

A comparative analysis of South Africa's inflation outcomes

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A research report submitted to the Faculty of Commerce, Law and Management, University of the Witwatersrand, in partial fulfilment of the requirements for the degree of Master of Business Administration in the field of Economics

Johannesburg, 2024

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KEYWORDS: inflation, economic growth, stagflation, inflation targeting, global trends, South Africa, monetary policy, structural changes

Acknowledgement

I would like to express my deepest gratitude to everyone who contributed to the successful completion of my MBA research. This journey would not have been possible without the support, sacrifices, and encouragement of many individuals.

I extend my heartfelt appreciation to my family, whose unwavering support has been the cornerstone of my success. I am especially grateful to my wife, Livhuwani, whose steadfast encouragement and understanding enabled me to pursue my dreams. I also thank my daughter, Mufunwa, whose curiosity about my studies—often asking, “What is the name of your teacher?” in reference to her own daycare teacher—brought joy and motivation during long nights of work. My two-year-old son, Vhugala, with his infectious energy and smiles, provided endless inspiration.

I am immensely thankful to my professor, Logan Rangasamy, whose guidance and expertise were invaluable from the outset. Your insightful advice on refining my research topic and positioning myself for success simplified this journey and made it profoundly rewarding.

To all who have sacrificed and supported me, your contributions have been instrumental, and I am truly grateful.

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LIST OF ACRONYMS

AE Advance Economy

AfCFTA African Continental Free Trade Area

BRICS Brazil, Russia, India, China, and South Africa

CPI Consumer Price Index

ECB European Central Bank

EMDE Emerging Market and Developing Economies.

IMF International Monetary Fund

GDP Gross Domestic Product

GEAR Growth, Employment, and Redistribution

SA South Africa

SARB South Africa Reserve Bank

MPC Monetary Policy Committee

WTO World Trade Organization

CHAPTER 1. INTRODUCTION

1.1 Background and Significance

Inflation, defined as the rate at which the overall prices level of goods and services in the economy rises over time, is a key indicator for assessing a country's economic health (World Bank, 2024). It is not just a statistical figure, but a critical tool used by policymakers to shape monetary policies and foster economic stability. However, South Africa faces unique inflation challenges that distinguish it from both advanced economies and emerging markets (Panchia, 2023). Understanding these differences is essential, as they highlight the distinct economic conditions and structural challenges that South Africa must navigate.

South Africa's inflation dynamics are influenced by a complex interplay of domestic economic policies, global market trends, and socio-political conditions. The variability and unpredictability of these factors make managing inflation particularly challenging. Unlike advanced economies, which often benefit from predictable inflation paths and well-calibrated monetary systems, South Africa operates within a more volatile economic landscape. This volatility is exacerbated by structural issues such as energy shortages, high unemployment, and inequality, which persistently constrain the country's economic potential.

This study undertakes a comprehensive comparative analysis of South Africa's inflation trends relative to advanced economies, emerging markets, and inflation-targeting countries. The aim is to explore how South Africa's inflation trends differ from other countries.

The study also examines the link between inflation and economic growth in South Africa, analysing how long-term structural challenges have shaped this relationship over time. By benchmarking South Africa's performance against other economies, this report aims to provide valuable insights for policymakers to undertake targeted reforms to address structural inefficiencies, enhance competitiveness, and promote inclusive economic growth. Through this comparative analysis, the report contributes to a deeper understanding of South

Africa's inflation dynamics and offers recommendations for achieving sustainable economic stability.

1.2 Objectives of the study

Primary Objective: The primary objective of this study is to conduct a comparative analysis of South Africa's inflation trends relative to advanced economies, emerging markets, and inflation-targeting countries.

Secondary Objectives:

- To examine the links between inflation and economic growth in South Africa.
- To assess the implications of these findings for future economic policy, with a focus on addressing structural challenges and promoting sustainable growth.

1.3 Methodology

To achieve the study's objectives, an integrative approach combining qualitative and quantitative research techniques is used. The methodologies will ensure a robust and comprehensive analysis of South Africa's inflation outcomes in comparison to advanced economies, emerging markets, and inflation-targeting countries.

The quantitative analysis is used in historical inflation data sourced from the World Bank and the International Monetary Fund (IMF). These datasets provide a longitudinal perspective on inflation trends, enabling the identification of patterns and anomalies over time. To complement this, country-specific policy documents and economic reports are utilised to add contextual depth and analysis. These qualitative sources offer insights into the socio-political and economic factors that influence inflation, particularly in South Africa's unique context.

In terms of analytical techniques, the study employs comparative methods to benchmark South Africa's inflation performance against that of other countries.

Statistical tools are used to uncover underlying relationships and causative factors influencing inflation. For example, time-series analysis helps identify trends and cyclical patterns in inflation rates over time. These techniques are particularly useful for understanding how South Africa's inflation dynamics differ from those of advanced economies and emerging markets.

The combination of quantitative and qualitative methods ensures that the analysis is both rigorous and contextually informed. The use of comparative methods allows for a clear comparison of South Africa's performance, while statistical tools provide empirical evidence to support the findings. Together, these approaches provide a thorough examination of the complex landscape of inflation in South Africa, offering valuable insights for policymakers and researchers.

1.4 Structure of the Report

The report has eight chapters, beginning with an introduction, followed by a conceptual framework, and detailed comparative analyses of South African inflation against various economic groupings. Concluding chapters focus on policy implications and the findings of this study.

1.5 Limitation of the Study

Comparing countries in a comparative analysis involves several inherent difficulties due to the vast differences in their economic, social, and political structures. These differences can lead to misleading conclusions if not carefully accounted for. One major challenge is the variation in economic development levels. Countries differ widely in terms of GDP, industrialisation, and technological advancement, which can significantly impact the outcomes of comparative studies. For instance, a policy that works well in a highly industrialised country may not be as effective in a developing country.

Another significant challenge is the variation in socio-political characteristics and cultural contexts. Political stability, governance structures, and cultural norms can all influence economic policies and their effectiveness. For example, a country with a stable political environment and strong institutions may implement economic reforms more effectively than a country with frequent political unrest.

Additionally, differences in central bank structures and independence can complicate comparisons. Central banks in developed countries often have more autonomy and better resources to implement monetary policies compared to those in developing countries. This can lead to differences in how inflation targeting, and other monetary policies are adopted and their subsequent effectiveness.

The timing and context of policy implementations also vary significantly between countries. Developed countries generally adopted inflation targeting between 1990 and 1993, while most developing countries did so from 1998 onwards. This difference in timing can affect the comparability of the outcomes of such policies. Additionally, external variables like global economic trends, trade dynamics, and geopolitical developments can affect countries differently, adding complexity to comparative studies. (Fraga, Goldfajn, & Minella, 2023)

These differences create unique challenges for maintaining price stability and can lead to varying inflation trends across countries. Policymakers must consider these factors when designing and implementing economic policies to ensure their effectiveness in different contexts.

CHAPTER 2. Conceptual Framework

2.1 Definitions

Advanced Economies

Countries with high GDP per capita, industrialisation, and stable institutions (World Bank, 2024). Examples include the UK and Canada (IMF, 2023)

Emerging Market and Developing Economies

The World Bank defines "Emerging Market and Developing Economies" (EMDEs) as countries undergoing industrialization and experiencing rapid economic growth. These economies generally have lower income levels compared to advanced economies but exhibit significant potential for development. EMDEs often face challenges such as weak investment, productivity improvements, and governance structures. However, they also present opportunities for growth and development through structural reforms and increased integration into the global economy. (World Bank, 2024)

Inflation

Inflation is the rate at which the overall prices of goods and services rise over time, indicating shifts in the cost of living. (International Monetary Fund, 2014).

Inflation Targeting

A monetary policy framework where central banks adjust interest rates to achieve a publicly announced inflation target (Bernanke et al., 1999; SARB, 2023)

Stagflation

Stagflation is an economic cycle characterised by slow economic growth, high unemployment rate along with high inflation rate. (Blanchard & Johnson, 2013)

2.2 Factors Influencing Inflation

Inflation is influenced by several factors, many of which are interconnected. These include monetary factors, external shocks and structural issues within an economy which can contribute to sustained inflationary pressures. Below are some key factors that influence inflation in South Africa:

2.2.1 Monetary Policy

The South African Reserve Bank (SARB) is instrumental in managing inflation by implementing monetary policy strategies, particularly through the regulation of interest rates to impact spending and borrowing behaviors. Its core objective is to ensure price stability, which supports balanced and sustainable economic growth. To control inflation, the SARB adjusts interest rates accordingly. During high inflation, central bank may increase interest rates to discourage spending and borrowing, consequently alleviating inflationary pressures. On the other hand, lowering interest rates can boost economic activity, though it carries the risk of increasing inflation if not carefully monitored (Mminele, 2019).

2.2.2 Exchange Rates

The exchange rate of the South African Rand (ZAR) plays a vital role in influencing inflation levels. When the Rand depreciates, the cost of importing goods and services rises, resulting in higher prices for these items. This effect is commonly referred to as imported inflation. For example, changes in the exchange rate can directly affect fuel prices, which then influence transportation costs and, ultimately, the prices of various goods and services throughout the economy (Miyajima, 2021).

2.2.3 Food Prices

Food prices is one of the biggest contributors to Consumer Price Index (CPI) in South Africa. Factors such as droughts, floods, and other adverse weather conditions can disrupt food production, leading to shortages and higher prices. Additionally, global food price trends can influence local prices, especially for imported food items. According to Statistics South Africa, food and non-alcoholic

beverages have been significant contributors to the inflation rate in recent years (Statistics South Africa, 2023).

2.2.4 Energy Costs

Energy costs, particularly electricity and fuel prices, are crucial determinants of inflation in South Africa. South Africa relies heavily on coal for electricity generation, and any disruptions in coal supply or increases in coal prices can lead to higher electricity costs. Similarly, global oil price fluctuations directly affect fuel prices. Higher energy costs increase production and transportation expenses, which ultimately get passed through to consumers by higher prices of goods and services (Forbes Africa, 2023).

2.2.5 Wage Increases

Wage increases can contribute to inflation if they are not accompanied by corresponding productivity improvements. When wages rise, businesses often offset the higher labour costs by increasing prices for goods and services, which can drive inflation. In South Africa, wage negotiations and labour strikes frequently result in substantial wage hikes, potentially exacerbating inflationary pressures. Maintaining a balance between wage growth and productivity is essential for controlling inflation (South Africa Reserve Bank, 2019).

2.2.6 Government Policies

Government actions, such as fiscal measures, tax adjustments, and subsidy programs, have a direct impact on inflation. For instance, raising value-added tax (VAT) or other forms of taxation can result in increased costs. On the other hand, subsidies for essential items can help stabilize prices and mitigate inflationary pressures. The budgetary choices and economic strategies implemented by the government are key factors in determining the overall inflation environment (Mminele, 2019).

2.2.7 Supply Chain Disruptions

Disruptions in supply chains, caused by factors such as natural disasters, geopolitical conflicts, or logistical issues, can result in product shortages and price increases. The COVID-19 pandemic showed how easily global supply chains can break down and how much they impact inflation. In South Africa, interruptions in the availability of critical items, including food and medical supplies, have played a role in driving inflationary trends. (Statistics South Africa, 2023).

