

Sumaiya Sidat

The transition of the ownership status of the South African Reserve Bank to the state is in concordance with the majority of central banks across the world, notes Sumaiya Sidat. This on its own does not necessarily yield negative consequences. However, South Africa's current situation, with a rising debt burden and a high inflation rate (discouraging quantitative easing), brings into question its ability to sustain the ownership conversion.

Moreover, the implication that nationalisation will result in the bank's deviating from its inflation-targeting framework towards growth-enhancing policies gives rise to uncertainty, threatening the country's creditworthiness. Additionally, in the past decade the South African government has been susceptible to weak and inefficient policies, which may imply that the transparency and accountability of the Reserve Bank, once nationalised, cannot be guaranteed.

The Reserve Bank's mandate serves to preserve its independence and credibility. A change in its mandate threatens the integrity of the Bank, which may give rise to uncertainty, impairing South Africa's credit-rating status. This is detrimental to an economy with an increasing Gross External Financing Requirement, which stood at 18% of GDP in 2018.

While it is not suggested that nationalisation of the Reserve Bank can never be attained in South Africa, an improvement of various socioeconomic factors is a prerequisite. This includes combating corruption with the aim of mitigating uncertainty, while plans for investment and social development should, once announced, be pursued diligently.

BIO

University: University of the Witwatersrand

Funding: Postgraduate merit award (PGMA) scholarship

More about Sumaiya

Favourite subjects: Macroeconomics and International Finance.

Interests: Cricket and podcasts.

Inspired by: How far I have come and how far I yet have to go.

Main achievements: Completed my Honours in Economic Science; semifinalist in the undergraduate category of the Budget Speech Competition.

In 10 years' time ... I hope to have achieved a PhD in Economics, and that I will be able to fully apply my academic knowledge to solve daily problems in society.