Economic Insights | 29 January 2026

Monetary Policy Statement

ECONOMICS | SOUTH AFRICA

NEDBANK

Interest rates stay put

- The MPC left the repo rate unchanged at 6.75%, after cutting by a cumulative 100 basis points (bps) in 2025.
- The pause resulted from a split vote, with 2 members favouring a 25-bps cut. While the MPC sketched a relatively benign inflation picture, its cautious approach appears rooted in the volatile geopolitical environment and lingering concerns about price trends in food, electricity, and services.
- The SARB lowered its inflation forecast for the next three years, now expecting it to hover just above 3% in 2026 and 2027, before reaching the target around mid-2028. The MPC assessed risks to the inflation outlook as balanced.
- We still expect more rate cuts later this year. If the current benign landscape holds, inflation could turn down quicker than we initially anticipated, potentially creating space for further easing from around May onwards.

January 2026

Repo rate (%)

Unchanged

6.75%

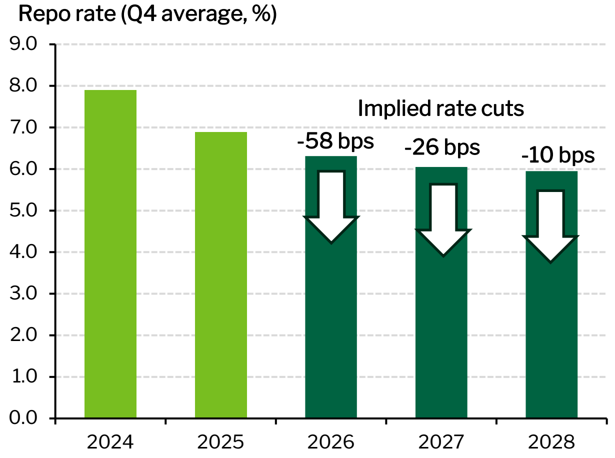
In line with expectations

Key metrics:

	2025	2026	2027	2028
Headline				
Jan-26	**3.2**	**3.3**	**3.2**	**3.0**
Nov-25	3.3	3.5	3.1	3.0
Core				
Jan-26	**3.2**	**3.2**	**3.1**	**3.0**
Nov-25	3.2	3.3	3.0	3.0
GDP				
Jan-26	**1.3**	**1.4**	**1.9**	**1.9**
Nov-25	1.3	1.4	1.9	1.9
Repo rate				
Jan-26	**6.89**	**6.31**	**6.05**	**5.95**
Nov-25	6.87	6.19	5.99	5.96
Neutral real repo				
Jan-26	**2.76**	**2.81**	**2.90**	**2.92**
Nov-25	2.76	2.81	2.90	2.92

Source: MPC Statement

Chart 1: QPM repo rate projections



Source: MPC Statement

The MPC's view on inflation:

The Committee painted a benign inflation picture. They concluded that inflation's upward drift towards the end of last year was mainly due to temporary factors. Importantly, they believed that inflation peaked in December at 3.6% and would slow in the coming months. The SARB's forecast reflects this softer trajectory, with headline inflation expected to average a lower 3.3% in 2026 (vs. 3.5% previously), a slightly higher 3.2% in 2027 (vs 3.1%) and an unchanged 3% in 2028.

The MPC still viewed the risk to the outlook as balanced. Downside risks emanated from a stronger rand, low global oil prices and easing inflation expectations. Meanwhile, upside risks still stemmed from the ongoing threat of foot-and-mouth disease to meat and, therefore, food prices, the possibility of an even greater upward adjustment to already punishing electricity tariffs, and continued stickiness in services inflation. The Governor stressed that it would be 'desirable to have services inflation moving closer to 3%'.

The Committee again highlighted the risks embedded in a volatile global environment, which could impact the rand and oil prices in unpredictable ways. To assess these risks, the MPC again considered adverse and favourable scenarios. The adverse scenario assumes that the rand tumbles to R18.50 per US dollar and oil prices shoot up to $75 per barrel. Under these circumstances, the SARB's models suggest that inflation will peak at 4% and converge towards 3% at a slower pace. The key takeaway is that inflation appears relatively well anchored. So much so that even a large shock would not move inflation outside of the 1% tolerance band. In contrast, the positive scenario assumes that the rand strengthens to R15.50 per US dollar and that oil prices fall to $51 per barrel. Under such conditions, inflation would decline to a low of 2.3%, inflation expectations would ease more quickly, and inflation would ultimately settle at the target sooner.