2.2.8 Consumer Expectations

Consumer perceptions of future inflation can significantly impact current inflation levels. When individuals anticipate price increases, they may boost their spending in the short term, driving higher demand and pushing prices upward. Likewise, businesses might modify their pricing approaches in response to expected inflation, creating a cycle where these expectations contribute to actual inflation. This phenomenon is often referred to as a self-fulfilling prophecy (Forbes Africa, 2023).

2.3 Theories of Inflation

Inflation, defined as a rate at which the overall prices of goods and services rises over time, has been the subject of extensive academic and policy-oriented discussions. Various theories attempt to explain the root causes of inflation and comprehend its intricate dynamics. Among these, the Quantity Theory of Money (QTM), Demand-Pull Theory, Cost-Push Theory, and Structuralist Theory stand out as prominent frameworks, each offering distinct perspectives on why inflation occurs and how it can be managed.

2.3.1 Quantity Theory of Money

The Quantity Theory of Money is a classical monetary theory that links the amount of money in an economy to the level of prices. Originating from the works of early economists like Milton Friedman, the QTM stipulates that variation in the money supply have a direct and proportionate effect on the overall price level. (Friedman, 1956). According to this theory, if the money supply increases faster

than real output, inflation will result. The core of the QTM can be summarized by the equation of exchange:

$$MV = PQ$$

where (M) represents the money supply, (V) is the velocity of money, (P) denotes the price level, and (Q) indicates the real output or quantity of goods and services produced (Friedman, 1956).

This theory underscores the importance of controlling the money supply to manage inflation. Central banks, according to the QTM perspective, should focus on regulating monetary growth to maintain stable prices (International Monetary Fund, 2014). Critics of this theory, however, argue that it oversimplifies the inflationary process by not accounting for factors such as changes in money velocity or supply-side shocks (International Monetary Fund, 2014).

2.3.2 Demand-Pull Theory

The Demand-Pull Theory explains that inflation happens when people want to buy more goods and services than what is available. In other words, if there's too much money trying to buy too few things, prices will go up. This theory focuses on how things like higher consumer spending, government spending, or business investments can push prices higher.

A common scenario where demand-pull inflation takes place is during an economic boom. Higher consumer confidence and increased disposable incomes lead to a surge in consumption and investment, pushing prices higher. This demand-driven increase in prices also finds support from expansive fiscal policies, like tax cuts or increased public sector spending. (International Monetary Fund, 2022)

One big challenge in dealing with demand-pull inflation is finding the right balance between helping the economy grow and keeping prices stable. To reduce high demand and control prices, policy makers often take steps like raising interest rates or reducing government spending. However, some argue that these steps can slow economic growth and might even cause a recession. (South African Reserve Bank, 2023) (International Monetary Fund, 2022).

2.3.3 Cost-Push Theory

Unlike the Demand-Pull Theory, which focuses on demand, the Cost-Push Theory says inflation happens because of rising costs to producing things. This theory explains that when the costs of inputs—like workers' wages, raw materials, and energy—go up, businesses raise prices to keep making a profit. A famous example is the oil price shocks in the 1970s, when oil prices jumped sharply. This made transportation and production costs much higher, leading to increased prices for goods and services and causing inflation in many countries (Blanchard & Johnson, 2013)

Addressing cost-push inflation typically requires tackling the supply-side issues driving cost increases. Policy responses may include stabilizing the prices of critical inputs, improving productivity, or facilitating wage agreements that reflect productivity gains. However, critics of the Cost-Push Theory argue that it underestimates the influence of aggregate demand and monetary factors in shaping inflation dynamics (Blanchard & Johnson, 2013).

2.3.4 Structuralist Theory

The Structuralist Theory of inflation, rooted in the economic experiences of developing countries, provides a more holistic view by considering the complex interplay of structural factors within an economy. This theory argues that inflation can result from structural problems, such as rigidities in supply chains, sectoral imbalances, and institutional factors, rather than just monetary or demand pressures.

Structuralist economists believe that inflation in developing countries is often driven by underlying structural issues, such as agricultural bottlenecks, infrastructure deficits, and labor market inefficiencies. These structural constraints lead to periodic supply shortages, pushing prices upward even in the absence of excess demand or monetary expansion.

Addressing structural inflation requires comprehensive policy approaches aimed at structural reform and development. Measures may include investing in infrastructure, enhancing agricultural productivity, and improving labour market

flexibility. Critics of the Structuralist Theory argue that it may underestimate the role of demand-side and monetary factors in driving inflation.

CHAPTER 3. South African Inflation Overview

3.1 Historic inflation trends (1970 to 2023)

South Africa's inflation between 1970 and 2023 has been marked by significant volatility, reflecting both global economic shocks and unique domestic challenges. Figure 3-1 below shows South African inflation rate from 1970 to 2023 with major political events and economic events. This section provides a detailed analysis of the country's inflation trends over this period, highlighting key events and their impact on inflation.

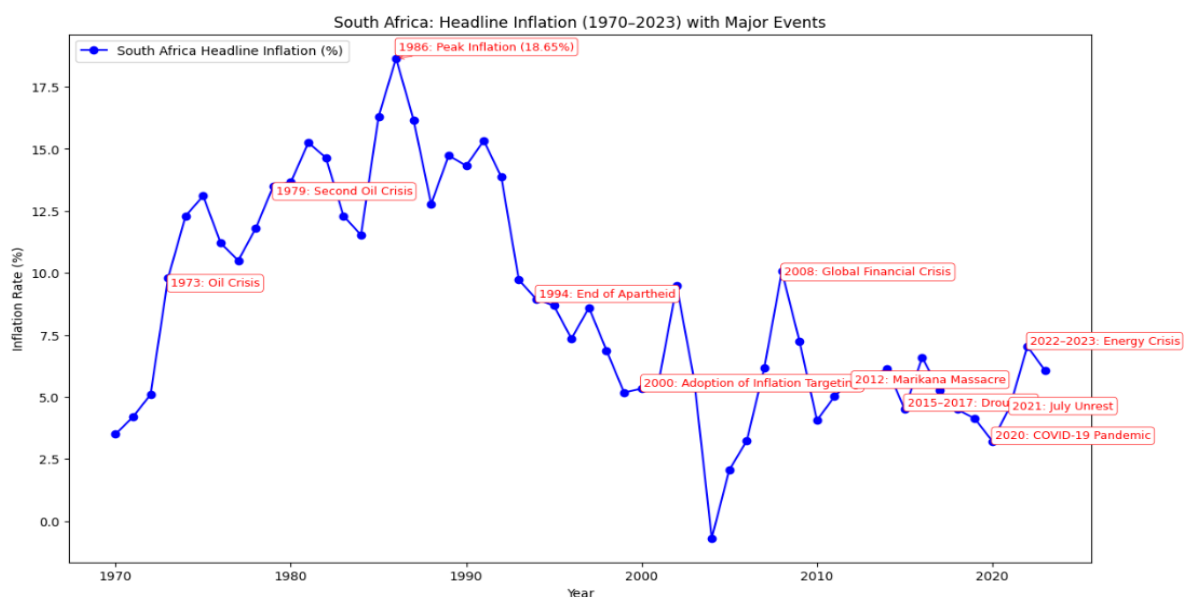


Figure 3-1 :South Africa: Headline inflation (1970-2023) with Major Events

Source: World Bank (2024); events sourced from National Treasury (1996) and IMF (2020).

3.1.1 The 1970s and 1980s: Political Instability and Global Shocks

During the 1970s and 1980s, South Africa experienced sharp spikes in inflation, driven by a combination of internal and external factors (Fraga, Goldfajn, & Minella, 2003). The global oil crises of 1973 and 1979, which caused energy prices to surge worldwide, had a pronounced impact on South Africa's economy. As a net importer of oil, the country faced rising import costs, which translated into higher domestic prices for goods and services (World Bank, 2024).

Domestically, the apartheid regime's political instability and widespread internal unrest further exacerbated inflationary pressures (National Treasury, 1996). International economic sanctions imposed on South Africa during this period disrupted trade and investment flows, leading to supply shortages and price increases (IMF, 2020). By the mid-1980s, inflation had peaked at 18.65% in 1986, reflecting the severe economic challenges faced by the country (South African Reserve Bank, 2023).

3.1.2 The 1990s: Transition to Democracy and Economic Reforms

The 1990s marked a turning point for South Africa's economy. The release of Nelson Mandela in 1990 and the subsequent transition to democracy in 1994 brought about significant political and economic reforms. These changes, coupled with improved international relations, helped stabilise the economy and reduce inflation.

The introduction of the Growth, Employment, and Redistribution (GEAR) policy in 1996 further liberalised the economy, promoting fiscal discipline and structural reforms. As a result, inflation declined from 14.32% in 1990 to 8.94% in 1994, and by 1996, it had fallen to 7.35%. This period of relative stability laid the groundwork for the adoption of inflation targeting in the early 2000s.

3.1.3 The 2000s: Inflation Targeting and Global Financial Crisis

In 2000, the South African Reserve Bank adopted an inflation-targeting framework, setting a goal to maintain inflation between 3% and 6%. This approach helped achieve macroeconomic stability, with inflation averaging 5.5% from 2000 to 2007. However, the 2008 global financial crisis disrupted this stability, leading to a significant drop in the value of the South African rand and a temporary rise in inflation, which peaked at 10.06% in 2008.

The crisis highlighted South Africa's vulnerability to external shocks, particularly its reliance on global markets for trade and investment. Despite these challenges, the SARB's commitment to inflation targeting helped restore stability, and by 2010, inflation had returned to within the target range.

3.1.4 *The period post 2010: Structural Challenges and Economic Stagnation*

The 2010s were marked by persistent structural challenges that constrained South Africa's economic growth and contributed to inflationary pressures. Key events during this period included the Marikana Massacre in 2012, which disrupted mining production, and severe droughts between 2015 and 2017, which led to food price inflation.

Additionally, corruption scandals and political instability weakened investor confidence, further hampering economic growth. By 2016, GDP growth had slowed to 0.7%, while inflation rose to 6.59%. These challenges underscored the need for structural reforms to address underlying inefficiencies in the economy.

3.1.5 *The 2020s: COVID-19 Pandemic and Energy Crisis*

The COVID-19 pandemic in 2020 caused a severe economic contraction, with GDP growth falling to -6.2%. While inflation remained relatively low at 3.22% in 2020 due to weak demand, the subsequent recovery period saw inflationary pressures reemerge. The July 2021 unrest and the ongoing energy crisis, characterized by frequent load-shedding, further strained the economy.

By 2022, inflation had risen to 7.04%, driven by higher energy and food prices. These developments highlighted the interconnectedness of South Africa's economy with global markets and the persistent impact of domestic structural issues on inflation.

