Yolanda Gcaleka

University of Fort Hare

Funding: LGSETA bursary

More about Yolanda

Favourite subjects: Econometrics, Microeconomics and Macroeconomics, Debt and Equity Market.

Interests: Economics, public policy, debating, research, reading, physical fitness and youth development.

Community activity: Tutoring matric learners and first-year university students.

Inspired by: Former minister of finance Trevor Manuel, who helped manage the country's finances responsibly and promoted economic stability during an important period in our history.

Main achievements: Graduating cum laude, completing honours degree in Economics, and participating in national policy and budget-related competitions.

What I love/hate about South Africa: I love South Africa's diversity, resilience and potential for growth; I am concerned about unemployment and inequality.

In 10 years' time I see myself... as a skilled economist contributing to policy development and economic growth in South Africa.

ESSAY SYNOPSIS

After South Africa adopted inflation targeting in 2000, the country experienced improved price stability compared with the volatile pre-2000 period and inflation generally remained within or near the 3–6% band.

However, unlike in advanced economies in which inflation is predominantly demand-driven, South African inflation is heavily influenced by supply-side pressures such as administered prices (electricity, water), global oil prices and exchange-rate volatility, writes Yolanda. Interest-rate adjustments cannot directly address these drivers, and, as a result, monetary policy alone cannot meaningfully stimulate growth or reduce unemployment, two areas in which South Africa faces severe pressure.

International comparisons offer insights. Brazil practises inflation targeting while allowing temporary deviations to support broader macroeconomic objectives. Chile and Colombia demonstrate the value of strong institutions, central bank autonomy and transparent communication in anchoring expectations. Turkey, by contrast, illustrates the dangers of political interference and weak fiscal discipline, leading to repeated inflation overshooting and eroded credibility.

Yolanda highlights several implications for South Africa. Revising the lower bound, enhancing fiscal-monetary coordination and addressing underlying supply-side constraints would allow inflation targeting to support not only stability but more inclusive, sustainable growth. But the inflation target may need recalibration to allow greater flexibility, especially during supply-driven inflation episodes; price stability should be reconciled with pressing developmental goals, especially given the country's unemployment, inequality, and exposure to commodity and energy shocks; and transparency and a well-defined policy framework remain essential but are insufficient without deeper structural reforms.