

# South African Reserve Bank to hold repo rate at 8.25% on 23 Nov. - Reuters poll

By [Vuyani Ndaba](#)

17 Nov 2023

The South African Reserve Bank (Sarb) will keep its repo rate unchanged on 23 November and wait until May 2024 before cutting it, a Reuters poll found, as policymakers try to navigate risks to inflation and the timing of when global interest rates will start to fall.



Source: The Banking Association South Africa.

All 20 economists polled in the past four days were unanimous the central bank would keep its repo rate steady next Thursday at 8.25%.

The Sarb kept its main interest rate unchanged in September, even with inflation well within its 3% to 6% target range, stressing that deteriorating public finances risked fueling price pressures.

The central bank is expected to hold policy steady in January and March 2024 and then cut by 25bps to 8.00% in May, the median from a sample of 13 economists showed. The previous poll predicted a cut in the first quarter.

However there was no clear majority on what exactly it will do in May, its only meeting in the second quarter, with five predicting rates will be 25bps lower, two saying 50bps lower and six forecasting no move.

Eight out of 10 economists responding to an extra question, said the bigger risk in the timing of the first Sarb interest-rate cut was that it comes later than they expect rather than sooner.

Traders bet this week that news of cooling inflation in the US consumer-price index data will allow the US Federal Reserve to forgo any more interest-rate hikes and to start cutting rates by May. Producer price index figures also pointed to cooling.

Elize Kruger, an independent economist, said the Sarb will be conservative on the timing of its own monetary policy loosening, especially if the narrative on global interest-rate expectations changes to suggest higher rates for an extended period.

"I do expect an unchanged stance for next week. The better than expected US CPI & PPI numbers definitely play in favour of my view; we have reached a plateau on local interest rates. A lower oil price, stronger rand and notable fuel-price declines are on the cards for early December," she said.

## **Market dynamics and economic projections**

A separate Reuters poll earlier this month showed emerging market currencies will take well into next year to start making noticeable gains against a retreating US dollar, despite a growing view the interest-rate cycle has peaked.

The Reuters poll suggests South African rates will be cut by another 25bps to 7.75% in either July or September and by the same margin in November. A 25bps cut was pencilled in for early 2025 before a drop to 7.00% by the end of that year.

Inflation is expected to slow to a median 4.9% next year and 4.6% the year following a 0.1 percentage point nudge up from last month in both years. This year it is estimated at 5.8%.

Economic growth was put at a median 1.3% next year - 0.1 percentage points better than in last month's poll - up from a 0.7% estimate for this year. Power shortages have hampered business activity in South Africa.

For more, visit: <https://www.bizcommunity.com>