



**Moses Kotane
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COMMENTARY

**South African Reserve Bank (SARB)'s
September 2026 Monetary Policy
Committee (MPC) Decision to Raise the Repo
Rate**

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Executive Summary

On 23 September 2026, the South African Reserve Bank's Monetary Policy Committee unanimously decided to raise the policy repo rate by 25 basis points to 7.25%, effective 25 September. The prime lending rate consequently rose to 10.75%. This is the third-rate hike of 2026, following increases in March and May, and represents a decisive shift away from the easing bias that characterised 2025. The decision was driven by a deteriorating inflation outlook. Headline consumer price inflation rose to 4.4% in August 2026, from 4.3% in July, and now sits 140 basis points above the SARB's 3% midpoint and 40 basis points above the upper bound of the 2–4% tolerance band. The MPC projects that inflation will exceed 5% later this year and into early 2027 before slowing as the fuel-price shock recedes. Governor Kganyago explicitly warned that “shocks are multiplying, and vulnerabilities are increasing”. The hike comes against a backdrop of weakening domestic growth. GDP contracted by 0.2% in the second quarter of 2026, ending six consecutive quarters of expansion. The SARB has revised its 2026 growth forecast downward to 1.2% from 1.4%, though it still expects a rebound in the second half of the year. This commentary applies first-principles analysis consulting the MPC statement, the BER Inflation Expectations Survey, Stats SA GDP data, and the SARB's Quarterly Projection Model to unpack the decision and its implications. It concludes that the hike is a pre-emptive strike against second-round inflation effects, not a signal of a sustained tightening cycle. The commentary also examines the practical implications for KwaZulu-Natal households and businesses, including bond repayments, vehicle finance, credit card debt, and youth employment, and concludes with targeted policy recommendations for the KZN Provincial Government.

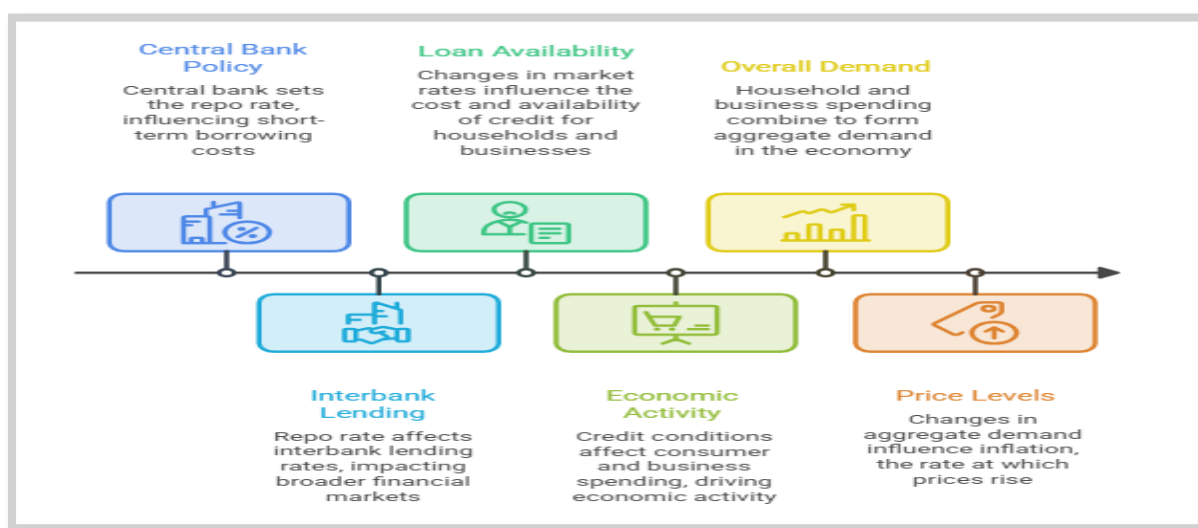
1. Introduction

1.1. The Mandate and Framework

The SARB's primary mandate, enshrined in Section 224 of the Constitution, is to achieve and maintain price stability in the interest of balanced and sustainable economic growth (RSA, 1996). This mandate is operationalised through a flexible inflation-targeting framework. On 12 November 2025, National Treasury and the SARB formally adopted a new 3% inflation target with a 1 percentage point tolerance band, replacing the previous 3–6% target range (National Treasury, 2026). This was the first change to the framework in 25 years and reflects research on the long-term costs of relatively high inflation. This new 3% target has become the de facto anchor for monetary policy. The September 2026 decision must be understood in this context: the MPC is not merely managing the business cycle but is actively defending the credibility of a lower inflation regime. As Governor Kganyago (2026) stated, "It is crucial that inflation reverts to 3% as the current shock fades, and we take responsibility for delivering that outcome."

Diagram 1: Monetary Policy Transmission Mechanism

This diagram illustrates the channels through which the repo rate affects the economy. The MPC's decision to hike operates through these channels to suppress second-round inflation effects.

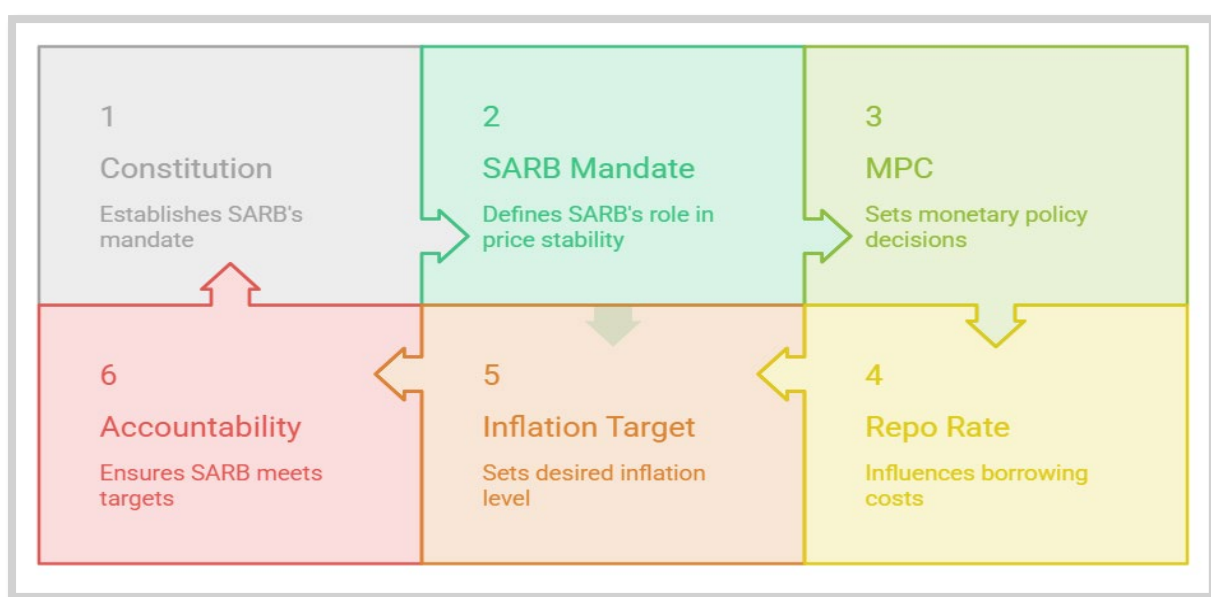


Source: Author's Compilation

The shift from a 3–6% target band (with a 4.5% midpoint) to a 3% objective reflects the SARB's assessment that lower inflation supports long-term growth by reducing uncertainty, lowering risk premiums, and aligning South Africa with its major trading partners. The transition has been gradual, with the SARB signalling that it will look through temporary shocks while ensuring they do not become embedded in expectations.

