

S.African Reserve Bank to keep rates steady at 8.25% on 20 July: poll

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South Africa's Reserve Bank is expected to keep its repo rate unchanged next week as inflation has slowed markedly and will moderate further in coming months as past rate hikes filter through the economy, a poll of economists found on Thursday, 13 July.



Source: Reuters.

In a survey conducted 6-12 July, 12 of 21 economists said the South African Reserve Bank (Sarb) will keep rates steady at 8.25% on 20 July. The remaining nine said rates will be hiked 25 bps.

Economists say financial conditions have tightened enough as the Sarb has added a cumulative 475 basis points since November 2021.

In the US where monetary policy tends to influence the rest of the world, inflation is slowing rapidly enough to allow the Federal Reserve to stop tightening rates soon although rates there are expected to be hiked at its meeting in two weeks.

"We see little reason for the Sarb to hike its policy rate further from the current 8.25%, with June 2023 inflation likely to have fallen back within the 3-6% target range, and July inflation potentially below 5.0% on base effects," wrote Razia Khan

at Standard Chartered.

Khan added as inflation falls closer to the midpoint of the target range she sees scope easing to prevent policy from becoming too restrictive.

The poll suggests a cumulative 75 bps of easing in the first three quarters of 2024 to reach 7.50% as inflation continues to moderate closer to the target range midpoint.



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Consumer inflation is expected to average 5.9% this year, 4.9% next year and 4.4% in 2025.

The Sarb will consider the rand's fortunes - a litmus test for imported inflation - after a tough year so far due to power utility Eskom's issues transmitting electricity to South Africa's old and creaking grid.

Dennis Shen, senior director at Scope Ratings said further hikes could be delivered by the Sarb as although headline inflation is declining core inflation remains near its peaks. This will make a hawkish Sarb uneasy about fully halting its rate rises prematurely, he added.

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