3.2 Comparative Analysis: South Africa vs. Global Inflation Trends

To better understand South Africa's inflation dynamics, it is important to compare its inflation trends with those of advanced economies and emerging markets. This section provides a comparative analysis of inflation rates across these groups,

highlighting key differences and similarities. Figure below show South African Inflation rate vs Global average inflation rates. ¹

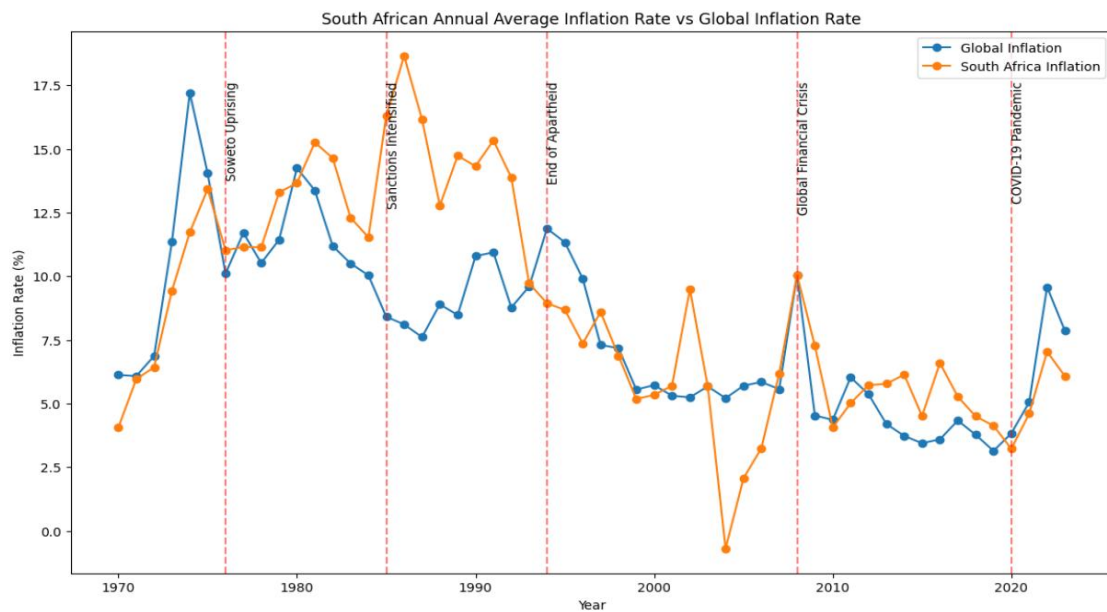


Figure 3-2: South Africa Annual Average Inflation Rate vs Global Inflation Rate

Source: Data from World Bank (2024) and SARB (2023); events sourced from National Treasury (1996) and IMF (2020).

3.2.1 South Africa vs. Advanced Economies (1990–2023)

The analysis of average inflation rates between South Africa and advanced economies from 1970 to 2023 reveals significant disparities, reflecting differing economic conditions and policy effectiveness.

¹ The global inflation rate figures used in this analysis are sourced from the World Bank's inflation data, which provides comprehensive and internationally comparable statistics on inflation rates. The World Bank calculates these rates based on the annual percentage change in the Consumer Price Index (CPI), reflecting the average price level of goods and services consumed by households worldwide.

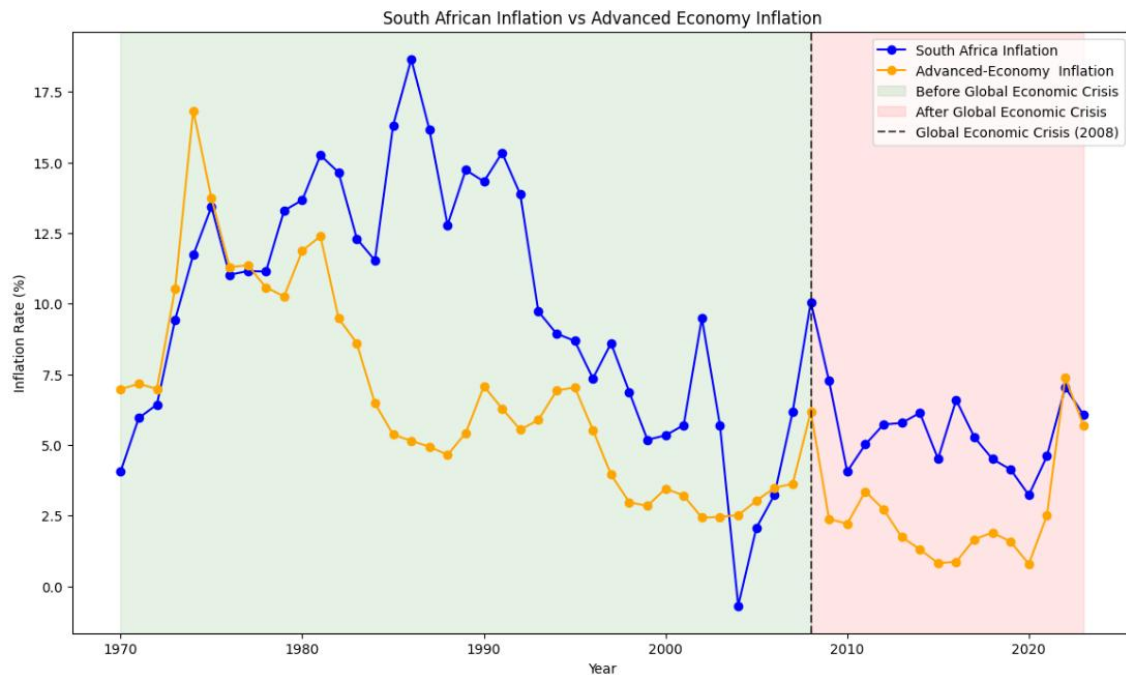


Figure 3-3: Average inflation rates: South Africa vs advanced countries²

Source: World Bank (2024)

Between 1990 and 2008, South Africa experienced an average inflation rate of 7.36%, which was notably higher than the 4.47% average observed in advanced economies. This period was marked by structural challenges, policy adjustments, and external shocks in South Africa, contributing to its higher inflation rate. In contrast, advanced economies benefited from established monetary policies, mature financial systems, and relatively stable economic conditions, which helped maintain lower inflation rates.

The global financial crisis of 2008 marked a turning point. From 2009 to 2023, South Africa's average inflation rate decreased to 5.31%, indicating some progress in economic management and policy frameworks. However, this rate remained higher than that of advanced economies, which saw a further decline to an average inflation rate of 2.38% during the same period. The persistent gap in inflation rates underscores the ongoing challenges South Africa faces in achieving macroeconomic stability comparable to that of advanced economies.

² The average inflation rates for South Africa and advanced economies were calculated by taking the mean of annual inflation rates over the specified periods (1990–2008 and 2009–2023). The data was sourced from the World Bank.

3.2.2 South Africa vs. Emerging Markets (1990–2023)

The analysis of average inflation rates between South Africa and EMDEs ³from 1990 to 2023 reveals interesting trends, reflecting differences in economic conditions and policy effectiveness

Between 1990 and 2008, South Africa's average inflation rate was 7.7%, which was lower than the average inflation rate of 9% for EMDE during the same period. This suggests that, despite facing structural challenges and economic instability, South Africa maintain a relatively lower inflation rate compared to emerging and developing economies. EMDE, as a collective, experienced higher inflation, likely due to varying economic conditions, less mature financial systems, and differing policy frameworks across countries.

Following the 2008 global financial crisis, South Africa's average inflation rate decreased to 5.3% from 2009 to 2023. This reduction indicates some progress in economic management and policy implementation. Similarly, EMDE also saw a decline in their average inflation rate to 5.7% during the same period. While the gap between South Africa and EMDE narrowed, South Africa's inflation rate remained slightly lower, highlighting its relatively better performance in managing inflation compared to the broader EMDE group.

³ The average inflation rates for the Emerging Market and Developing Economies (EMDEs) group were calculated using annual inflation data from 157 countries over the specified periods (1990–2008 and 2009–2023). The data was sourced from the World Bank's inflation rates database.

For the EMDE group, the average inflation rate from 1990 to 2008 was 9%, and from 2009 to 2023, it was 5.7%. These averages represent the mean values of annual inflation rates across the 157 countries in the EMDE group, reflecting the wide range of economic conditions, policy frameworks, and institutional capacities within this diverse category. The data underscores the variability in inflation performance across EMDEs, with some countries experiencing significantly higher inflation due to structural challenges, while others have achieved greater stability through effective policies and reforms.

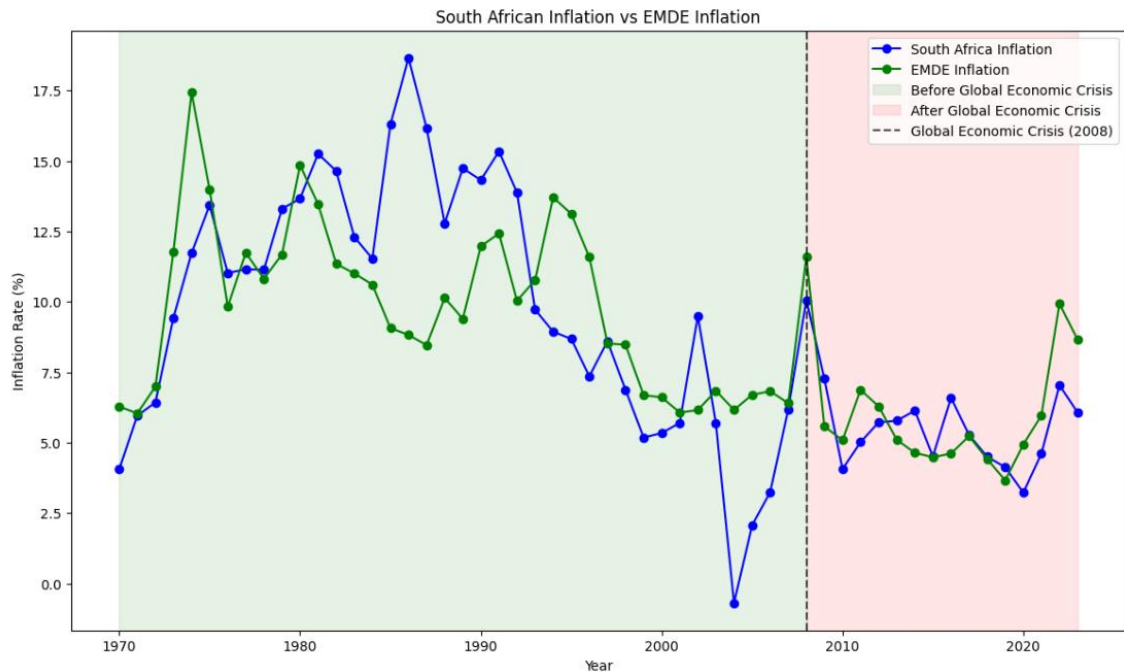


Figure 3-4: Average inflation rates: South Africa vs EMDE⁴

Source: World Bank (2024)

The data illustrates the comparative inflation trends between South Africa and EMDE, emphasizing the differences in economic performance and policy outcomes. While both South Africa and EMDE have made progress in reducing inflation, South Africa's slightly lower inflation rates suggest a degree of success in maintaining macroeconomic stability compared to the broader EMDE group.

3.3 Insights from the Comparison of South Africa's Inflation Rate with Advanced Economies and Emerging Market and Developing Economies

The comparison of South Africa's inflation rates with both advanced economies and EMDEs provides valuable insights into its economic performance, policy effectiveness, and structural challenges. Below is a detailed analysis of these

⁴ The average inflation rates for South Africa and EMDE were calculated by taking the mean of annual inflation rates over the specified periods (1990–2008 and 2009–2023). The data was sourced from the World Bank's.

comparisons and insights into how South Africa can be evaluated relative to each group.