Diagram 2: Inflation-Targeting Framework

This diagram summarises the SARB's policy framework, showing how the constitutional mandate translates into operational decisions and accountability.



Source: Author's Compilation

1.2. The Policy Stance Entering September 2026

The repo rate stood at 7.00% entering the September meeting, following a hold in July and a hike in May (SARB, 2026). The policy stance, according to the SARB's Quarterly Projection Model (QPM), was already restrictive. The September hike reinforces this restrictiveness. The QPM's neutral real interest rate estimate was 2.81% for 2026, rising to 2.90% by 2027 and 2.92% by 2028, implying a nominal neutral repo rate of approximately 5.8–6.0% given the 3% inflation target (Nedbank, 2026a).¹ with the policy rate at 7.25%, the stance is approximately 125–145 basis points above neutral, representing deliberate tightening intended to suppress second-round inflation effects.

Table 1: SARB QPM Neutral Real Interest Rate Estimates

Year	Neutral Real Repo Rate	Implied Nominal Neutral Repo Rate
2026	2.81%	~5.81%
2027	2.90%	~5.90%
2028	2.92%	~5.92%

Source: Nedbank (2026a), citing SARB QPM estimates. Implied nominal rate = neutral real rate + 3% inflation target.

2. First Analysis of the Decision

Analysis necessitates revisiting the fundamental purpose of monetary policy and assessing how it should respond to the current configuration of inflation, growth, and risks.

¹ The QPM neutral real repo rate is estimated at 2.81% for 2026, 2.90% for 2027, and 2.92% for 2028. Adding the 3% inflation target implies a nominal neutral repo rate of approximately 5.81–5.92% over this period (Nedbank, 2026a).

2.1. The Inflation Outlook: A Fuel Price Shock with Second Round Risks

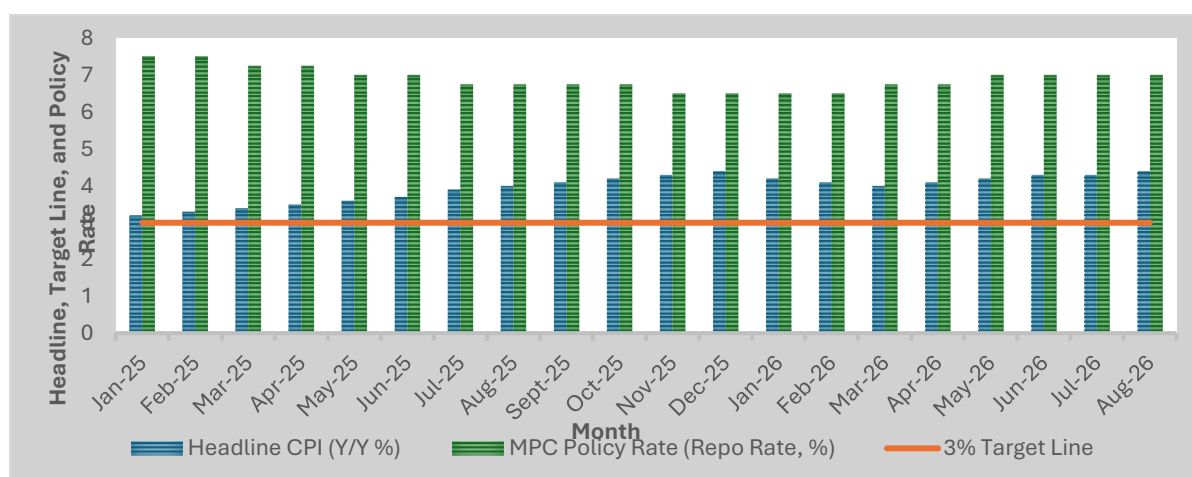
Inflation reached 4.4% in August 2026, up from 4.3% in July (Stats SA, 2026a), driven mainly by fuel prices amid the intensifying Middle East conflict. Governor Kganyago noted the fuel-price shock had intensified after seeming to unwind (Kganyago, 2026). Petrol prices rose again after moderating between June and August, with an average under-recovery of R2.83 per litre (SARB, 2026). The SARB now expects headline inflation to exceed 5% later this year and early next year before slowing, returning to the 3% target by late 2027, according to the MPC's projection. Crucially, services inflation remains elevated at 5.1% year-on-year, posing second-round risks; the Governor warned that large, sustained shocks can trigger widespread price increases (Kganyago, 2026). The hike is thus pre-emptive, preventing the fuel shock from embedding in wage and price-setting. However, food inflation is only 0.7%, its lowest since 2010, and the rand remains resilient, containing import prices. These offsets are insufficient, and inflation risks remain tilted to the upside.

Table 2: Key Inflation Indicators, August 2026

Indicator	Latest Reading	Target	Gap
Headline CPI (Aug 2026)	4.4%	3.0%	+1.4 pp
Core CPI (Aug 2026)	4.1%	3.0%	+1.1 pp
Services Inflation	5.1%	—	—
Food Inflation	0.7%	—	—
Fuel Price Inflation	20.6%	—	—
Electricity, Gas & Other Fuels	7.4%	—	—

Source: Stats SA (2026a).

Graph 1: Headline CPI Inflation, 3% Target vs MPC Policy Rate (2025–2026)



Source: Stats SA, Consumer Price Index, various releases.

Graph 1 shows headline inflation has remained above the 3% target since early 2025, reaching 4.4% in August 2026 a 140 basis point gap that justified the MPC's hike. While inflation climbed from 3.2% in January 2025 to 4.5% in December 2025, the repo rate was cut from 7.50% to 6.50%, reducing the real policy rate from roughly 4.3% to 2.0% and eroding monetary

restrictiveness. By early 2026, with inflation still elevated, the real rate turned negative in some months, prompting the MPC to reverse course.

