Prisley Mashishi

🎓 **University of Limpopo**

🪙 **Funding: Self**

More about Prisley

Favourite subjects: Research, Econometrics, Cost-Benefit Analysis and Economics.

Interests: Economic research, data analysis, policy evaluation, academic writing, presenting, debating and community development.

Community activity: Mentoring young people and helping them with school and job applications.

Inspired by: Former president of Liberia Ellen Johnson Sirleaf, for her competence, integrity and service.

Main achievements: Cum laude graduate; one of the best researchers and presenters in the Faculty of Management and Law.

What I love/hate about South Africa: I love the country's diversity, resilience and potential for growth; I am concerned about persistent inequality, high unemployment and limited access to opportunities for young people.

In 10 years' time I see myself... as one of the leading economists in the world and a well-established researcher.

ESSAY SYNOPSIS

South Africa adopted inflation targeting in 2000, but questions persist regarding the design of the target range (3–6%), its lower bound, the timing of adjustments, and its effectiveness within the country's complex socioeconomic landscape, writes.

The theoretical literature highlights the trade-off between inflation and unemployment: overly strict inflation control can suppress demand, increase unemployment and slow growth. Empirical research is mixed: while inflation targeting generally stabilises inflation and improves policy transparency, excessively rigid targets may constrain economic growth and employment. In South Africa, studies show that inflation targeting has anchored expectations but had limited effects on real economic variables.

Comparing South Africa and Brazil, South Africa's inflation targeting framework is more stable and credible, successfully anchoring inflation expectations and establishing long-term GDP relationships, but it is less effective in supporting employment. Brazil exhibits greater short-term responsiveness in employment, but its inflation targeting framework is prone to volatility and structural disruptions, reducing long-term effectiveness. Overall, South Africa maintains macroeconomic stability more consistently than Brazil, though both face challenges related to employment and inequality.

Prisley recommends revising South Africa's inflation lower bound towards 3% to preserve purchasing power, reduce uncertainty and mitigate adverse labour-market effects. Policy adjustments should occur during periods of economic stability to maintain credibility. Additional recommendations include adopting a dual mandate emphasising both price stability and employment, implementing flexible inflation targets during shocks, enhancing monetary-fiscal coordination to manage cost-push inflation, and improving transparency and communication to guide expectations effectively.