intensify, consideration could be given to additional prudential measures, while being mindful of potential unintended consequences on financial institutions' balance sheets and securities markets. Addressing emerging risks related to new technologies requires bolstering cross-border supervisory cooperation, strengthening data collection, bringing crypto assets within the regulatory framework, and completing system-wide cyber stress tests.

Ongoing payment-system reforms, along with measures improving small firms' access to credit, can help broaden the financial sector's contribution to inclusive growth. The mission welcomes the ongoing payment-system reforms aiming at lowering transaction costs and improving financial inclusion. These reforms entail operationalizing the National Payments Utility; improving interoperability while promoting regional cross-border integration of payment systems; allowing the direct participation of non-bank payment service providers in the payment system; and establishing a digital ID consistent with broader efforts to strengthen the digital public infrastructure and in line with the Financial Action Task Force (FATF) requirements. Additionally, access to finance for small and medium-sized enterprises—a key engine for jobs and growth—can be improved by clarifying lending provisions, strengthening collateral frameworks, formalizing title-deed ownership, and facilitating the sharing of credit and transaction histories.

3. Structural Reforms

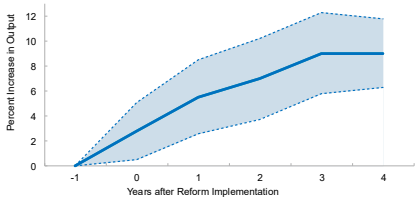
Achieving higher growth is fundamental to South Africa's long-term prosperity. The above-mentioned fiscal, monetary, and financial sector policies are essential for safeguarding macroeconomic stability, which is a precondition for stable growth. However, to shift to a permanently higher growth path—needed to meaningfully reduce unemployment and improve living standards—South Africa requires a major structural transformation. This cannot be achieved without deep and ambitious structural reforms that address both infrastructure bottlenecks and broader impediments to investment and growth.

The mission welcomes the reform progress under Operation Vulindlela over the last year. Private electricity generation and freight volumes have increased, Eskom's and Transnet's operational performance has improved, the separation of the Ports Authority from Transnet has been endorsed by Cabinet, and 11 private freight-rail operators have been approved to begin operations in 2027. The launch of local-government and digital public-infrastructure reforms and initiatives to address spatial inequality represent important steps toward bolstering efficiency and state capacity and facilitating labor-force participation. However, these reform efforts have yet to translate into higher investment, jobs, and growth.

Accelerating ongoing infrastructure reforms is now imperative. Reforms improving the functioning and cost-effectiveness of infrastructure are a prerequisite for boosting confidence, investment, and growth. In electricity, the priorities are completing Eskom's unbundling into a generation company and a fully independent transmission-system operator, while ensuring their financial viability; accelerating and scaling up investment in transmission infrastructure; operationalizing the wholesale electricity market on the basis of a regulatory framework and pricing mechanism that promote fair competition, while strengthening the capacity of the regulatory agency; and durably addressing electricity distribution challenges, supported by ongoing local government reforms. In logistics, the priorities are achieving the full unbundling of Transnet into the National Ports Authority, the rail infrastructure manager, and the rail operator, while ensuring the financial viability of the resulting entities, including through internal reforms and disposal of non-core assets; expanding private participation across rail lines and ports; advancing infrastructure rehabilitation; and operationalizing the independent transport regulator. In water, improving governance, financial management, and service delivery at the municipal level will be essential, along with concessions and public-private partnerships, supported by a strengthened regulatory framework and the establishment of an independent water regulator.

Complementary horizontal structural reforms are equally critical to unlocking higher investment, employment, and growth. While infrastructure reforms are necessary to remove immediate bottlenecks to investment and growth, they are likely not sufficient to boost growth to the level needed to durably reduce unemployment. Therefore, the mission recommends an ambitious package of horizontal structural reforms,

Impact of Structural Reforms on Output Level (Percent increase in Output from closure of 50% of structural gap to EM frontier)



Source: IMF staff calculations.
Note: Shaded area indicates 90 percent confidence interval; t = 0 denotes the year of the shock.

which has the potential to lift the output level by 9 percent in the medium term, equivalent to raising growth up to 4 percent, while supporting debt sustainability. These reforms should be carefully sequenced to frontload early gains, while ensuring broad engagement with stakeholders and clear communication of reform benefits.

Improving the business environment is key to unlocking broader private-sector dynamism and job creation. South Africa's product-market regulations are among the most restrictive among peers, reflecting burdensome licensing and permitting requirements, red tape, and inconsistent enforcement. To bring its regulations closer to best practices, the mission encourages a national licensing framework and a centralized electronic platform; an inventory of licenses and permits; wider use of risk-proportionate requirements; removal of redundant regulations, and stronger competition policy by removing protection for incumbents and reducing barriers to entry, including in services. Frontloading these reforms is recommended, given their relatively rapid gains and relatively low reform costs.