The March, May, and September 2026 hikes, totalling 75 basis points, restored a positive real interest rate and prevented the fuel-price shock from embedding in expectations. The Middle East conflict caused severe supply shocks, with petrol up R6.82 per litre and diesel up R11.60 per litre since March 2026. The MPC looks through initial price shocks without entrenching higher inflation; the hike is thus pre-emptive against second-round effects, not the first-round increase itself.

The Middle East conflict has caused severe negative supply shocks, with petrol prices rising by a cumulative R6.82 per litre and diesel by R11.60 per litre since March 2026. The MPC's approach is to "look through the initial effects of price shocks, while ensuring that they do not entrench higher inflation". The hike is thus a pre-emptive measure against second-round effects, not a response to the first-round price increase itself.

2.2. Growth Dynamics: A Contraction Amid Structural Weakness

The economy contracted by 0.2% in Q2 2026, following 0.4% growth in Q1 (Stats SA, 2026b) the first contraction since Q3 2024, ending six consecutive quarters of expansion. The decline was broad-based: trade, catering and accommodation fell 1.9%, manufacturing 1.8% (with seven of ten divisions negative), and mining 3.0%, driven by platinum group metals, manganese, gold, and iron ore. On expenditure, household consumption rose 0.4%, but gross fixed capital formation fell 0.2%, with construction down 4.0%, transport equipment 3.4%, and transfer costs 7.9%, reflecting persistent post-pandemic investment weakness.

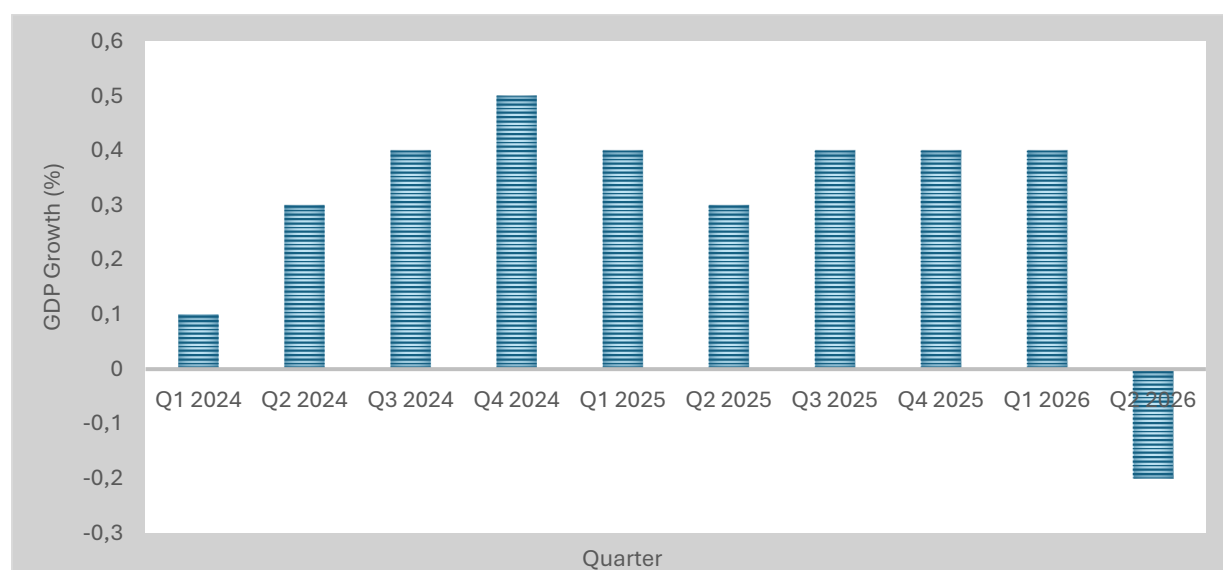
The SARB revised its 2026 growth forecast down to 1.2% from 1.4%. Governor Kganyago expects a second half rebound and around 2% medium-term growth, contingent on stabilising global conditions and domestic reforms, though the MPC acknowledged growth risks are skewed to the downside (SARB, 2026). From first principles, the negative output gap would normally argue against tightening, but the mandate prioritises price stability a supply shock forcing the central bank to tighten into weakness when credibility is at stake.

Table 3: GDP Growth by Sector, Q2 2026

Sector	QoQ Growth	Contribution
<i>Trade, catering & accommodation</i>	-1.9%	-0.2 pp
<i>Manufacturing</i>	-1.8%	-0.2 pp
<i>Mining & quarrying</i>	-3.0%	-0.1 pp
<i>Finance, real estate & business services</i>	+0.3%	+0.1 pp
<i>Transport, storage & communication</i>	+0.9%	+0.1 pp
<i>General government services</i>	+1.0%	+0.1 pp
<i>Personal services</i>	+0.6%	+0.1 pp

Source: Stats SA (2026b).

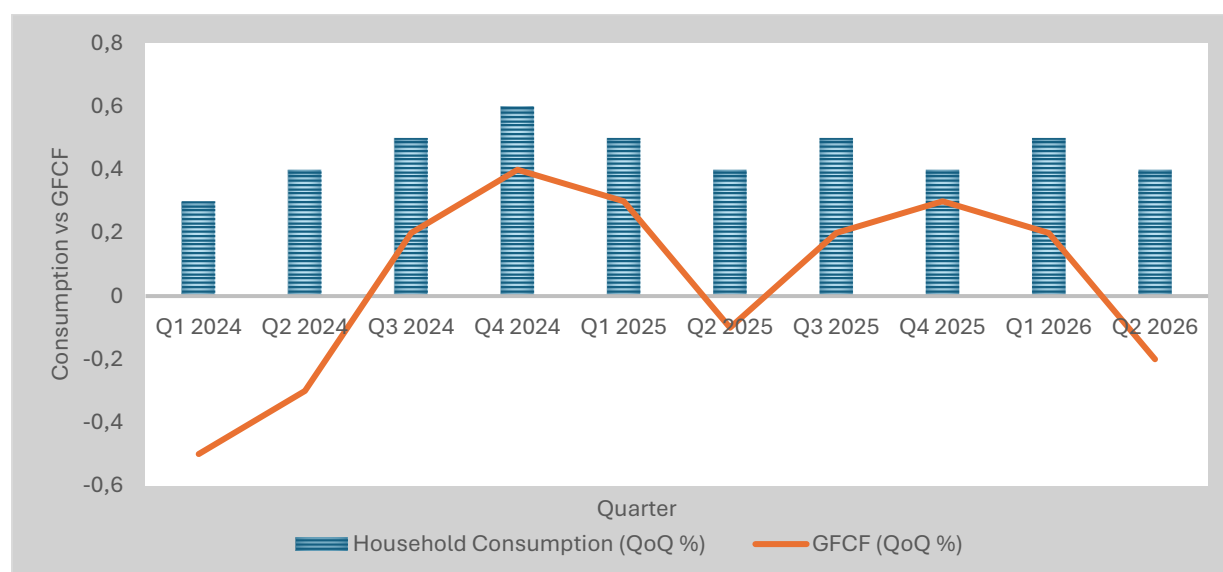
Graph 2: GDP Growth, Quarterly QoQ (2024–2026)



Source: Stats SA, GDP releases, various quarters.

