

Lesetja Kganyago: Remarks - annual dinner for the Heads of Foreign Missions accredited in South Africa

Remarks by Lesetja Kganyago, Governor of the South African Reserve Bank, at the annual dinner for the Heads of Foreign Missions accredited in South Africa, South African Reserve Bank, Pretoria, 9 July 2026.

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Good evening.

Welcome back to the South African Reserve Bank (SARB).

The last time we all met here was seven years ago, but it feels longer. There is a famous quote attributed to Vladimir Lenin that goes, "There are decades where nothing happens and there are weeks where decades happen". Since 2019, we have had quite a few of those weeks.

Apart from a global pandemic, we have also had intensifying global conflict, including wars in Ukraine and the Middle East. In 2022, we experienced the largest global inflation surge in a generation, which is now being followed by a second wave of inflation pressure. We have seen the invention of artificial intelligence (AI) models that have read everything and can discuss anything, often accurately. We have also seen the world's first trillionaire, someone who grew up near here, although I should note that this status lasted only a little more than a week.

At the same time, it is almost surprising how much has stayed the same. I went back to my address for our 2019 dinner, and it focused on two global threats: the erosion of multilateralism and attacks on central bank independence. Both subjects could be recycled tonight. For example, I observed back then that "trade wars and protectionism are not the panaceas some believe them to be" – an observation that requires no updating. We are similarly worried about imbalances and inequities in the global economy, both real and perceived, and how those undermine multilateralism. We are also still concerned about populist attacks on institutions, including central banks. In 2019, we hoped these threats would diminish, but they are as pressing as ever.

Given these challenges, it would be no surprise if the global economy were struggling. And yet, it has been surprisingly resilient. One reason for this is the AI boom – some would say bubble – which has lifted investment, supported trade through demand for items such as semiconductors, and generated a lot of wealth through stock market valuations, which helps consumption.

Another reason is that fiscal policy settings are loose in major economies, which boosts near-term output, although it also creates sustainability concerns. Furthermore, most countries have maintained their openness to trade, recognising that global exchange is usually a win-win, not a zero-sum game. There has been no retaliatory tariff spiral.

Finally – an often-underappreciated fact – emerging markets have been resilient. They are growing at close to 4% on average. Given their much larger weight in the global

economy – now over 60% of world output, up from less than 40% in the 1980s – that is a powerful engine of world growth.

For South Africa, the years since 2019 have been a rollercoaster ride, with some sharp downs but also some encouraging ups. The lows include the social and economic misery of COVID-19 as well as the difficult 2022–23 period during which global problems such as high inflation coincided with domestic shocks like electricity load-shedding.

By contrast, the past two years have brought a significant re-rating of South Africa. We have had credit ratings upgrades from both Fitch and S&P, and Moody's has us on a positive outlook. We also exited the Financial Action Task Force (FATF) greylist.

Growth remains slow, but it has steadied. We have had six consecutive quarters of expansion, which is the longest period of sustained growth since 2018. Our network sectors, which were devastated by state capture, have been stabilised. Load-shedding basically ended in 2024. The Durban port, once ranked worst in the world, is now the world's most improved.

On the fiscal side, we have gone from being a problem child to being a rare example of a country where sovereign debt is expected to stabilise in the current year.

As for monetary policy, we finally have a new inflation target of 3%. For a quarter-century, starting in 2000, we pursued a target of 3–6%. It was too high and too wide, and it should have been narrowed in the 2000s, as we had planned. Still, it is better to reform late than never, and we are very happy to have a better target – one that is aligned with peer inflation rates and truly consistent with protecting the value of the currency, which is our constitutional mandate.

Before this year's geopolitical shock, it looked as if getting to 3% would be plain sailing. We had inflation at 3% in February and 3.1% in March. Given a starting point of moderately restrictive policy, it seemed we were on course to cut rates further. Now a supply shock has intruded, pushing up inflation and obliging us to raise rates, as we did in May.

Our framework gives us flexibility to look through shocks and focus on the medium term. Our judgement in raising rates at that May meeting was that we needed to act so that inflation could return to target over time, rather than getting stuck above 3%.

We recently received second-quarter data for our benchmark survey of inflation expectations, which showed respondents raising their inflation expectations significantly, even at the two- and five-year horizons. It was unfortunate to see that a one-off shock could move long-run expectations in this way. Still, our May decision should remove any lingering doubts that the SARB intends to achieve its target. The recent decline in oil prices should help too, getting us back to 3% a bit faster – although there are still plenty of risks out there.

The bigger picture is that South Africa's reform effort is still paying off. From the dark days of 2022 and 2023 – literally dark, because the electricity was off – we have made a lot of progress.

This has shown up first in financial markets, which makes sense because they are forward-looking. For instance, it explains why government borrowing costs have fallen across the yield curve, with long-term rates down more than 300 basis points. The next steps are for the real economy to start showing the gains more clearly.

We had some green shoots appearing in 2025 and early 2026, such as rising confidence and investment. But the geopolitical shock in late February did not help, and the latest indicators have been more negative. Nonetheless, this was a purely exogenous shock, and we expect it to be temporary.

The first 15 years after apartheid were relatively good for growth: we made a lot of progress as a society. However, the 15 years that followed were disastrous, with living standards falling in most years. As that chapter closes, we can realistically look forward to becoming a growth story once again.

Ladies and gentlemen, to conclude –

This is a difficult global environment, and there are many risks that could crystallise and make it harder still. In these conditions, it is a good idea to build trust, to remember the virtues of multilateralism, and to nurture friendships. Among our friends we count, of course, the diplomatic community stationed in Pretoria. We are very happy to be able to host you once again because, while the challenges before us are very real, they are best met together.

Thank you once again for joining us this evening.