Aphiwe Dabula

Nelson Mandela University

Funding: NSFAS and loan

More about Aphiwe

Favourite subjects: Money & Banking, Microeconomics and International Economics.

Interests: Soccer, music, cooking and books.

Community activity: Helping a young soccer team in my community as an assistant coach.

Inspired by: American businessman and author Robert Kiyosaki.

Main achievements: Achieving three qualifiers at a higher institution.

What I love/hate about South Africa: I love how diversified our country is and how beautiful it is through its cultures.

In 10 years' time I see myself... as a researcher in a top corporation, with direction and advancement in my career, and/or running a business of my own.

ESSAY SYNOPSIS

South Africa adopted inflation targeting in 2000. Despite spikes above 10% in 2002 and 2008 (driven largely by rand depreciation and food-price shocks), inflation has remained within single digits for over twenty years, and above the target band of 3–6% for fewer than three of those years, writes Aphiwe. However, while inflation targeting has succeeded in stabilising prices, growing consensus suggests that South Africa's 3–6% band is outdated.

Internationally, South Africa's target band is high relative to advanced economies, and is out of step with emerging markets, which have gradually narrowed and lowered their targets to strengthen credibility. As a result, South Africa faces high policy interest rates despite modest inflation and weak GDP growth, limiting monetary-policy space.

Studies find that inflation targeting may have negative effects on growth when inflation is high, and critics argue that the target band is too wide and too high, constraining economic growth in a country already struggling with stagnant output and persistent unemployment. Lowering and narrowing the target could strengthen credibility, improve investment conditions and support long-term development without compromising price stability.

Economists increasingly argue for reform: narrowing the band (eg, to 2–4%), reducing the midpoint towards 3%, enhancing flexibility and strengthening communication. Lowering the inflation target towards 3% would help create a low-inflation, low-interest-rate environment that is more conducive to investment and growth, and would help stabilise key administered prices such as fuel and electricity, Aphiwe concludes.