Audrey Manyangeni

University of Witwatersrand

Funding: Self

More about Audrey

Favourite subjects: Economics.

Interests: Personal development, economic policy, travel, fashion, audiobooks and active living.

Community activity: Peer educator and safeguarding officer.

Inspired by: Driven individuals who are committed to pursuing their goals and creating positive change.

Main achievements: Undergraduate finalist in the 53rd Budget Speech Competition; and being a member of the Golden Key International Honour Society.

What I love/hate about South Africa: I love the diversity and potential; I am concerned about inequality, crime and structural constraints that limit inclusive growth.

In 10 years' time I see myself… as a businessperson, using my work to inspire and uplift others.

ESSAY SYNOPSIS

South Africa introduced inflation targeting in 2000, adopting a band of 3-6%. It has delivered broadly stable inflation over two decades, anchoring expectations and supporting credibility. However, an optimal target balances price stability with growth and employment while maintaining credibility, writes Audrey.

International case studies show that Brazil, with a long inflation-targeting history, generally maintained inflation near the target despite several breaches driven by political uncertainty, supply shocks and the pandemic; and India, using a 4% point target since 2016, showed improved anchoring, lower volatility and resilience during Covid-19. Advanced economies including the UK, Australia and New Zealand illustrate how clear frameworks and transparent communication sustain credibility even amid large shocks. These studies suggest that a lower target is feasible in South Africa but must be accompanied by careful institutional design.

Audrey recommends a 3% point target, yet, recognising South Africa's exposure to external shocks and domestic structural challenges, a ±1% band (2–4%) is advised. A lower target, however, is viable only if implemented gradually and communicated clearly. International experience highlights the importance of phased adjustments: Canada transitioned slowly, Brazil pre-announces target changes years in advance, and India and New Zealand emphasise gradualism and transparency. Audrey proposes narrowing South Africa's current range over five years.

The SARB may also need to reassess whether headline CPI is the most appropriate measure for a lower target, and fiscal-monetary coordination is essential: a lower target raises real interest rates, potentially increasing borrowing costs, which is a concern given South Africa's rising public debt.