



Justice Rikhotso



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Funding: Self

More about Justice

Favourite subjects: Macroeconomics, Microeconomics and Econometrics.

Interests: Economics research, public-policy analysis and community development.

Community activity: Tutored high-school students in mathematics and economics.

Inspired by: Former president Thabo Mbeki, for his economic vision, and economist Dambisa Moyo, for her global contributions.

Main achievements: Top grades in Macroeconomics and Econometrics; Top 3 student for Standard Bank Awards in 2023; Top 10 postgraduate finalist in Budget Speech Competition 2024.

What I love/hate about South Africa: I love the potential for growth; I hate the high levels of inequality and corruption.

In 10 years' time I see myself... as a senior economist or professor in economics.

ESSAY SYNOPSIS

Persistent inflation pressures, driven by food and fuel costs, global disruptions, loadshedding and structural bottlenecks, have reignited debate about whether South Africa should adopt a lower and narrower inflation target in order to strengthen credibility, anchor inflation expectations and align the country with international best practices, writes Justice..

South Africa's 3–6% band was chosen to accommodate structural volatility and supply-side shocks, but international comparison highlights that this target is unusually wide. The US and UK employ targets around 2%, while Thailand and Brazil use narrower bands.

Countries with tighter frameworks tend to experience lower inflation volatility and better-anchored expectations. A central argument for a lower target, such as 2–4%, is its potential to enhance policy credibility. Some analysts argue that even a modest narrowing, such as to 3.5–5.5%, could strengthen credibility without sacrificing flexibility. However, achieving a lower target would likely require more aggressive interest-rate hikes.

The shift to a lower target should occur during periods of macroeconomic stability, supported by credible forward guidance and close coordination with fiscal policy, Justice recommends. A phased approach, starting by lifting the effective midpoint of the existing band, then gradually narrowing the range, would allow expectations to adjust smoothly. International experiences from New Zealand and Canada show that periodic review and clear communication strengthen the credibility of such transitions.

Other policy recommendations include improving SARB's forecasting models and communication, and pairing monetary changes with structural reforms to lower cost-push pressures. Enhancing institutional independence and transparency would further bolster credibility.