



South African Reserve Bank

Inflation Targeting Framework

Targets and Results

South Africa formally introduced inflation targeting in February 2000, after announcing the intention to adopt the framework in August 1999. Prior to adopting the inflation-targeting framework, the Bank had adopted a number of frameworks. Between 1960 and 1998, these included exchange-rate targeting, discretionary monetary policy, monetary-aggregate targeting and an eclectic approach.

Monetary Policy Committee

Inflation targeting is a monetary policy framework in which the central bank announces an explicit inflation target and implements policy to achieve this target directly. One of the features of an inflation-targeting framework is the greater degree of transparency it brings to monetary policy.

Monetary Policy Communication

Inflation targeting has been adopted in a number of countries. The choice of the target varies across countries. Some countries have opted for target ranges in specifying their inflation targets, while others prefer a point target or a point target combined with a range. The trade-off in this regard is essentially between the simplicity of a point target and the degree of flexibility for absorbing shocks outside the control of the authorities which a target range allows.

Monetary Policy Implementation

It is acknowledged that monetary policy cannot contribute directly to economic growth and employment creation in the long run. However, by creating a stable financial environment, monetary policy fulfils an important precondition for the attainment of economic development.

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