# Ashley Matandire

**University of Cape Town**

**Funding: Self**

## More about Ashley

**Favourite subjects:** Applied Investments, Macroeconomics, Banking and Treasury Management.

**Interests:** Financial markets, reading and musicals.

**Community activity:** Beach cleanups at Blouberg.

**Inspired by:** My parents.

**Main achievements:** Six distinctions in matric, and honours in Finance, Investment and Banking (with a distinction for my thesis).

**What I love/hate about South Africa:** I love the resilience and creativity of the country's people and the rich cultural diversity, and I grateful for the opportunities South Africa has provided me.

**In 10 years' time I see myself...** as a senior executive in a global investment bank or consulting firm, leading strategic deals.

## ESSAY SYNOPSIS

South Africa's 3–6% inflation targeting band, adopted in 2000, has helped stabilise expectations, but it has operated alongside persistently weak growth, high unemployment and deep inequality, and inflation has often drifted toward the upper bound.

A central concern when lowering inflation is the output lost, writes Ashley – and given South Africa's already severe unemployment and socioeconomic fragilities, such losses would be socially damaging. Another risk is that a lower target implies lower long-term nominal interest rates, reducing SARB's ability to respond to recessions without resorting to unconventional tools such as quantitative easing, which are problematic in an emerging-market context. Structural issues such as administered prices (for power and water), rand volatility and persistent supply-side bottlenecks could also force aggressive tightening.

International experience provides insights. Brazil's successful move toward a 3% target occurred only after a long period of fiscal consolidation and re-anchored expectations. New Zealand and Canada demonstrate the value of midpoint targeting, strong communication frameworks and preserving policy space. In contrast, Turkey illustrates the dangers of lowering targets without credibility, institutional independence or resilience to shocks.

Although a lower target may be desirable in the long run, bringing South Africa closer to global norms and enhancing competitiveness, it would be dangerous to pursue such a shift without first building credibility, securing fiscal discipline and implementing structural reforms, Ashley concludes. Only through a careful, multi-year roadmap can we hope to achieve lower inflation sustainably and without intensifying existing socioeconomic pressures.