Graph 2 illustrates the Q2 2026 GDP contraction of 0.2%, which ended six consecutive quarters of expansion. The graph shows that growth has been modest throughout the recovery, rarely exceeding 0.5% per quarter.

Graph 3: Household Consumption vs. GFCF Growth (2024–2026)



Source: Stats SA, GDP releases, various quarters.

Graph 3 compares household consumption growth with gross fixed capital formation (GFCF) growth. Household consumption has consistently outpaced investment, growing at an average of 0.4–0.5% per quarter, while GFCF has fluctuated around zero, contracting in Q2 2026. This divergence highlights the structural weakness in private sector investment, which has significant implications for long-term growth and job creation.

2.3. The Global Backdrop

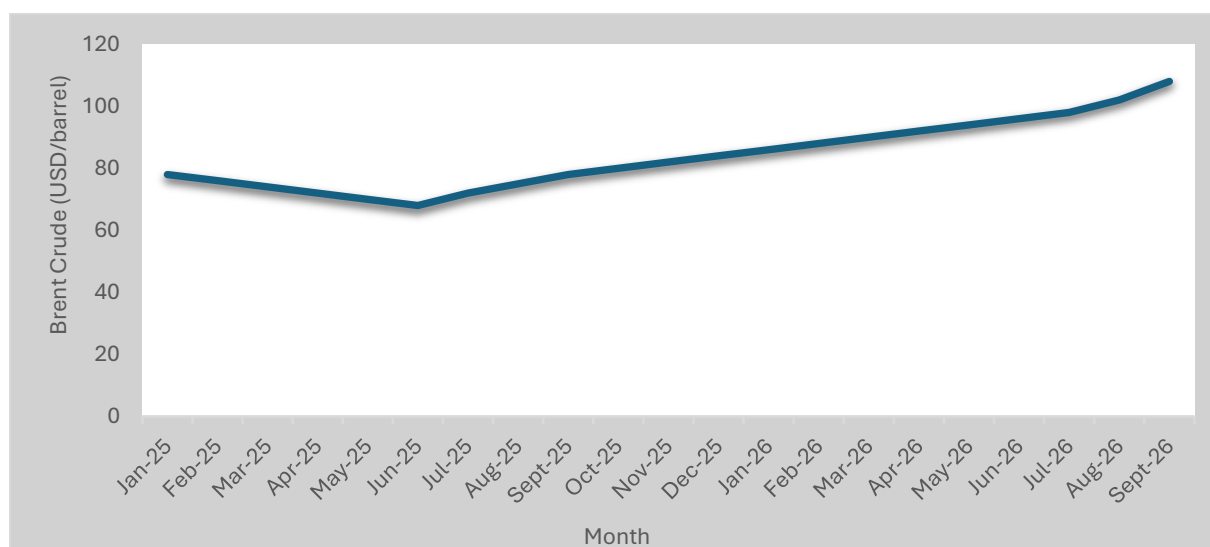
The MPC statement opens with a stark assessment of the global environment, with Governor Kganyago (2026) noting that supply chains are being disrupted by the intensifying Middle East conflict and the Russia-Ukraine war, adding to inflationary pressures as central banks in major economies raise rates. This represents a synchronised global tightening cycle driven by supply-side shocks rather than demand overheating. For South Africa, a small open economy, this has two implications: higher global rates put upward pressure on domestic borrowing costs and can trigger capital outflows, weakening the rand, while higher oil prices directly feed into domestic fuel inflation. Brent crude traded above \$100 per barrel in September 2026, well above the SARB's July assumption of \$82 per barrel (Nedbank, 2026b). The MPC considered a scenario of higher global interest rates baseline half a percentage point, doubled to a full point causing rand depreciation and higher inflation, with the model responding with a tighter stance about one hike above the baseline path (SARB, 2026). It also considered higher inflation expectations and wage increases, pointing to one to two additional hikes above the baseline peak and rates remaining higher for longer (SARB, 2026).

Table 4: Global Risk Dashboard, September 2026

Risk Factor	Status	Implication
<i>Middle East conflict</i>	Intensifying	Oil price upside
<i>Russia-Ukraine war</i>	Ongoing	Supply chain disruption
<i>Global rate cycle</i>	Tightening	Rand pressure
<i>Fed funds rate</i>	3.75–4.00% (hiked 25bp)	Global tightening
<i>ECB deposit rate</i>	2.50% (hiked 25bp)	Global tightening

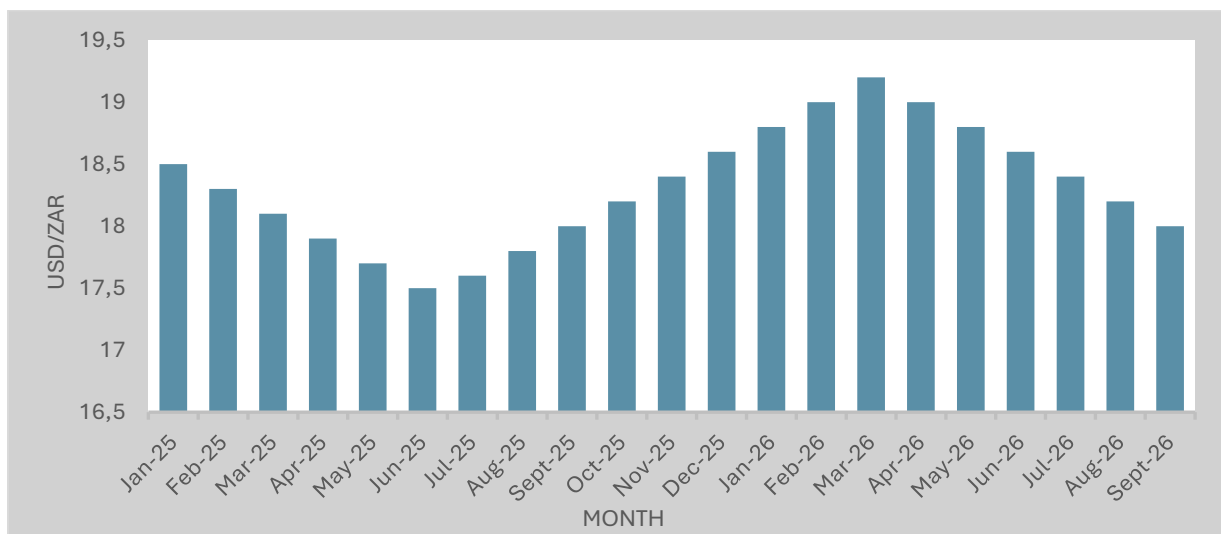
Source: SARB MPC Statement September 2026; Federal Reserve; ECB.