Labor-market reforms are essential to support employment. South Africa has one of the highest unemployment rates in the world, reflecting not only weak job creation, but also high barriers to entry into the labor market. The draft Labor Law Amendment Bill aims to lower these barriers by temporarily exempting start-ups from collective-bargaining agreements and simplifying dismissal procedures. To enhance labor market flexibility, the reform should be expedited and deepened by allowing for broader exemptions of all SMEs from collective agreements, further simplifying and reducing uncertainty regarding dismissal procedures, and speeding up dispute resolution. While buy-in from social partners is important, proposed provisions raising severance costs and extending protections to the gig economy and on-call workers should be assessed carefully to ensure that they do not impede employment. At the same time, expanding apprenticeships, internships, university-business partnerships, and providing targeted hiring incentives would be key to raising youth employment. The mission supports the authorities' efforts to reduce spatial exclusion and inequality through housing, title-deed reforms, strategic land release, and public transport, which could be complemented by zoning reforms and streamlining of building-permit processes.

Sustained progress on strengthening governance and state capacity, along with anti-corruption and anti-crime reforms, are equally critical to enhancing public trust and supporting the broader structural reform agenda. Weak state capacity, corruption, crime, and weak law enforcement constrain service delivery, raise business costs, and deter investment. The mission supports the authorities' local government reforms aiming at professionalizing the municipal administration and enhancing its capacity, governance, accountability, and financial management practices. These reforms are key for the effectiveness of service delivery (e.g. for electricity distribution and water), public investment implementation, and administration of licensing and business regulations. In addition, the mission recommends establishing an independent Office of Public Integrity and Anti-Corruption; bolstering the integrity, capacity, and independence of the National Prosecuting Authority; ensuring the institutional integrity and accountability of law-enforcement, including through transparent, merit-based appointment processes; strengthening whistleblower protection; maintaining an accurate beneficial-ownership database; further improving the governance of SOEs; and continuing anti-money laundering and combating the financing of

terrorism (AML/CFT) reforms to better target corruption, informed by the ongoing FATF mutual evaluation.

The above-mentioned reforms can also support regional trade integration and help maximize the benefits of the AI revolution. Taking full advantage of regional integration under the African Continental Free Trade Area (AfCFTA) requires lowering non-tariff barriers and upgrading customs, complemented by logistics reforms, lower entry barriers for SMEs, and greater labor-market flexibility, alongside interoperable payment systems. While South Africa is well positioned to benefit from AI, realizing the full potential productivity gains requires reliable electricity supply, expanded affordable high-speed connectivity, an upskilled workforce, stronger competition policy, and digital public infrastructure.

The IMF team thanks the authorities and all counterparts for the constructive and candid discussions and for their warm hospitality.

Social and Demographic Indicators

GDP		**Poverty (percent of population)**	
Nominal GDP (2025, billions of US dollars)	450	Below poverty line (3.65US$/day, 2025)	34
GDP per capita (2025, US dollars)	7,125	Undernourishment (2024)	11
Population characteristics		**Inequality (income shares unless oth. specified)**	
Total (2025, million)	63	Highest 10 percent of population (2023)	51
Urban population (2025, percent of total)	66	Lowest 40 percent of population (2023)	7
Life expectancy at birth (2024, number of years)	66	Gini coefficient (2023)	64

Economic Indicators

	2025	2026	2027	2028	2029
Title		Proj.			
National Income and Prices					
Real GDP (annual percentage change)	0.9	1.0	1.3	1.5	1.7
CPI (annual average, annual percentage change)	3.2	4.4	3.9	3.3	3.0
Output gap (percent of potential real GDP)	-0.2	-0.4	-0.5	-0.5	-0.3
Money and Credit					
Broad money (annual percentage change)	7.9	5.7	5.4	4.9	4.7
Credit to the private sector (annual percentage change) 1/	5.6	6.3	5.6	4.9	4.7
Policy rate (percent, end-period)	6.8	7.3	...	...	...
Labor Market					
Unemployment rate (percent of labor force, annual average)	32.4	32.9	32.7	32.4	32.1
Savings and Investment (Percent of GDP)					
Gross national saving	12.9	12.6	12.4	12.0	11.7
Investment 2/	13.4	13.3	13.3	13.1	13.2
Fiscal Position (Percent of GDP) 3/					
Overall balance	-5.4	-4.1	-3.4	-3.3	-3.2
Primary balance	-0.2	1.1	1.7	1.7	1.9
Gross government debt	74.6	74.1	74.0	74.4	74.9

Balance of Payments (Percent of GDP Unless Otherwise Indicated)					
Current account balance	-0.4	-0.7	-0.9	-1.1	-1.5
Gross reserves	16.9	14.6	14.0	13.4	13.0
Total external debt (percent of GDP)	45	42	43	44	45
Exchange Rates					
Real effective exchange rate (percent change) 4/	1.7	6.8	...	...	...
Exchange rate (Rand/U.S. dollar, end-period) 5/	16.6	17.5	...	...	...
Memorandum Items					
Nominal GDP (billions of U.S. dollar)	450	511	534	554	574

Sources: Haver, National Treasury, SARB, UNU WIDER, World Bank, Stats SA, and IMF staff calculations.

1/ Depository institution's domestic claims on private sector in all currencies.
2/ Noisy inventories data are excluded from the investment breakdown to highlight fixed capital formation developments.

3/ Consolidated government, calendar year data (January 1 - December 31).
4/ As of August 2026. A positive number represents appreciation and vice versa.

5/ As of November 19, 2026.