3.3.1 *South Africa vs Advanced Economies*

Higher Inflation Rates: Between 1990 and 2008, South Africa's average inflation rate (7.7%) was significantly higher than that of advanced economies (4.4%). This gap reflects structural challenges in South Africa, such as economic instability, less mature financial systems, and policy inefficiencies, compared to the well-established monetary policies and stable economic conditions in advanced economies.

Post-2008 Improvement: After the 2008 global financial crisis, South Africa's inflation rate decreased to 5.3% (2009–2023), while advanced economies saw a further decline to 2.5%. Despite this improvement, the persistent gap highlights South Africa's ongoing struggles to achieve the level of macroeconomic stability seen in advanced economies.

Insight: South Africa's inflation performance lags advanced economies, indicating a need for stronger monetary policies, structural reforms, and improved economic management to close the gap.

3.3.2 *South Africa vs Emerging Market and Developing Economies*

Lower Inflation Rates: Between 1990 and 2008, South Africa's average inflation rate (7.7%) was lower than that of EMDEs (9%). This suggests that, despite its challenges, South Africa performed relatively better in managing inflation compared to the broader EMDE group, which often faces higher inflation due to less mature financial systems, weaker institutions, and volatile economic conditions.

Post-2008 Convergence: From 2009 to 2023, South Africa's inflation rate (5.3%) remained slightly lower than that of EMDEs (5.7%). This indicates that South Africa has maintained a degree of macroeconomic stability compared to many emerging and developing economies, though the gap has narrowed.

Insight: South Africa's inflation performance is relatively stronger compared to EMDEs, suggesting that its economic policies and institutions are more effective than those of many emerging markets. However, the narrowing gap post-2008 indicates that South Africa must continue to improve to maintain its relative advantage.

3.4 Inflation Targeting Countries vs. South Africa

Inflation targeting is a monetary policy strategy aimed at maintaining price stability by controlling inflation within a predetermined target range (Bernanke et al., 1999). The primary goals of this framework are to anchor inflation expectations, enhance transparency in monetary policy, and ultimately contribute to sustainable economic growth (SARB, 2023). The framework usually involves setting a specific inflation target, utilising interest rate adjustments, and employing communication strategies to influence public expectations. Various countries have adopted inflation targeting due to its perceived advantages (Bernanke et al., 1999; SARB, 2023)

3.4.1 Advantages of inflation targeting

Transparency: Inflation targeting promotes clear communication of policy objectives, enhancing public understanding and reducing uncertainty regarding monetary policy. By openly sharing inflation targets, central banks foster credibility and accountability (Bernanke B. S., Laubach, Mishkin, & Posen, 1999)

Flexibility: The inflation targeting framework allows central banks to respond effectively to short-term economic developments. Policymakers can adjust interest rates and other tools promptly while maintaining a focus on long-term inflation goals. This flexibility ensures that monetary policy remains adaptable to changing circumstances. (Bernanke B. S., Laubach, Mishkin, & Posen, 1999)

Focus on Price Stability: Inflation targeting shifts political debate towards controlling inflation as the primary objective. Unlike other economic goals, such as employment or economic growth, which central banks cannot directly achieve through monetary policy, price stability becomes the central focus. (Bernanke B. S., Laubach, Mishkin, & Posen, 1999)

3.4.2 Inflation targeting comparative analysis

To understand the effectiveness of inflation targeting, we compare South Africa’s inflation performance with advanced EMDEs that have adopted similar frameworks. Figure 3-5 below illustrates the inflation trends both before and after the adoption of the inflation targeting framework.

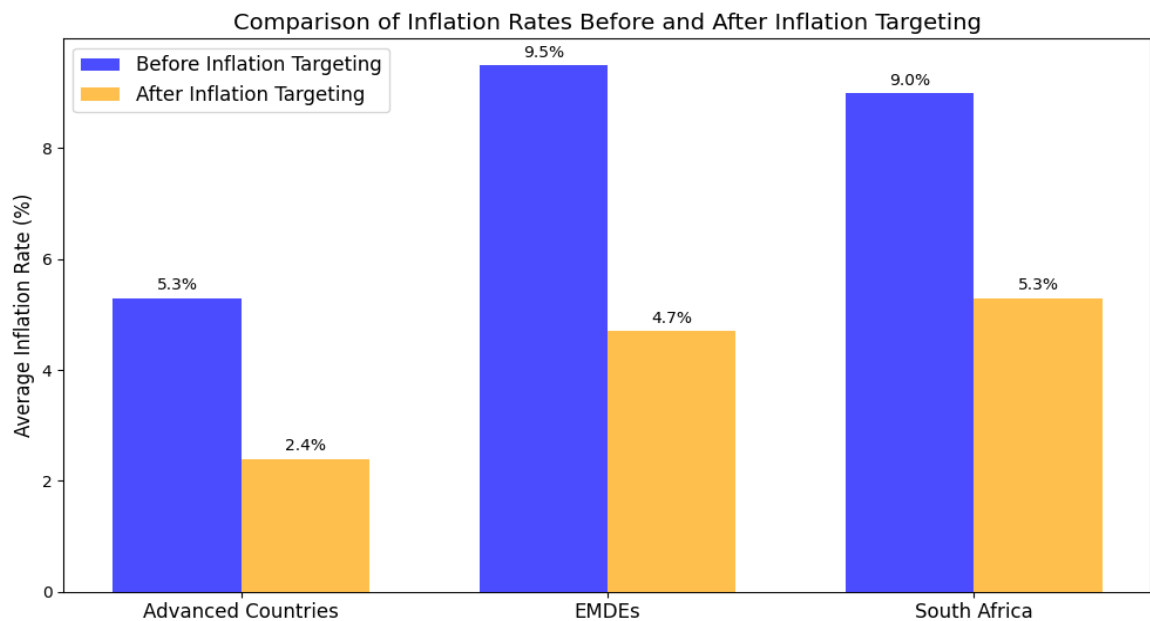


Figure 3-5: Comparison of Inflation Rates Before and After Inflation Targeting⁵

Source: World Bank (2024)

⁵ The inflation rates are calculated in two periods:

The inflation rate before inflation targeting is derived from the 10-year period preceding each country’s adoption of the inflation targeting framework, providing a baseline for pre-policy inflation dynamics.

The post-adoption inflation rate is calculated from the year of adoption to the most recent available data (2023), reflecting recent changes in inflation dynamics.

This analysis covers 33 countries: 11 advanced economies and 21 emerging market and developing economies (EMDEs), excluding South Africa. Countries are classified as inflation targeters based on the IMF’s Annual Report on Exchange Arrangements and Exchange Restrictions. Median averages are used to mitigate the influence of outliers in specific countries.

Inflation Targeting in Advanced Economies and EMDEs

Before adopting inflation targeting, South Africa's average inflation rate stood at 9.0%, which was lower than the average for EMDEs at 9.5% but higher than that of advanced economies at 5.3% (see Figure 3.5).

After adopting inflation targeting, South Africa's average inflation rate declined to 5.3%, bringing it closer to the averages of advanced economies (2.4%) and EMDEs (4.7%). This reduction demonstrates the effectiveness of inflation targeting in stabilising prices and curbing inflation. However, South Africa's inflation rate remains higher than that of advanced economies, largely due to persistent structural inefficiencies such as energy shortages and labor market rigidities (see Figure 3.5) (World Bank, 2024).

South Africa's Performance in the Global Context

Advanced economies, such as the UK, Canada, and Australia, have maintained low and stable inflation rates close to their targets (typically around 2%).⁶ Their early adoption of inflation targeting (late 1990s to early 2000s) and strong institutional frameworks have contributed to long-term price stability (source: IMF Annual Report on Exchange Arrangements and Exchange Restrictions). The inflation rate of 5.3% falls within the target range of 3–6%. In contrast, South Africa's inflation rate, while showing improvement, continues to exceed its target range of 3–6%, highlighting persistent structural challenges.

Emerging markets, including South Africa, show more variability in inflation rates due to economic volatility, political instability, and external shocks. While South Africa's inflation rates have stabilised post-targeting, they remain higher than advanced economies, indicating ongoing challenges.

⁶ The inflation targets for some of advanced economies are as follows: the UK and Canada each have a target of 2%, while Australia's target range is 2–3%

Key Insights

1) South Africa's Relative Performance:

Pre-Targeting Period (Before 2000): South Africa's average inflation rate of 9.0% was notably higher than that of advanced economies (5.3%) and slightly lower than the average for EMDEs at 9.5%. This elevated inflation rate highlights the economic instability, currency volatility, and structural challenges South Africa faced during this period.

Post-Targeting Period (2000–2023): Following the adoption of inflation targeting, South Africa's average inflation rate declined to 5.3%, moving closer to the EMDEs' average of 4.7% but remaining higher than the advanced economies' average of 2.4%. This suggests that while inflation targeting has been effective in reducing inflation and improving price stability, structural inefficiencies—such as energy shortages and labor market rigidities—continue to hinder South Africa's ability to achieve inflation levels comparable to those of advanced economies.

Advanced Economies' Success:

Advanced economies, such as the UK, Canada, and Australia, have maintained low and stable inflation rates close to their targets. Their early adoption of inflation targeting (late 1990s to early 2000s) and strong institutional frameworks have contributed to long-term price stability.

EMDEs' Variability:

EMDEs, including South Africa, show more variability in inflation rates due to economic volatility, political instability, and external shocks. While inflation targeting has helped reduce inflation in these countries, structural challenges and less mature financial systems often hinder full effectiveness.

Structural Challenges in South Africa:

South Africa's inflation rates remain higher than advanced economies, primarily due to structural inefficiencies. These include energy shortages, labor market

rigidities, and reliance on commodity exports, which create inflationary pressures and limit the effectiveness of monetary policy.

Insights from the Data

Inflation Targeting Works, but Context Matters: The data shows that inflation targeting has been effective in reducing inflation across all country groups. However, its success depends on the economic context, institutional capacity, and structural conditions of each country.

South Africa's Mixed Performance: South Africa has made significant progress in reducing inflation since adopting inflation targeting, but its rates remain higher than advanced economies and are only slightly better than the EMDE average. This highlights the need for complementary structural reforms to address underlying economic challenges.

3.5 Key Drivers of Inflation in South Africa

South Africa's inflation trends are shaped by a complex interplay of domestic and global factors (World Bank, 2024). This analysis investigates the key drivers of inflation in South Africa, with a focus on food inflation, energy inflation, and core inflation. The study involves calculations, visualizations, and an exploration of the trends and relationships among these factors (Statistics South Africa, 2023). Among the drivers examined, food inflation, energy inflation, and core inflation emerge as the most significant contributors. This chapter offers a comprehensive analysis of these components, their underlying causes, and their influence on South Africa's overall inflation (World Bank, 2024).

Figure 3-6 show relationship between Food, energy and core inflation ⁷between 2003 and 2023.

⁷ Core inflation is a measure of inflation that excludes certain items with volatile price movements, such as food and energy prices, to provide a clearer picture of the underlying and long-term trends in inflation. By removing these volatile components, core inflation helps policymakers and economists better understand the fundamental inflationary pressures in an economy, which are less susceptible to temporary shocks or seasonal fluctuations.