Graph 4: Brent Crude Oil Price (2025–2026)



Source: Bloomberg/Reuters.

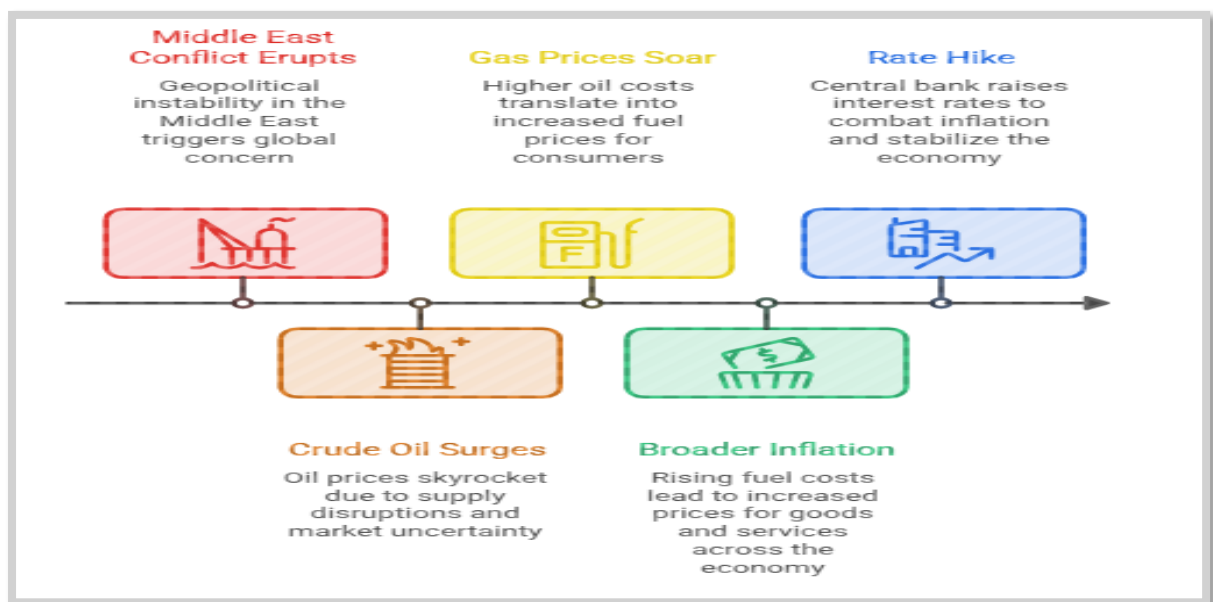
Graph 5: Rand/USD Exchange Rate (2025–2026)



Source: Market data

Graph 4 shows the trajectory of Brent crude oil prices, which have risen from approximately \$70 per barrel in mid-2025 to over \$108 per barrel in September 2026. This represents a 54% increase, directly attributed to the intensifying conflict in the Middle East. While Graph 5 shows the rand/USD exchange rate. The rand weakened to R19.20/USD in March 2026 but has since recovered to R18.00/USD by September 2026. This resilience has helped contain imported inflation, providing some offset to the fuel-price shock.

Diagram 3: Global Shock Transmission to South Africa



Source: Author's Compilation

This diagram illustrates how global shocks transmit to the South African economy, justifying the MPC's pre-emptive tightening.

3. The Role of Inflation Expectations

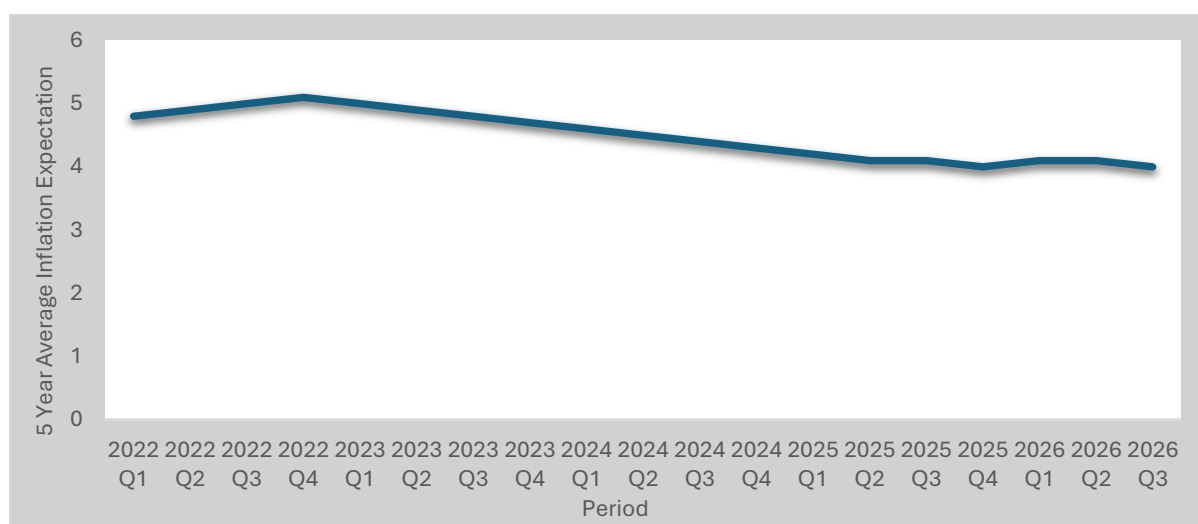
Inflation expectations are a critical determinant of actual inflation. If households, businesses, and wage negotiators expect higher inflation, they adjust their behaviour, accordingly, creating a self-fulfilling prophecy (Bernanke, 2007). The BER's 2026 Q3 survey, released on 16 September 2026, provides important insights. The increase in professional inflation expectations seen in the second quarter stabilised in the third quarter. Current-year expectations remained at 4.4%, while five-year expectations eased from 4.1% to 4.0%. Expectations for 2027 and 2028 edged lower to 4.0% and 3.8%, from 4.2% and 3.9% previously. Household inflation expectations declined sharply, reversing much of the increase recorded in the second quarter (BER, 2026).² The Governor acknowledged these developments but emphasised that expectations "remain high, with longer-run expectations around 4% rather than our 3% target" (Kganyago, 2026). This gap between expectations and the target is a key reason for the hike.

