STATEMENT

IEJ calls on SARB to avoid deepening the cost of living crisis

18 November 2026

Ahead of the South African Reserve Bank's (SARB) Monetary Policy Committee (MPC) announcement on 19 November 2026, the Institute for Economic Justice (IEJ) calls on the MPC to hold the repo rate at 7.25%, reject further monetary tightening, and set out a credible, evidence-based path towards interest rate reductions. South Africans and businesses cannot afford a monetary policy response that compounds economic stagnation, declining levels of investment, and household financial distress while doing little to address the underlying drivers of inflation.

Statistics South Africa's (StatsSA) latest report shows that the broad unemployment rate increased to 44% in the third quarter of 2026, leaving over 13.2 million people unemployed (approximately 31% of South Africa's total working-age population). Real GDP contracted by 0.2% in the second quarter of 2026, with gross fixed capital formation declining for a second consecutive quarter. The SARB itself, in its September 2026 statement, projected growth of only 1.2% in 2026. Further interest rate hikes would raise financing costs for businesses and households precisely when investment, decent employment, and domestic demand require support.

To maintain some level of credibility, the SARB needs to demonstrate an appreciation of the drivers of inflation and that it can respond to them appropriately. October's 2026 headline inflation of 5.2% (up from 4.5% in September) was driven principally by transport inflation of 15.2%, housing and utilities inflation of 5.2%, and insurance and financial services inflation of 5.3%. Fuel prices increased by 42.9% (up from 27.9% in September) year-on-year, while food and non-alcoholic beverages (NAB) increased for a third successive month, rising to 1.4% in October 2026. StatsSA's inflation breakdown therefore points to energy, transport, and administered-cost pressures as opposed to an economy overheating through excessive

consumption. With climate-related agricultural risks, including the possibility of severe El Niño-related disruptions, further supply pressures require preparation and coordination, not demand suppression.

The IEJ is particularly concerned about the MPC invoking potential *second-round inflation effects* to justify another increase. Higher fuel prices can feed into transport and production costs, but cost pass-through is not, by itself, evidence of a persistent wage-price spiral. The SARB should prove, using wage settlements data, inflation expectations, disaggregated inflation data, and sectoral price data, whether such persistence is actually emerging. The available evidence does not yet establish broad-based second-round inflation effects, with the latest data illustrating that services inflation slightly increased from 4.9% in September to 5% in October 2026, rental inflation moderated from 4.1% to 3.9% in September 2026, and economy-wide unit labour-cost growth remained relatively contained at 3.2% in the second quarter of 2026. While it is important to address second-round effects, these indicators weaken the case for assuming that higher fuel prices have already triggered a generalised wage-price spiral, and addressing these second-round effects may require a more comprehensive intervention rather than relying solely on the interest rate tool.

The distributional consequences are substantial, and the IEJ argues in its latest briefing note, *Debt is How South Africa Survive*, that monetary tightening imposes unequal costs where indebted working-class households absorb higher repayments, while households holding substantial interest-bearing assets may benefit from higher returns. Therefore, higher interest rates increase servicing costs on variable-rate debt, reducing income available for food, transport, education, health, and care.

International developments reinforce the case against a rate increase and demonstrate the need for more policy flexibility depending on country-specific contexts. The US Federal Reserve maintained rates at 3.75 - 4% on 28 October 2026, while on 29 October 2026 the European Central Bank (ECB) held its rates unchanged despite acknowledging rising energy prices.[1] With major and emerging economies holding rates, there is reduced pressure on the rand due to lower likelihood of capital outflow. This underlines the importance of assessing growth risks and inflation persistence rather than responding mechanically to supply shocks.

The IEJ calls on the SARB to hold rates and explore targeted refinancing facilities for qualifying agricultural and energy-related productive credit. Such interventions could operate through regulated financial institutions, alongside National Treasury guarantees and existing development-finance mechanisms, to support food systems, energy investment, and value chain resilience. The SARB should also use its macroprudential powers under the Financial Sector Regulation Act to assess whether prudential requirements unnecessarily constrain viable

[1] According to a Reuters review published on 4 November, among a sample of 18 emerging-market economies, 10 central banks held interest rates unchanged in October and two increased rates. Türkiye, Brazil, and Mexico reduced rates between October and November 2026.

productive lending, while maintaining financial stability and appropriate safeguards against credit losses. The National Treasury and the relevant economic departments must complement this approach through extended fuel and transport relief, food system resilience and food support to indigent households, electricity affordability and suspending the proposed tariff hike, and measures to strengthen domestic productive capacity. In addition, the SARB can support targeted debt restructuring and payment holidays; lower reserve or liquidity requirements for productive and affordable lending; and strengthened consumer protection against predatory unsecured lending, which tends to rise during inflationary episodes as households battle the rising cost-of-living crisis.

“Price stability should be pursued in a manner that protects both purchasing power and livelihoods through a coordinated, pro-employment, and investment-led macroeconomic response,” says IEJ’s Liso Mdutyana.

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Media enquiries:
Dalli Weyers | dalli.weyers@iej.org.za | 082 460 2093