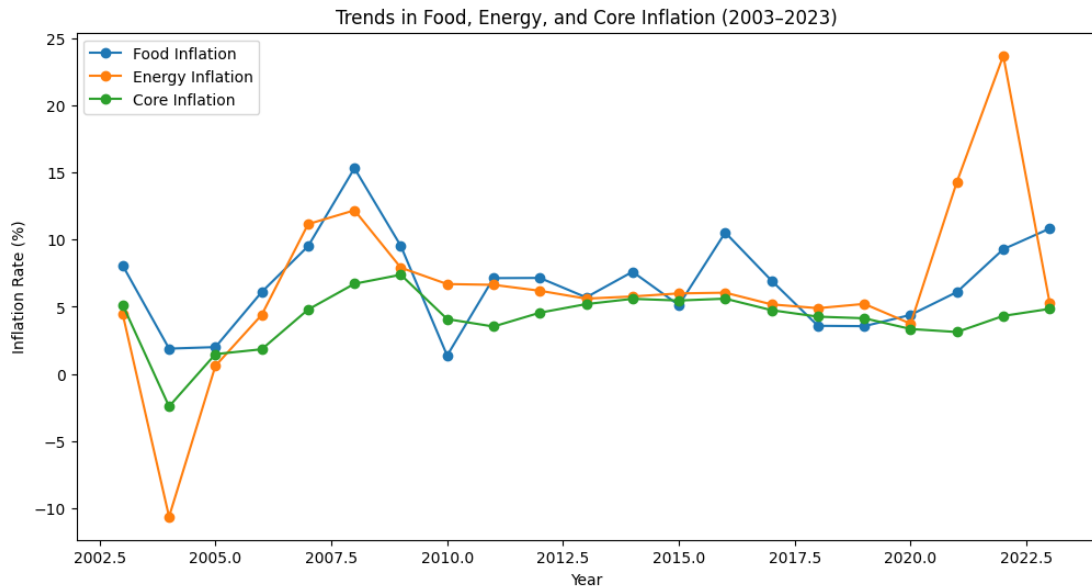


Figure 3-6: Trends in Food, Energy and Core inflation (2003-2023)

Source: World Bank (2024)

Volatility of Food, Energy, and Core Inflation

Table 1 below shows the standard deviation of food, energy, and core inflation to measure their volatility over the period 2003–2023.

Table 1: Summary of Key Metrics

Source: Data from World Bank (2024)

Metric	Food Inflation	Energy Inflation	Core Inflation
Mean (2003–2023)	6.67%	6.89%	4.61%
Standard Deviation	3.15%	5.72%	1.12%
Correlation with Headline	0.85	0.78	0.92
Contribution to Headline (2023)	2.16%	0.53%	3.39%

- Energy inflation is the most volatile (standard deviation = 5.72%), reflecting its sensitivity to global energy price shocks and domestic energy shortages.
- Food inflation is also volatile (standard deviation = 3.15%), driven by climate-related shocks and global food price fluctuations.

- Core inflation is the least volatile (standard deviation = 1.12%), indicating that underlying inflationary pressures are more stable.

The correlation coefficients between headline inflation and its components (food, energy, and core inflation) to understand their relative influence.

- Core inflation has the strongest correlation with headline inflation, indicating that it is the most significant driver of overall inflation.
- Food and energy inflation also have strong correlations, but their impact is more variable due to external shocks.

Food inflation shows significant fluctuations, peaking in 2016 (10.53%) and 2023 (10.82%). This reflects the impact of external shocks such as droughts (2015–2017) and global food price increases (2022–2023).

In 2018 (3.58%) and 2021 (6.10%), food inflation was relatively lower, indicating periods of stability in food supply and prices.

Energy inflation was highest in 2022 (23.70%), driven by global energy price shocks (e.g., the Russia-Ukraine conflict) and domestic energy shortages (load-shedding).

In 2015 (5.99%) and 2018 (4.89%), energy inflation was more moderate, reflecting stable global oil prices and fewer domestic energy disruptions.

Core inflation (headline excluding food and energy) remained relatively stable, ranging between 3.12% (2021) and 5.60% (2016). This stability suggests that core inflation is less affected by external shocks compared to food and energy inflation. Core inflation peaked in 2016 (5.60%), likely due to domestic economic challenges such as the Marikana Massacre and political instability.

Food, energy, and core inflation are the key drivers of South Africa's inflation trends. While food and energy inflation are highly volatile and influenced by external shocks, core inflation is more stable and reflects domestic economic conditions. Policymakers must address these drivers through targeted measures, including agricultural development, energy infrastructure improvements, and structural reforms, to ensure long-term price stability and economic growth.

CHAPTER 4. Comparison of Inflation trends and Economic growth

Figure 4-1 analysis of South Africa's inflation rate and economic growth from 1980 to 2023 can be grouped into distinct periods, each marked by significant events that influenced economic performance.

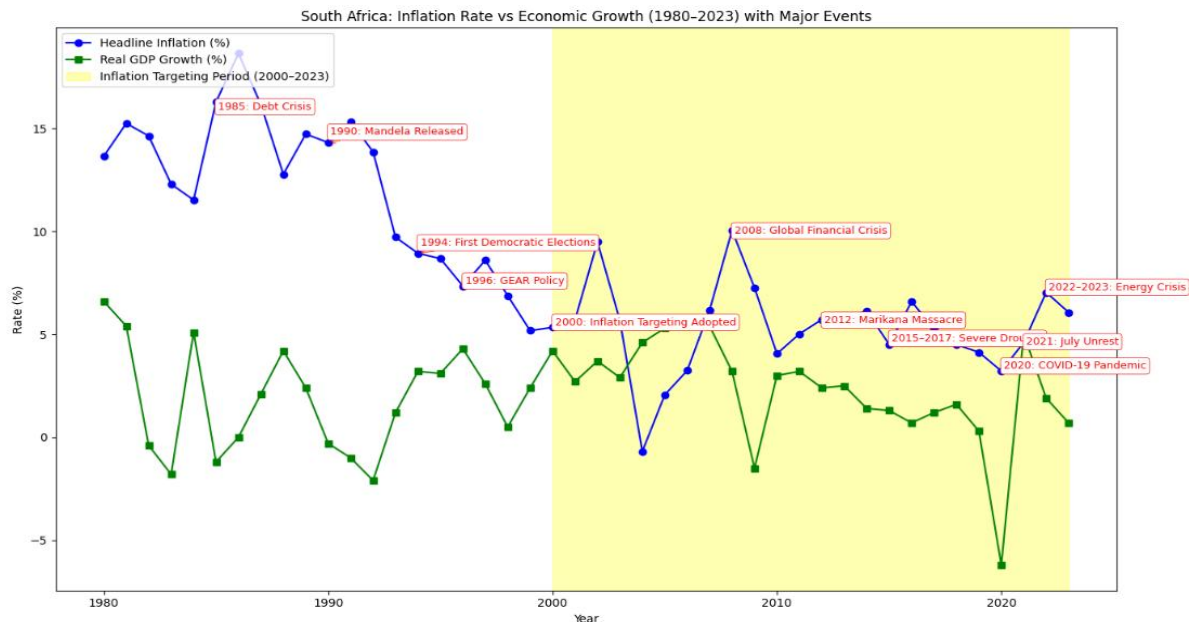


Figure 4-1: South Africa Inflation Rate vs Economic Growth

Source: World Bank and IMF

The 1980s were marked by economic sanctions against apartheid South Africa, leading to economic stagnation.⁸ The 1985 debt crisis exacerbated the situation, causing GDP growth to turn negative (-1.8% in 1983) and inflation to soar, peaking at 18.65% in 1986 (South African Reserve Bank, 2023). These events highlight the severe impact of political isolation and financial instability on the economy.

The release of Nelson Mandela in 1990 and the first democratic elections in 1994 marked the end of apartheid and the beginning of economic reforms. Inflation

⁸ Stagnation refers to a period of little or no economic growth, often accompanied by high unemployment and low productivity. In the context of South Africa in the 1980s, stagnation was caused by economic sanctions, political instability, and the debt crisis, which hindered economic activity and development.

declined from 14.32% in 1990 to 8.94% in 1994, while GDP growth turned positive (3.2% in 1994) (World Bank, 2023). The introduction of the GEAR policy⁹ in 1996 further liberalized the economy, reducing inflation to 7.35% in 1996 and boosting growth to 4.3% in 1996 (National Treasury, 1996).

South Africa adopted inflation targeting in 2000, which stabilized inflation (averaging 5.5% from 2000 to 2007) and supported robust growth (averaging 4.2%) (South African Reserve Bank, 2023). However, the 2008 global financial crisis caused a sharp decline in growth (-1.5% in 2009) and a temporary spike in inflation (10.06% in 2008), demonstrating the economy's vulnerability to external shocks.

The 2012 Marikana Massacre and 2015–2017 droughts slowed growth (to 0.7% in 2016) and pushed inflation higher (6.59% in 2016). Corruption scandals in 2017 further weakened investor confidence, keeping growth low (1.2% in 2017) (Statistics South Africa, 2023). These events underscore the impact of political instability and environmental factors on economic performance.

The COVID-19 pandemic in 2020 caused a severe economic contraction (-6.2% GDP growth) and low inflation (3.22% in 2020) due to weak demand (International Monetary Fund, 2023). The 2021 July unrest and the ongoing energy crisis (2022–2023) further strained the economy, with growth slowing to 0.7% in 2023 and inflation rising to 7.04% in 2022 (Eskom, 2023). These challenges highlight the need for structural reforms to address persistent issues.

The comparative analysis reveals that South Africa's inflation and growth rates have been heavily influenced by political events, economic policies, and external shocks. While inflation targeting successfully stabilized prices in the 2000s, persistent structural issues and external shocks have constrained growth. Addressing these challenges through structural reforms and policy adjustments will be critical for achieving sustained economic stability and growth in the future.

⁹ Growth, Employment, and Redistribution

4.1 Economic Growth vs. Inflation Growth in Inflation-Targeting Countries

The scatter plot graph below shows relationship between Economic Growth (x-axis) and Inflation Growth (y-axis) for a selection of countries, categorised as either Advanced Economies or Emerging and Developing Economies.