Table 5: BER Inflation Expectations, 2026 Q3

Horizon	Analysts	Business	Unions	Households
2026	4.4%	4.4%	4.4%	4.0%
2027	4.0%	4.0%	4.0%	—
2028	3.8%	3.8%	3.8%	—
5-Year	4.0%	4.0%	4.0%	—

Source: BER (2026).

Graph 6: Five-Year Inflation Expectations (2022–2026)



Source: BER Inflation Expectations Survey, various quarters.

Graph 6 shows that five-year inflation expectations have declined from a peak of 5.1% in 2022 Q4 to 4.0% in 2026 Q3. While this downward trend is encouraging, expectations remain 100 basis points above the 3% target.

² The BER survey was conducted between 17 August and 3 September 2026, before the September fuel price increases took effect (BER, 2026).

4. The Quarterly Projection Model and the Path Forward

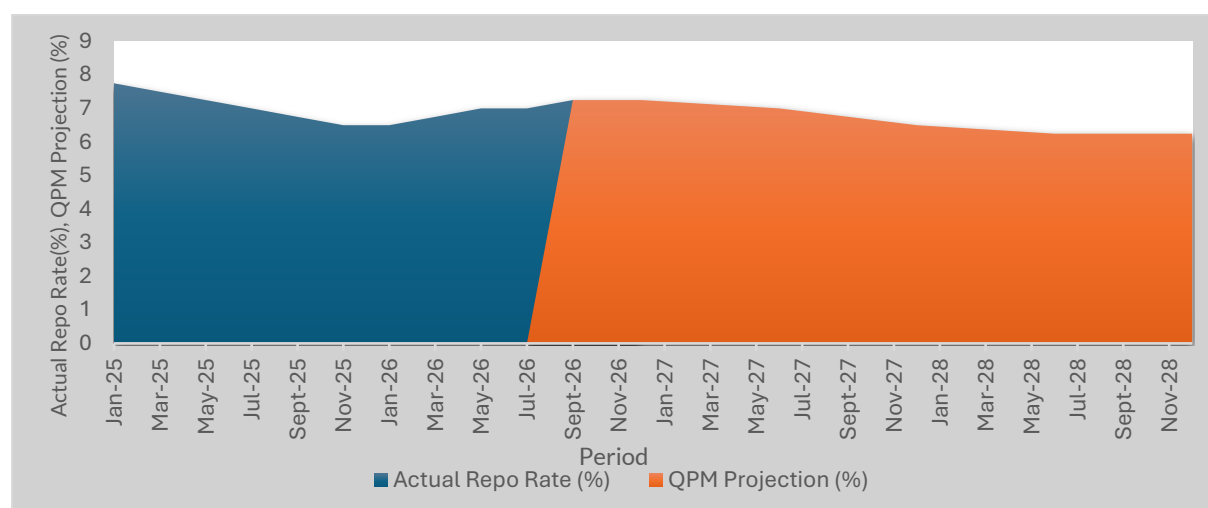
The SARB's Quarterly Projection Model (QPM) provides the framework for forecasting and policy analysis. According to the Governor, the QPM "has the policy rate broadly stable through the remainder of this year. The model shows cuts later in the forecast, as inflation falls to 3% and the QPM moves to a more neutral policy stance" (Kganyago, 2026). This is a critical point. The September hike does not signal the start of a sustained tightening cycle. Rather, it is a one-off adjustment to address a specific shock. The QPM continues to project rate cuts later in the forecast horizon, contingent on inflation converging to 3%. The QPM projects the repo rate at an average of 5.95% in the final quarter of 2028, implying cumulative cuts of approximately 130 basis points from the current 7.25% level (Nedbank, 2026a).³ The model does not predict another interest rate increase for 2026. The Governor cautioned that "this rate path remains a broad policy guide. Our decisions will continue to be taken on a meeting-by-meeting basis, with careful attention to the outlook, data outcomes, and the balance of risks to the forecast" (Kganyago, 2026).

Table 6: QPM Repo Rate Projections

Period	Projected Repo Rate	Implied Change
<i>Current (Sep 2026)</i>	7.25%	—
<i>End-2026</i>	~7.25%	0 bp
<i>End-2027</i>	~6.05%	-120 bp
<i>End-2028</i>	~5.95%	-10 bp

Source: Nedbank (2026a), citing SARB QPM projections.

Graph 7: Repo Rate Path – Actual and QPM Projection (2025–2028)



Source: SARB QPM, September 2026.

Graph 7 shows the actual repo rate path from January 2025 to September 2026 and the QPM projection to December 2028. The QPM projects the repo rate remaining at 7.25% through end-2026 before declining to 6.50% by end-2027 and 6.25% by end-2028.

³ The QPM projects the repo rate at 6.31% by end-2026, 6.05% by end-2027, and 5.95% by end-2028 (Nedbank, 2026a, citing SARB QPM).

The QPM is the SARB's primary forecasting and policy analysis tool. It combines a macroeconomic model with expert judgement to produce baseline forecasts and scenario analyses. The QPM's projected repo rate path is a broad policy guide, not a commitment. The MPC considers the QPM alongside other inputs, including the BER survey and financial market data, when making decisions.

5. Policy Implications and Risks

5.1. Implications for Borrowers and Investors

The hike means that the prime lending rate rises to 10.75%, increasing debt servicing costs for households and businesses with variable-rate debt (SARB, 2026). This will weigh on consumption and investment in the near term. However, the QPM's projected path suggests that borrowers can expect relief later in 2027 and 2028, provided inflation behaves as forecast. For investors, the decision signals that the SARB is prioritising long-term price stability over short-term growth. This should be supportive of bond markets, as it reinforces the credibility of the inflation target. A credible disinflation path reduces the inflation risk premium embedded in long-term yields, lowering borrowing costs for the government and corporates (National Treasury, 2026). For savers, the decision brings some relief. Fixed deposit and money market rates typically rise in line with the repo rate, meaning that those with savings will earn slightly more on their deposits. This provides a small offset to the broader economic pressures.

Table 7: MPC Voting Record (2025–2026)

<i>Meeting</i>	<i>Repo Rate</i>	<i>Vote Split</i>	<i>Decision</i>
<i>Sep 2025</i>	6.75%	6–0	Cut 25bp
<i>Nov 2025</i>	6.50%	6–0	Cut 25bp
<i>Jan 2026</i>	6.50%	4–2	Hold
<i>Mar 2026</i>	6.75%	4–2	Hike 25bp
<i>May 2026</i>	7.00%	4–2	Hike 25bp
<i>Jul 2026</i>	7.00%	–	Hold
<i>Sep 2026</i>	7.25%	6–0	Hike 25bp

Source: SARB MPC statements, various meetings.

