MINISTRY OF FINANCE
REPUBLIC OF SOUTH AFRICA

SOUTH AFRICAN RESERVE BANK

MEDIA STATEMENT

SOUTH AFRICA'S INFLATION TARGET

Rising public debt and inflation globally have made clear the importance of sound macroeconomic frameworks to sustainable economic growth. Since the pandemic and its aftermath, domestic inflation has eased, and the debt trajectory tempered. Monetary policy has been effective, and fiscal policy is actively moving to a more sustainable path for public finances. Nonetheless, new risks to the global outlook underscore the high potential for further global shocks. Macroeconomic policy needs to be both flexible and robust to these shocks and the many others that will inevitably come our way.

With the post-pandemic surge in inflation fading, National Treasury and the South African Reserve Bank (SARB) have analysed and discussed the value of reducing inflation to levels consistent with the country's trading partners. South Africa continues to target inflation within the 3–6% range, with the SARB focusing on anchoring inflation at the midpoint of the range, or 4.5%, since 2017. Research and consultations have however highlighted a range of specific challenges associated with a wide target band and the long-term costs to the economy and entrenched inequality caused by relatively high inflation.

Over the past year, inflation expectations have shifted downward in line with softer inflation outcomes. To sustain this progress and meet its constitutional mandate of price stability, at its July 2025 meeting, the SARB's Monetary Policy Committee expressed its preference for consumer price inflation to remain low, around the bottom end of the current target range of 3–6%.

Similarly, National Treasury, in its 2024 Macroeconomic Policy Review, acknowledged that low and stable inflation is good for economic growth and concluded that monetary policy goals have broadly been achieved. The review also emphasised that, while the current macroeconomic policy framework is fit for purpose and flexible to changing conditions, some adjustments could make it more effective. In this regard, additional technical work was undertaken by the Macroeconomic Standing Committee (MSC) of the two institutions to assess the appropriateness of the inflation target. As has been the practice, macroeconomic policy, including adjustments to the inflation target, will continue to be evidence based.

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As the technical work draws to a close, the MSC will draft recommendations on the inflation target and table them to both the Minister of Finance and the Governor of the SARB. The Minister of Finance and Governor will agree on any changes to the target band. The Minister of Finance will make a formal announcement as soon as is practical to anchor expectations.

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