Table 1: SARB's quarterly inflation forecasts

	2026				2027				2028			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Headline												
Nov-25	3.8	3.8	3.4	3.2	3.1	3.1	3.1	3.1	3.1	3.1	3.0	3.0
Jan-26	3.3	3.3	3.2	3.3	3.3	3.3	3.2	3.1	3.1	3.1	3.0	3.0
Core												
Nov-25	3.4	3.4	3.3	3.0	2.9	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Jan-26	3.2	3.2	3.2	3.2	3.1	3.2	3.1	3.0	3.0	3.0	3.0	3.0

Source: January 2026 MPC Forecast Report

The MPC's view on economic growth:

The SARB expected the economy to gain moderate momentum over the medium term. They did not change their GDP forecast, which still showed growth picking up slowly from about 1.3% in 2025 to 1.4% in 2026 and 1.9% in 2027 and 2028. While consumer spending drove the recovery throughout last year, the Committee expected fixed investment to recover in 2026. The MPC saw upside risks to their GDP projections.

The Quarterly Projection Model's recommended rate path:

The QPM continued to reflect further easing as inflation recedes towards the 3% target. The model points to cuts totalling about 50 bps in 2026 and another 25 bps in 2027. The QPM projects the repo rate at an average of 5.95% in the final quarter of 2028.

Outlook and implications

We see space for further easing later this year. We still expect inflation to remain sticky over the next six months, ranging between 3.5—3.7%. Over this period, upward pressure will come from a combination of base effects, high utility charges, and elevated meat prices driven by foot-and-mouth disease. These forces appear isolated and temporary, suggesting limited risk of meaningful or lasting secondary price effects. At the same time, we expected several disinflationary forces to intensify, eventually gaining the upper hand in the second half of the year and setting inflation on a clear path towards the 3% target. Given the anticipated trajectory, we expected the first 25-bps cut in July, followed by another in September.

However, the downward forces gathered considerable strength over the past two weeks. The rand dipped below R16 to the US dollar, supported by a combination of renewed dollar weakness and improved domestic fundamentals. In contrast, crude oil prices drifted higher, partly on increased demand driven by a harsh winter in the Northern Hemisphere and partly on persistent concerns about US military intervention in Iran. Even so, the global oil market remains oversupplied, pointing to a downward bias in prices. Finally, global food prices also eased further, reflecting higher food production and healthy stockpiles.

If these benign conditions persist, inflation could head towards 3% sooner and faster than our forecast currently reflects, which would make it possible for the MPC to resume its rate-cutting cycle from around May onwards. All said, we still forecast a cumulative 50-bps reduction in interest rates this year, but the first cut could come sooner than we initially anticipated.

Table 2: SARB's detailed annual forecasts

	2025	2026	2027	2028
Headline inflation				
Sep-25	3.4	3.6	3.1	
Nov-25	3.3	3.5	3.1	3.0
Jan-26	3.2	3.3	3.2	3.0
Core inflation				
Sep-25	3.3	3.3	3.0	
Nov-25	3.2	3.3	3.0	3.0
Jan-26	3.2	3.2	3.1	3.0
Food CPI				
Sep-25	4.3	3.6	3.0	
Nov-25	4.3	3.7	3.0	3.0
Jan-26	4.1	3.6	3.2	3.0
Fuel CPI				
Sep-25	-5.5	3.8	0.6	
Nov-25	-5.9	2.2	1.4	1.3
Jan-26	-5.8	-1.4	2.4	1.3
Electricity CPI				
Sep-25	10.9	9.1	7.9	
Nov-25	10.9	9.1	7.9	6.9
Jan-26	10.9	9.1	7.9	6.9
Real GDP growth				
Sep-25	1.2	1.4	1.9	
Nov-25	1.3	1.4	1.9	1.9
Jan-26	1.3	1.4	1.9	1.9
Potential growth				
Sep-25	1.1	1.4	1.7	
Nov-25	1.1	1.4	1.7	1.8
Jan-26	1.1	1.4	1.7	1.7
Output gap				
Sep-25	-0.3	-0.4	-0.1	
Nov-25	-0.3	-0.3	-0.1	0.0
Jan-26	-0.2	-0.3	-0.1	0.0
Repo rate				
Sep-25	6.88	6.18	6.02	
Nov-25	6.87	6.19	5.99	5.96
Jan-26	6.89	6.31	6.05	5.95
Neutral real interest rate				
Sep-25	2.78	2.84	2.94	
Nov-25	2.76	2.81	2.90	2.92
Jan-26	2.76	2.81	2.90	2.92

Source: January 2026 MPC Forecast Report

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