Table 8: Comparative Central Bank Stances, September 2026

Central Bank	Policy Rate	Latest Action	Inflation Target	Stance
SARB	7.25%	+25 bp (Sep 2026)	3%	Restrictive
<i>US Federal Reserve</i>	3.75–4.00%	+25 bp (Sep 2026)	2%	Restrictive
<i>European Central Bank</i>	2.50%	+25 bp (Sep 2026)	2%	Restrictive
<i>Bank of England</i>	3.75%	Hold	2%	Neutral-Hawkish
<i>Bank of Japan</i>	1.25%	+25 bp (Sep 2026)	2%	Tightening

Source: SARB (2026); Emirates NBD (2026); Econoday (2026).

5.2. Fiscal-Monetary Interaction

The SARB's decision to raise rates has implications for fiscal sustainability. Higher interest rates increase the cost of servicing government debt, which stood at 78.9% of GDP in FY26 (National Treasury, 2026). However, by anchoring inflation expectations and reducing the inflation risk premium, the SARB's credibility supports lower long-term borrowing costs. Recent research introduces the concept of a "fiscal-neutral interest rate" (fiscal r-star) the interest rate consistent with a stable debt-to-GDP ratio. Havemann and Hollander (2026) find that South Africa's monetary r-star exceeds its fiscal r-star, indicating a misalignment between monetary and fiscal policy. Market interest rates also exceed fiscal r-star, implying that the risk premium on borrowing will continue to drag on growth and crowd out other spending unless addressed through a credible fiscal anchor.⁴ As Governor Kganyago (2026) noted, "in a world of excessive debt and elevated inflation, our macro fundamentals are becoming a differentiating factor for South Africa, lowering our country risk premium and helping to protect us from the global bond selloff."

5.3. Risks to the Outlook

Three risks stand out. First, upside inflation risk: a sustained rise in fuel prices due to a prolonged Middle East conflict could push inflation higher for longer. If these shocks feed into inflation expectations, the MPC may be forced to tighten further. Second, downside growth risks: the Q2 contraction may be the start of a more prolonged slowdown. If investment fails to recover and household consumption weakens due to high unemployment (33.6%), the economy could stall. Third, rand volatility: the rand's recent resilience has helped contain import prices. If global risk sentiment deteriorates, the rand's recent could weaken, reversing the disinflationary impulse from imports and forcing further tightening. Administered prices, particularly electricity, pose a structural risk to the inflation outlook. NERSA's price correction may rise from R54 billion to R76 billion, implying higher electricity tariffs that could feed into headline inflation (Nedbank, 2026b). These increases are largely outside the MPC's control but must be factored into inflation forecast.

Administered prices, particularly electricity, pose a structural risk to the inflation outlook. NERSA's price correction may rise from R54 billion to R76 billion, implying higher electricity tariffs that could feed into headline inflation. These increases are largely outside the MPC's control but must be factored into the inflation forecast.

5.3. Scenario Analysis

The following scenarios incorporate the SARB's own risk assessments (SARB, 2026) and market forecasts (Nedbank, 2026a; Momentum Investments, 2026):

Table 9: Scenario Analysis – Inflation, Repo Rate, and Growth Paths

Scenario	Probability	Inflation Path	Repo Rate Path	Growth Path
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⁴ Havemann and Hollander (2026) define fiscal r-star as the interest rate consistent with a stable debt-to-GDP ratio, given the primary balance. Their findings indicate that monetary r-star exceeds fiscal r-star, suggesting that monetary policy is tighter than what would be consistent with fiscal sustainability.

<i>Base Case: Fuel shock recedes</i>	55%	Peaks at 5.4% (Q4 2026), returns to 3% by late 2027	Stable at 7.25% through 2026; cuts from 2027 to ~6.05% by end-2027	1.2% in 2026, 1.7% in 2027
<i>Upside Risk: Prolonged conflict</i>	30%	Sustained above 5.5% through 2027; peaks at 4.8% in 2027 under wage-expectation scenario	Additional 25–50 bp hike in 2026–27; rates remain higher for longer	0.8% in 2026, 1.2% in 2027
<i>Downside Risk: Global recession</i>	15%	Falls below 3% by mid- 2027	Cuts of 100–150 bp by end-2027	0.5% in 2026, 1.0% in 2027

Source: Author's calculations based on SARB (2026) scenario analysis, Nedbank (2026a), and Momentum Investments (2026).

6. Implications for KZN Residents

The SARB's decision is not just an abstract monetary policy move. It directly affects the monthly budgets of households and businesses across KwaZulu-Natal. This section translates the decision into practical, rands and cents implications for ordinary people in the province.

6.1. Bond Repayments

The prime lending rate has risen to 10.75%. Every variable-rate home loan in South Africa reprices from the following billing cycle. For KZN homeowners, this means higher monthly bond instalments. A 25-basis-point increase translates to an extra monthly cost of R168 on a R1 million bond and R337 on a R2 million bond (BusinessTech, 2026a). For the average South African home priced at R1.695 million, the monthly repayment increases by R286 (BusinessTech, 2026a).

Table 10: Monthly Bond Repayment Increases

Home Loan (Bond) Amount	(Old Monthly Instalment) at 10.5% (prime)	(New Monthly Instalment) 10.75% (after 25bp increase)	at Monthly Increase
R800,000	R7,987	R8,122	R135
R1,200,000	R11,981	R12,183	R202
R1,500,000	R14,976	R15,228	R253
R2,000,000	R19,968	R20,305	R337
R2,500,000	R24,959	R25,381	R421
R3,000,000	R29,951	R30,457	R505

Source: BusinessTech (2026a); African News Agency (2026). Based on a 20-year bond at prime with no margin.

For a typical KZN family with a R1.5 million bond, this hike adds R253 per month or just over R3,000 per year to their bond repayment. That is equivalent to a month's worth of groceries for a small household, or a significant portion of school fees. For renters in KZN, the impact may be indirect but real. Landlords with variable-rate bonds often pass on higher costs to tenants during

lease renewals. While not immediate, rental increases may follow in the coming months as landlords adjust to higher bond repayments.

6.2. Vehicle Finance

The prime rate increase also affects vehicle finance. For KZN residents who financed their cars, monthly instalments will rise. A 25-basis point hike adds roughly R45 a month for every R350,000 of a vehicle loan at prime (FA News, 2026). For someone financing a R500,000 car over six years at prime, the monthly repayment increases from about R9,389 to R9,453, an extra R64 a month (African News Agency, 2026). A R1 million vehicle financed on the same terms will cost about R18,906 a month, up from R18,779, adding R127 to the repayment. At the lower end, repayments on a R250,000 car increase from about R4,695 to R4,727, an extra R32 a month (African News Agency, 2026).