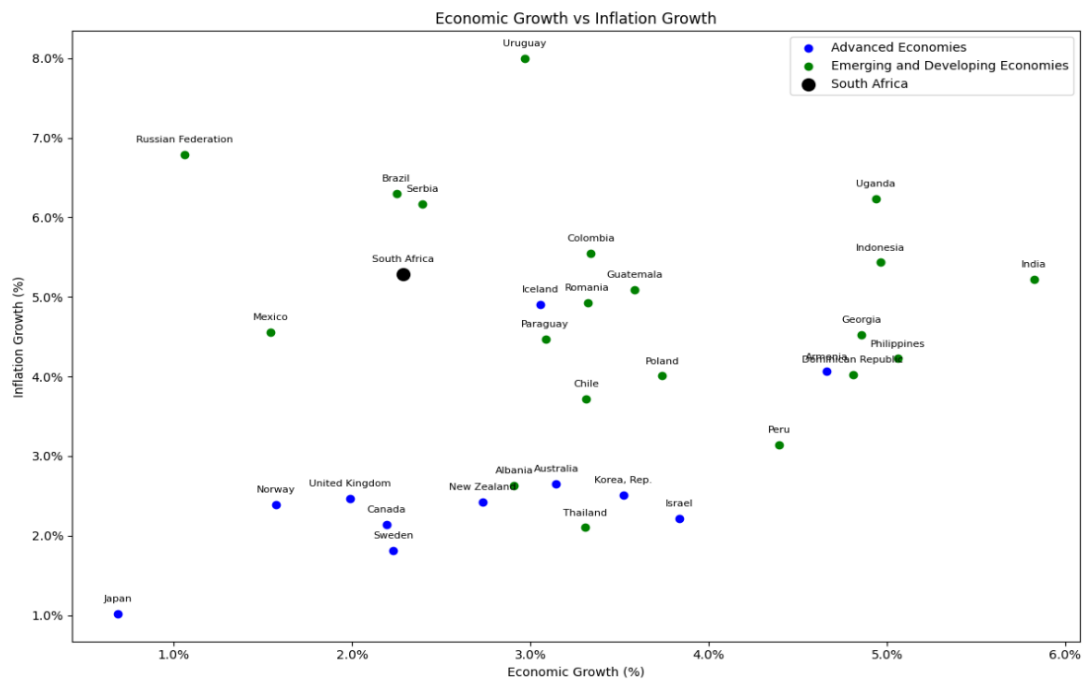


Figure 4-2: Economic and Inflation growth for Inflation Targeting countries

Source: World Bank (2024)

Figure 4.2 ¹⁰ shows the relationship between inflation and economic growth in countries that use inflation targeting (IT), with a particular focus on South Africa.

Advanced economies such as Canada, Sweden, and Australia have managed to keep inflation low, typically between 1% and 3%, while maintaining moderate economic growth of 1% to 3.5%. This stability reflects their well-established policies and mature economic systems. On the other hand, EMDEs like Brazil, India, and Indonesia tend to experience higher inflation, ranging from 2% to 8%, alongside stronger growth rates of 1% to 6%. While these economies are

¹⁰ All inflation and economic growth figures are averages calculated from the year each country adopted inflation targeting up to 2023. These averages provide a long-term perspective on performance trends rather than annual fluctuations.

dynamic, they are also more vulnerable to external shocks and internal inefficiencies. South Africa's inflation rate, at 5.29%, is higher than that of advanced economies but more moderate compared to EMDEs such as Uruguay (7.99%) and Russia (6.79%). This suggests that South Africa's inflation-targeting framework has had some success, though there is still room for improvement (South African Reserve Bank, 2023).

When it comes to economic growth, advanced economies like Japan (0.69%) and the UK (1.99%) show steady but modest performance, while EMDEs such as India (5.83%) and the Philippines (5.06%) achieve more robust growth. South Africa, however, lags behind with a growth rate of just 2.29%. This underperformance points to deep-rooted structural issues, including high unemployment, persistent energy shortages, and policy uncertainties that hinder progress (World Bank, 2024).

While South Africa's inflation outcomes are relatively moderate compared to other EMDEs—avoiding the extreme inflation seen in some countries—it still falls short of the stability achieved by advanced economies. More concerning is its sluggish economic growth, which underscores the need for significant structural reforms. To move forward, South Africa could benefit from further research into the factors constraining growth, the effectiveness of its inflation-targeting policies, and lessons from both advanced economies and high-performing EMDEs.

It is also worth noting that South Africa's intention to reduce its inflation target further warrants careful consideration, particularly if the goal is to spur economic growth. Lowering the inflation target could enhance price stability, but it may also risk constraining economic activity, especially in an environment where structural challenges already limit growth potential. Balancing inflation control with growth-oriented policies will be critical for South Africa's economic recovery and long-term development (National Treasury, 2023)

CHAPTER 5. Implication for the Future Economic Policy

The comparative analysis of South Africa's inflation rates with those of advanced economies and other emerging markets provides critical insights into the country's economic performance and structural challenges. This chapter explores the implications of this analysis for future economic policy, focusing on how South Africa can address its unique inflationary pressures and structural constraints to achieve sustainable growth and stability.

5.1 Implications for Future Economic Policy

South Africa's adoption of inflation targeting in 2000 has been relatively successful in maintaining inflation within the target band of 3%–6%, with an average rate of 5.8% since its implementation (South African Reserve Bank, 2023). However, the country's inflation rates remain higher than those of advanced economies, such as the United States and the European Union, which have maintained rates of 1.5%–2.5% (IMF, 2023). This disparity highlights the need to strengthen the inflation targeting framework by addressing structural inefficiencies that contribute to higher inflation.

Policy Recommendations:

- Enhance the credibility and transparency of the Bank SARB by ensuring its independence and clear communication of monetary policy decisions.
- Address supply-side constraints, such as energy shortages and infrastructure deficits, which exacerbate inflationary pressures.
- Monitor external vulnerabilities, such as exchange rate volatility and global commodity price fluctuations, to mitigate their impact on domestic inflation.

5.2 Addressing Structural Challenges

South Africa's higher inflation rates compared to advanced economies are a reflection of its unique structural challenges, including energy shortages, high unemployment, and inequality. These challenges not only drive inflation but also constrain economic growth. For instance, persistent load-shedding has disrupted production and increased costs, while unemployment rates exceeding 30% have reduced productivity and increased social spending (World Bank, 2023).

Policy Recommendations:

- **Energy Sector Reforms:** Accelerate the implementation of renewable energy projects under the Integrated Resource Plan (IRP) and decentralize energy generation to reduce reliance on Eskom (Department of Mineral Resources and Energy, 2023).
- **Labor Market Reforms:** Expand youth employment programs and align education with market needs to address skills mismatches and reduce unemployment (National Planning Commission, 2023).
- **Inequality Reduction:** Invest in quality education and accelerate land redistribution to promote inclusive economic growth (Statistics South Africa, 2022).

5.3 Enhancing Competitiveness and Infrastructure Development

South Africa's infrastructure deficits and inefficiencies have increased the cost of doing business and reduced competitiveness. Poor transport and digital infrastructure have constrained economic activity, while corruption and inefficiencies in public-private partnerships (PPPs) have hindered progress (National Treasury, 2023).

- **Prioritize critical infrastructure projects,** such as transport and digital networks, to support economic growth and reduce costs.
- **Enhance transparency and accountability in PPPs** by establishing an independent oversight body to monitor implementation.

- Leverage technology to improve infrastructure planning, monitoring, and maintenance.

5.4 Promoting Inclusive Economic Policies

High levels of inequality, with a Gini coefficient of 0.63, limit consumer demand and economic participation, further exacerbating inflationary pressures (Statistics South Africa, 2022). Addressing inequality is essential for achieving sustainable growth and reducing inflation.

Expand access to quality education and healthcare to improve human capital and economic participation. Implement targeted economic policies, such as rural development programs, to create opportunities in underserved areas. Accelerate land reform programs to address historical inequalities and promote inclusive growth.

The comparative analysis of South Africa's inflation rates with global trends underscores the importance of addressing structural challenges to achieve sustainable growth and stability. While the inflation targeting framework has been relatively successful, persistent structural inefficiencies, such as energy shortages, high unemployment, and inequality, continue to constrain the country's economic potential. Future economic policy must focus on strengthening the inflation targeting framework, addressing structural challenges, enhancing competitiveness, and promoting inclusive economic policies.

By implementing these recommendations effectively, South Africa can reduce inflationary pressures, unlock its growth potential, and build a more prosperous and inclusive economy. The success of these policies will require strong political will, collaboration between the public and private sectors, and a commitment to transparency and accountability.

CHAPTER 6. Summary of Findings

This research paper has undertaken a comprehensive comparative analysis of South Africa's inflation outcomes, examining its performance relative to advanced economies, emerging markets (EMEs), and other inflation-targeting countries. The study also examines the links between inflation and economic growth in South Africa over time, providing valuable insights into the country's economic trajectory and the structural challenges that have shaped its inflationary trends.

The comparative analysis revealed that South Africa's inflation rates, while higher than those of advanced economies, have been moderate compared to many other EMEs (World Bank, 2024). Since the adoption of inflation targeting in 2000, South Africa has maintained an average inflation rate of 5.8%, within the target band of 3%--6% (South African Reserve Bank, 2023). This achievement underscores the effectiveness of the inflation-targeting framework in stabilizing inflation and anchoring expectations (Bernanke et al., 1999). However, the persistent gap between South Africa's inflation rates and those of advanced economies, such as the United States and the European Union, highlights the impact of structural inefficiencies, including energy shortages, high unemployment, and inequality (Statistics South Africa, 2023).

The analysis of South Africa's inflation and economic growth over time revealed a complex relationship. While inflation targeting has contributed to macroeconomic stability, structural challenges have constrained economic growth, which has averaged only 2.8% since 2000 (Statistics South Africa, 2023). The energy crisis, labour market inefficiencies, and infrastructure deficits have been significant barriers to growth, exacerbating inflationary pressures and limiting the country's economic potential.

The findings of this study have important implications for future economic policy. To achieve sustainable growth and maintain inflation within the target band, South Africa must address its structural challenges through targeted reforms. Key policy recommendations include:

1. Strengthening the Inflation-Targeting Framework: Enhancing the credibility and transparency of the South African Reserve Bank (SARB) and addressing supply-side constraints to reduce inflationary pressures.
2. Resolving Structural Challenges: Accelerating energy sector reforms, tackling unemployment through skills development and youth employment programs, and reducing inequality through inclusive economic policies.
3. Improving Infrastructure and Competitiveness: Prioritizing critical infrastructure projects enhancing transparency in public-private partnerships (PPPs) and leveraging technology to improve efficiency.
4. Promoting Inclusive Growth: Expanding access to quality education and healthcare, accelerating land reform, and implementing targeted economic policies to create opportunities in underserved areas.

In conclusion, while South Africa's inflation-targeting framework has been relatively successful in stabilising inflation, the country's economic performance remains constrained by persistent structural challenges. Addressing these challenges through effective policy implementation and innovative solutions is essential for achieving sustainable growth, reducing inequality, and maintaining macroeconomic stability. These efforts require strong political will, public-private collaboration, and a commitment to transparency. By taking these steps, South Africa can unlock its growth potential and build a more prosperous and inclusive economy.

