

UNIVERSITY OF KWAZULU-NATAL

**AN ANALYSIS OF PERSPECTIVES ON INFLATION
TARGETING IN SOUTH AFRICA**

By

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Declaration

I, Vukani Patrick Ndaba, declare that this research report is my own unaided work, except as indicated in the acknowledgement section and references. It has not been submitted before, in whole or in part for any degree or examination at any other university.

Vukani Patrick Ndaba

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ABSTRACT

This study analyses various perspectives on inflation targeting as a monetary policy framework in South Africa. The study uses semi-structured interviews with participants who represent the perspectives of trade unions, SARB, and academics amongst others. All the interviews were recorded on audio tape to ensure accuracy and effective data collection. The interviews of all participants were analyzed to establish degrees of similarities and differences amongst them.

The study also looks at the relationship between inflation and interest rates. The use of interest rates as a tool to curb inflation is also discussed, as is the effect of the exchange rate on inflation. The Philips Curve Theory and the Fisher Hypothesis provide empirical evidence to support inflation targeting. Moreover, the perspective raised by the ANC Alliance partners were that an inflation band of 3% - 6% is too narrow, too low and hampers economic growth.

Then Analysis suggests a significant policy shift away from inflation targeting after the 2009 elections, as a result of dissatisfaction from the Alliance partners of the ruling party. The main objective of this study is to solicit perspectives on inflation targeting from various political parties, trade unions, businesses, the SARB and academics, as well as investigate case studies from other countries. An underlying task of this study is to predict what South Africans should expect from a Zuma Government with regard to monetary policy.

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