



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



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SOUTH AFRICAN RESERVE BANK

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MEDIA ADVISORY

ANNOUNCEMENT OF THE NEW INFLATION TARGET FOR SOUTH AFRICA

The Minister of Finance today announced a new inflation target for South Africa of 3% with a 1 percentage point tolerance band. This decision follows agreement between the Governor of the South African Reserve Bank (SARB) and the Minister. The Minister further consulted with the President and Cabinet.

The 1 percentage point band provides flexibility to accommodate any unexpected inflationary shocks. This is in line with South Africa's approach to inflation targeting, which has always been a flexible one, looking beyond short-run deviations in inflation.

As part of a broader review of macroeconomic policy and in line with international developments, National Treasury and the SARB, both separately and collaboratively through the Macroeconomic Standing Committee, undertook a comprehensive assessment of the appropriate level of the inflation target. This work has now been concluded and recommended a revision to the target to strengthen the framework and enhance price stability by better anchoring inflation expectations and aligning South Africa to international best practice.

The new target immediately replaces the previous target range of between 3 and 6%, and will be implemented over the next two years. Over time, the lower target will decrease inflation expectations and inflation, creating room for lower interest rates. This supports household spending and business investment, boosting economic growth and job creation.

The benefits and costs of a lower target were carefully considered in the decision. While, the short-term fiscal costs of a lower target, which include lower nominal gross domestic product and revenue growth, make achieving fiscal targets more challenging, the long-term benefits for the economy far outweigh the costs.



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The SARB will pursue the target on a continuous basis and clearly communicate any deviations from the target.

National Treasury and the SARB will continue working closely to ensure effective policy coordination as the economy navigates global uncertainty and domestic structural challenges.

For media enquiries, contact Media@treasury.gov.za and Media@resbank.co.za.

Jointly issued by the Ministry of Finance and the South African Reserve Bank

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