Table 11: Monthly Vehicle Finance Repayment Increases

Vehicle Value/Loan Amount	(Old Monthly Instalment) at 10.5% (prime)	(New Monthly Instalment) at 10.75% (after 25bp increase)	Increase per month
R250,000	R4,695	R4,727	R32
R350,000	R6,573	R6,617	R45
R500,000	R9,389	R9,453	R64
R750,000	R14,084	R14,180	R95
R1,000,000	R18,779	R18,906	R127

Source: African News Agency (2026). Assumptions: Prime lending rate, no deposit, 6-year term.

For a KZN commuter who drives a Toyota Corolla or VW Polo financed at around R350,000, the hike adds roughly R45 per month approximately the cost of a tank of petrol for a small car. For those with larger vehicle finance, the increase is more significant.

6.3. Credit Cards and Personal Loans

Credit card interest rates are typically linked to the prime rate. With prime now at 10.75%, credit card interest rates are likely to rise to around 21–22% per annum, depending on the bank (Nedbank, 2026c). The most severe financial strain is often found in unsecured lending. If you are carrying credit card debt at the typical 18% interest rate, the hike itself only adds around R6 a month per R30,000 of balance. But the real issue is that consumers are already paying approximately R5,400 a year in interest on that R30,000 simply to stand still (FA News, 2026). Compare that to a home loan, where the same R30,000 of debt costs around R3,150 a year. Credit card debt is roughly 74% more expensive than your bond, every single month you carry it (FA News, 2026). Consumers should prioritise paying down high interest debt, especially credit cards. The interest rate on credit cards is significantly higher than bond rates, so paying off credit card debt first saves more money. Consolidate debt where possible, a personal loan at a lower rate can be used to pay off credit card debt, reducing the overall interest burden.

6.4. Business and Employment Implications for KZN

KwaZulu-Natal's many small and medium-sized enterprises, particularly in tourism, agriculture, logistics and manufacturing, face higher borrowing costs from the rate hike, which is likely to delay investment and hiring decisions. The hike also affects youth employment through two channels: slower economic growth reduces business investment and consumer spending, leading to fewer job opportunities, while higher borrowing costs for youth entrepreneurs make it harder to start or grow businesses. With KZN's official unemployment rate at 32.5% in Q2 2026 and youth unemployment significantly higher, job creation is likely to remain subdued. The SARB's 1.2% growth forecast for 2026 is insufficient to absorb the growing labour force, making entrepreneurship more expensive and skills development more critical.

6.6. Cost of Living for KZN Households

Table 13: Key Cost-of-Living Indicators for KZN, 2026

Indicator	Latest Reading	Impact on Households
<i>Headline CPI (Aug 2026)</i>	4.4%	Above target, eroding purchasing power
<i>Food Inflation</i>	0.7%	Low, providing some relief
<i>Transport Inflation</i>	8.8%	High fuel costs impacting commuters
<i>Electricity Inflation</i>	7.4%	Rising tariffs adding to household costs
<i>KZN Unemployment Rate</i>	32.5%	High, limiting income growth

Source: Stats SA (2026a); The Mercury (2026).

The combination of high inflation, rising interest rates, and weak employment growth creates a challenging environment for KZN households. The rate hike adds to these pressures by increasing the cost of servicing debt. For ordinary KZN residents, the practical implications are clear, budget carefully, prioritise debt repayment, avoid unnecessary credit, and plan for further increases.

7. Policy Recommendations

The SARB's decision has immediate consequences for KZN households and businesses, but monetary policy alone cannot address the province's structural constraints. The following interventions are recommended for the KZN Provincial Government, municipalities, and provincial development finance institutions:

1. **Establish a KZN Household Debt Relief and Restructuring Facility.** Partner with the National Credit Regulator, debt counselling firms, and major banks to provide free debt counselling and negotiate restructuring terms for over-indebted households.
2. **Create a Fixed-Rate Financing Window for KZN SMMEs.** Through Ithala and other provincial entities, shield qualifying SMMEs from further repo rate increases as business confidence remains below neutral.

3. **Accelerate Shovel-Ready Infrastructure Projects.** Fast-track already-budgeted water, sanitation, roads, and energy projects to stimulate demand and employment in sectors hit hardest by the Q2 2026 contraction.
4. **Protect and Ring-Fence Youth Employment and Entrepreneurship Funding.** Given KZN's 32.5% unemployment rate, ring-fence funding for youth entrepreneurship, skills development, and incubation support.
5. **Establish a KZN Monetary Policy Impact Monitoring Dashboard.** Through EDTEA's research unit, track bond and vehicle repayments, SMME credit costs, business confidence, youth unemployment, and household debt quarterly.
6. **Engage National Treasury on Fiscal-Monetary Coordination.** Address the misalignment between monetary and fiscal r-star and its regional growth and employment effects.

8. Conclusion

The SARB's decision to raise the repo rate to 7.25% is a pre-emptive strike against second-round inflation effects from a global fuel-price shock. The unanimous vote reflects a committee united in defending the 3% inflation target, even at the cost of near-term growth. The hike is justified: inflation is above target at 4.4%, services inflation is sticky at 5.1%, and expectations remain around 4%. Growth is weak, but the MPC's mandate prioritises price stability. The path forward is data dependent. The MPC meets again on 19 November 2026. If inflation continues to rise, further tightening cannot be ruled out. If the fuel-price shock recedes and expectations decline, easing may resume in 2027. The QPM projects rate cuts later in the forecast horizon, contingent on inflation converging to 3% by late 2027 and the repo rate declining to around 5.95% by end-2028. For KwaZulu-Natal, the implications are immediate: a homeowner with a R1.5 million bond pays R253 more per month, a consumer financing a R500,000 vehicle pays R64 more, and credit card debt remains significantly more expensive than secured borrowing. With growth at 1.2% in 2026, job creation will remain subdued, making entrepreneurship support critical. Monetary policy, however, is not the most effective tool for supply-side inflation. As the Governor acknowledged, "domestic reforms are our best growth option." Until structural interventions are delivered diversifying energy imports, rebuilding stockpiles, reviving refining capacity, and lowering energy, logistics, and compliance costs—monetary policy will continue to carry the inflation-fighting burden.

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Table 10: Glossary of Terms

Term	Definition
<i>Repo rate</i>	The rate at which the SARB lends to commercial banks
<i>Prime rate</i>	The benchmark lending rate for businesses and consumers
<i>Neutral rate</i>	The policy rate consistent with inflation at target and output at potential
<i>Output gap</i>	The difference between actual and potential GDP
<i>Inflation expectations</i>	The rate of inflation that households, businesses, and analysts expect in the future
<i>QPM</i>	Quarterly Projection Model, the SARB's forecasting and policy analysis tool
<i>Administered prices</i>	Prices set by government or regulators, such as electricity tariffs

Source: Author's Compilation



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