CHAPTER 7. Appendices

7.1 Data Sets

Table 2: Historical Inflation Rates (1970 -2023)

Year	Global Inflation	Advance Economy	EMDE inflation	South Africa Inflation
1970	6,1	7,0	6,3	4,1
1971	6,1	7,2	6,0	6,0
1972	6,9	7,0	7,0	6,4
1973	11,4	10,5	11,8	9,4
1974	17,2	16,8	17,4	11,7
1975	14,0	13,7	14,0	13,4
1976	10,1	11,3	9,8	11,0
1977	11,7	11,4	11,7	11,2
1978	10,5	10,6	10,8	11,1
1979	11,4	10,3	11,7	13,3
1980	14,2	11,9	14,8	13,7
1981	13,4	12,4	13,5	15,3
1982	11,2	9,5	11,3	14,6
1983	10,5	8,6	11,0	12,3
1984	10,0	6,5	10,6	11,5
1985	8,4	5,4	9,1	16,3
1986	8,1	5,1	8,8	18,7
1987	7,6	4,9	8,5	16,2
1988	8,9	4,6	10,1	12,8
1989	8,5	5,4	9,4	14,7
1990	10,8	7,1	12,0	14,3
1991	10,9	6,3	12,4	15,3
1992	8,8	5,5	10,0	13,9
1993	9,6	5,9	10,8	9,7
1994	11,9	6,9	13,7	8,9
1995	11,3	7,0	13,1	8,7
1996	9,9	5,5	11,6	7,4
1997	7,3	3,9	8,5	8,6
1998	7,2	3,0	8,5	6,9
1999	5,6	2,8	6,7	5,2
2000	5,7	3,5	6,6	5,3
2001	5,3	3,2	6,1	5,7
2002	5,2	2,4	6,2	9,5
2003	5,7	2,5	6,8	5,7
2004	5,2	2,5	6,2	-0,7
2005	5,7	3,0	6,7	2,1
2006	5,8	3,5	6,8	3,2
2007	5,6	3,6	6,4	6,2
2008	10,0	6,2	11,6	10,1
2009	4,5	2,4	5,6	7,3
2010	4,4	2,2	5,1	4,1
2011	6,0	3,4	6,9	5,0
2012	5,4	2,7	6,3	5,7
2013	4,2	1,7	5,1	5,8
2014	3,7	1,3	4,6	6,1
2015	3,4	0,8	4,5	4,5
2016	3,6	0,9	4,6	6,6
2017	4,3	1,7	5,2	5,3
2018	3,8	1,9	4,4	4,5
2019	3,1	1,6	3,7	4,1
2020	3,8	0,8	4,9	3,2
2021	5,1	2,5	6,0	4,6
2022	9,6	7,4	9,9	7,0
2023	7,9	5,7	8,7	6,1

Table 3: Countries Inflation Rates and Countries Classification

Countries	Classification	Annual ave	Pre 2009(A	Post 2009 (Avg)	Countries	Classification	Annual average i	Pre 2009(Avg)	Post 2009 (Avg)
Australia	Advanced Econo	5,60	2,89	2,59	Jordan	Emerging and Dev	2,084869863	4,7	2,4
Austria	Advanced Econo	7,81	2,29	2,65	Kazakhstan	Emerging and Dev	14,71680146	401,0	8,3
Belgium	Advanced Econo	4,05	2,25	2,32	Kenya	Emerging and Dev	7,675	12,9	7,2
Canada	Advanced Econo	3,88	2,25	2,17	Kiribati	Emerging and Dev	9,277	3,2	1,8
Croatia	Advanced Econo	7,94	159,52	2,30	Kosovo	Emerging and Dev	4,944227096	1,8	2,5
Cyprus	Advanced Econo	3,54	3,49	1,17	Kuwait	Emerging and Dev	3,64216403	3,2	3,0
Czech Republic	Advanced Econo	10,66	9,25	3,38	Kyrgyz Republic	Emerging and Dev	10,75327704	83,5	6,9
Denmark	Advanced Econo	3,31	2,15	1,78	Lebanon	Emerging and Dev	221,341644	16,2	45,5
Estonia	Advanced Econo	9,45	85,12	3,77	Lesotho	Emerging and Dev	6,342217431	9,3	5,3
Finland	Advanced Econo	6,25	2,05	1,93	Liberia	Emerging and Dev	2,555176714	5,5	10,5
France	Advanced Econo	4,88	1,89	1,59	Libya	Emerging and Dev	2,555176714	3,2	8,8
Germany	Advanced Econo	5,95	2,17	2,01	Madagascar	Emerging and Dev	9,861	14,1	7,2
Greece	Advanced Econo	3,46	7,45	1,42	Malawi	Emerging and Dev	28,78974282	21,0	15,9
Hong Kong SAR, China	Advanced Econo	1,94	3,51	2,59	Malaysia	Emerging and Dev	2,795643456	3,1	2,0
Iceland	Advanced Econo	8,74	4,89	4,51	Maldives	Emerging and Dev	3,156013804	6,2	3,4
Ireland	Advanced Econo	6,30	3,12	1,13	Mali	Emerging and Dev	2,058802283	3,4	1,9
Israel	Advanced Econo	4,23	6,80	1,57	Marshall Islands	Emerging and Dev	6,753	5,6	2,0
Italy	Advanced Econo	5,62	3,34	1,88	Mauritania	Emerging and Dev	4,949	6,5	3,8
Japan	Advanced Econo	3,27	0,57	0,59	Mauritius	Emerging and Dev	7,052982385	7,0	3,8
Korea, Rep.	Advanced Econo	3,59	4,51	2,11	Mexico	Emerging and Dev	5,527960873	13,2	4,5
Latvia	Advanced Econo	8,94	71,16	3,19	Moldova	Emerging and Dev	16,83167956	152,6	7,6
Lithuania	Advanced Econo	9,12	107,41	3,84	Mongolia	Emerging and Dev	10,34758313	53,8	8,3
Luxembourg	Advanced Econo	3,74	2,35	2,04	Montenegro	Emerging and Dev	8,584769105	11,3	2,9
Macao SAR, China	Advanced Econo	0,94	1,37	2,94	Morocco	Emerging and Dev	6,091141525	3,3	1,8
Malta	Advanced Econo	5,11	2,92	1,97	Mozambique	Emerging and Dev	7,126974821	23,3	7,1
Netherlands	Advanced Econo	3,84	2,34	2,34	Myanmar	Emerging and Dev	27,1	24,1	7,8
New Zealand	Advanced Econo	5,73	2,41	2,43	Namibia	Emerging and Dev	5,879934633	9,5	5,3
Norway	Advanced Econo	5,52	2,27	2,62	Nauru	Emerging and Dev	6,203	8,6	3,7
Portugal	Advanced Econo	4,31	4,66	1,62	Nepal	Emerging and Dev	7,114759517	7,4	7,5
Puerto Rico	Advanced Econo	-	2,44	1,08	Nicaragua	Emerging and Dev	9,342283281	173,8	5,8
San Marino	Advanced Econo	6,08	2,20	2,07	Niger	Emerging and Dev	3,700973164	4,1	1,5
Singapore	Advanced Econo	4,82	1,77	2,01	Nigeria	Emerging and Dev	23,31589192	21,9	13,5
Slovak Republic	Advanced Econo	10,53	11,03	3,04	Macedonia, FYR	Emerging and Dev	9,361872498	143,9	2,8
Slovenia	Advanced Econo	7,45	53,87	2,09	Oman	Emerging and Dev	0,947	2,0	1,6
Spain	Advanced Econo	3,53	3,80	1,78	Pakistan	Emerging and Dev	30,76812807	8,6	10,2
Sweden	Advanced Econo	8,55	2,53	2,02	Palau	Emerging and Dev	12,65211918	3,0	3,2
Switzerland	Advanced Econo	2,14	1,76	0,31	Panama	Emerging and Dev	1,486413553	1,8	2,1
United Kingdom	Advanced Econo	6,79	2,82	2,73	Papua New Guinea	Emerging and Dev	1,544945238	8,3	4,8
United States	Advanced Econo	4,12	2,95	2,36	Paraguay	Emerging and Dev	4,632022854	12,9	4,4
Afghanistan	Emerging and Dev	-	20,34	4,17	Peru	Emerging and Dev	6,455613484	420,7	3,5
Albania	Emerging and Dev	5,57	24,65	2,63	Philippines	Emerging and Dev	5,978025155	7,4	3,7
Algeria	Emerging and Dev	9,32	10,75	5,76	Poland	Emerging and Dev	11,5289128	46,0	3,6
Angola	Emerging and Dev	13,64	573,69	17,23	Qatar	Emerging and Dev	3,027648992	4,8	1,0
Antigua and Barbuda	Emerging and Dev	5,07	2,79	2,18	Romania	Emerging and Dev	10,39718748	72,6	4,4
Argentina	Emerging and Dev	128,41	137,31	37,06	Russian Federation	Emerging and Dev	5,859	177,6	7,2
Armenia	Emerging and Dev	1,98	578,52	3,74	Rwanda	Emerging and Dev	19,78954675	11,7	6,3
Aruba	Emerging and Dev	3,37	3,70	1,38	Samoa	Emerging and Dev	7,966662947	4,6	3,1
Azerbaijan	Emerging and Dev	8,79	239,65	5,74	Saudi Arabia	Emerging and Dev	2,327085184	1,5	2,6
Bahamas, The	Emerging and Dev	3,44	2,57	1,95	Senegal	Emerging and Dev	7,667579321	3,5	2,0
Bahrain	Emerging and Dev	0,18	1,44	1,54	Serbia	Emerging and Dev	12,37190436	26,3	5,5
Bangladesh	Emerging and Dev	9,78	6,07	6,78	Seychelles	Emerging and Dev	-1,035	4,2	4,8
Barbados	Emerging and Dev	11,02	3,39	4,39	Sierra Leone	Emerging and Dev	47,64287333	27,8	13,7
Belarus	Emerging and Dev	5,00	316,19	16,44	Solomon Islands	Emerging and Dev	4,49	10,1	3,3
Belize	Emerging and Dev	4,52	2,43	1,34	South Africa	Emerging and Dev	6,073908532	7,7	5,3
Benin	Emerging and Dev	4,41	5,73	1,85	South Sudan	Emerging and Dev	2,382804348		71,5
Bhutan	Emerging and Dev	4,01	6,82	6,03	Sri Lanka	Emerging and Dev	16,54117423	10,9	8,6
Bolivia	Emerging and Dev	2,58	7,87	3,49	St. Kitts and Nevis	Emerging and Dev	3,998048781	3,6	0,9
Bosnia and Herzegovina	Emerging and Dev	6,10	2,77	1,88	St. Lucia	Emerging and Dev	3,651	3,1	1,8
Botswana	Emerging and Dev	5,07	9,92	5,50	St. Vincent and the Grenadines	Emerging and Dev	4,571	2,7	1,4
Brazil	Emerging and Dev	4,59	447,19	5,90	Sudan	Emerging and Dev	171,471	41,8	1206,0
Brunei Darussalam	Emerging and Dev	0,36	1,36	0,52	Suriname	Emerging and Dev	57,55980139	28,3	23,3
Bulgaria	Emerging and Dev	9,44	101,50	3,11	Syrian Arab Republic	Emerging and Dev	0	6,3	27,3
Burkina Faso	Emerging and Dev	0,74	3,86	1,84	Tajikistan	Emerging and Dev	3,500229666	268,6	6,8
Burundi	Emerging and Dev	26,94	12,56	9,52	Tanzania	Emerging and Dev	4,028555428	15,0	6,7
Cabo Verde	Emerging and Dev	4,51	4,84	1,88	Thailand	Emerging and Dev	3,876242385	3,9	1,7
Cambodia	Emerging and Dev	2,13	32,86	2,90	Timor-Leste	Emerging and Dev	8,42	5,8	4,5
Cameroon	Emerging and Dev	7,38	3,89	2,64	Togo	Emerging and Dev	5,059	4,8	2,5
Central African Republic	Emerging and Dev	2,98	3,70	4,18	Tonga	Emerging and Dev	6,577421349	6,5	3,3
Chad	Emerging and Dev	10,08	4,03	3,03	Trinidad and Tobago	Emerging and Dev	5,9173542	6,2	4,6
Chile	Emerging and Dev	7,58	7,94	3,75	Tunisia	Emerging and Dev	9,328995975	4,1	5,5
China	Emerging and Dev	0,23	5,11	2,04	Turkmenistan	Emerging and Dev	-1,738	440,7	6,3
Colombia	Emerging and Dev	11,74	14,74	4,63	Tuvalu	Emerging and Dev	6,205	4,0	2,7
Comoros	Emerging and Dev	8,48	3,61	3,49	Uganda	Emerging and Dev	5,350948043	12,1	6,5
Congo, Dem. Rep.	Emerging and Dev	19,89	1832,38	15,05	Ukraine	Emerging and Dev	12,84902228	323,5	12,4
Congo, Rep.	Emerging and Dev	4,30	3,47	2,60	United Arab Emirates	Emerging and Dev	1,623	4,7	1,4
Costa Rica	Emerging and Dev	0,53	14,20	3,37	Uruguay	Emerging and Dev	5,869103599	29,9	8,0
Côte d'Ivoire	Emerging and Dev	4,39	4,67	2,11	Uzbekistan	Emerging and Dev	9,951	199,0	11,8
Djibouti	Emerging and Dev	1,80	3,75	2,64	Vanuatu	Emerging and Dev	13,00287793	3,0	3,1
Dominica	Emerging and Dev	4,09	2,29	1,40	Venezuela, RB	Emerging and Dev	337,458	34,6	6052,1
Dominican Republic	Emerging and Dev	4,79	14,85	4,30	Vietnam	Emerging and Dev	3,252892827	14,3	5,3
Ecuador	Emerging and Dev	2,22	29,65	2,42	West Bank and Gaza	Emerging and Dev	5,871101777	4,6	1,9
Egypt, Arab Rep.	Emerging and Dev	33,88	8,87	12,96	Zambia	Emerging and Dev	10,953	47,6	10,8
El Salvador	Emerging and Dev	4,05	7,43	1,79	Zimbabwe	Emerging and Dev	105,4019823	4,5	76,4
Equatorial Guinea	Emerging and Dev	4,31	6,13	3,11	Guatemala	Emerging and Dev	6,27	11,64	4,19
Eritrea	Emerging and Dev	9,16	13,61	4,84	Guinea	Emerging and Dev	7,80	12,86	10,96
Swaziland	Emerging and Dev	4,95	8,80	5,49	Guinea-Bissau	Emerging and Dev	10,06	21,44	2,41
Ethiopia	Emerging and Dev	32,30	9,45	17,38	Guyana	Emerging and Dev	2,82	16,24	2,32
Fiji	Emerging and Dev	1,37	3,81	2,63	Haiti	Emerging and Dev	43,58	18,72	14,31
Gabon	Emerging and Dev	3,63	2,94	2,27	Honduras	Emerging and Dev	6,66	14,44	5,05
Gambia, The	Emerging and Dev	16,97	6,12	7,20	Hungary	Emerging and Dev	17,12	14,71	4,62
Georgia	Emerging and Dev	2,49	1171,33	4,52	India	Emerging and Dev	5,56	7,36	7,02
Ghana	Emerging and Dev	38,11	23,25	14,33	Indonesia	Emerging and Dev	3,67	11,87	4,20
Grenada	Emerging and Dev	2,86	2,93	1,13	Iran, Islamic Republic of	Emerging and Dev	44,58	19,79	25,16
Jamaica	Emerging and Dev	6,62	19,94	6,69	Iraq	Emerging and Dev	4,49	85,33	2,31

Table 4: Inflation Targeting Countries inflation rate

Countries	Classificati	Adoption Year	Before Adoption	After Adoption
Australia	Advanced	1993	5,6	2,7
Canada	Advanced	1991	5,3	2,5
Czech Republic	Advanced	1997	13,8	4,2
Iceland	Advanced	2001	3,2	3,7
Israel	Advanced	1997	13,8	1,1
Japan	Advanced	2013	-0,1	1,1
Korea, Rep.	Advanced	2001	4,6	1,8
New Zealand	Advanced	1990	10,8	2,6
Norway	Advanced	2001	2,3	3,1
Sweden	Advanced	1993	6,3	2,6
United Kingdom	Advanced	1992	5,3	2,8
Albania	Emerging a	2009	2,7	2,6
Armenia	Emerging a	2006	4,2	2,9
Brazil	Emerging a	1999	843,2	6,0
Chile	Emerging a	1999	11,8	4,6
Colombia	Emerging a	1999	22,2	5,4
Dominican Republic	Emerging a	2012	12,7	4,0
Georgia	Emerging a	2009	6,3	5,2
Guatemala	Emerging a	2005	7,6	4,3
India	Emerging a	2015	8,5	5,3
Indonesia	Emerging a	2005	14,3	3,7
Mexico	Emerging a	2001	17,1	4,7
Paraguay	Emerging a	2011	7,9	4,3
Peru	Emerging a	2002	12,0	3,8
Philippines	Emerging a	2002	6,6	3,6
Poland	Emerging a	1998	141,6	3,9
Romania	Emerging a	2005	43,7	4,1
Russian Federation	Emerging a	2015	9,5	6,9
Serbia	Emerging a	2006	27,1	4,2
South Africa	Emerging a	2000	9,0	5,2
Thailand	Emerging a	2000	4,6	1,4
Uganda	Emerging a	2011	8,2	4,3
Uruguay	Emerging a	2007	8,7	8,1

Table 5: Summary of inflation rate by groups

Grouping	Before Inflation Targeting	After Inflation Targeting
Advance Economies	6,4	2,6
EMDEs	9,7	4,4
South Africa	9,0	5,2

7.2 Graphs and Tables

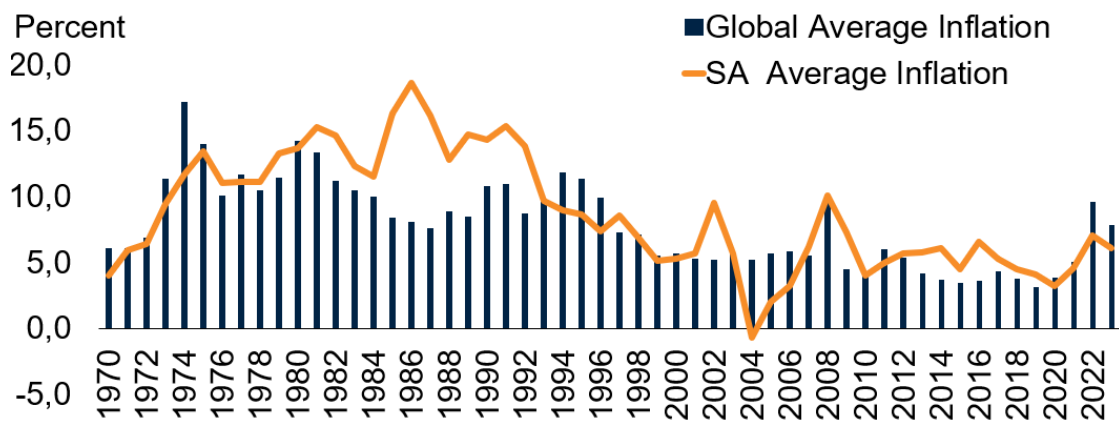


Figure 7-1: South African Historical Inflation Rates vs. Global Inflation Rates (1970-2023)

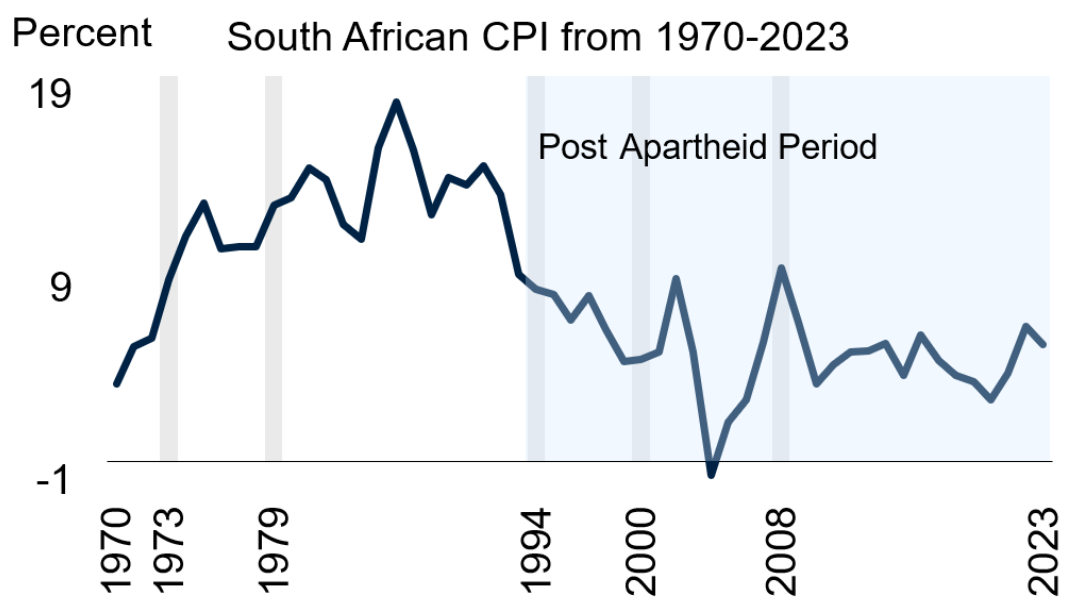


Figure 7-2: South Africa CPI (1970-2023)

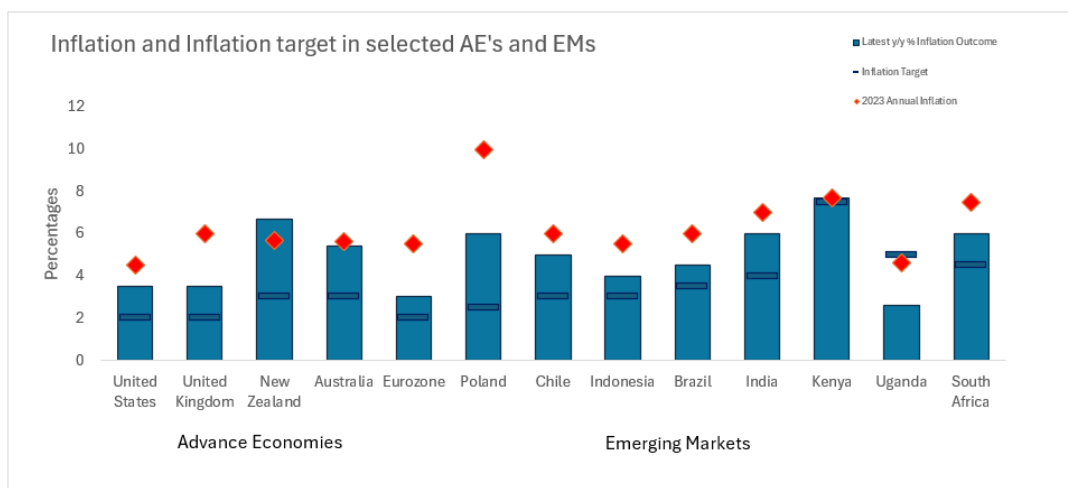


Figure 7-3: Inflation and Inflation Targeting in selected AE and EMDE's

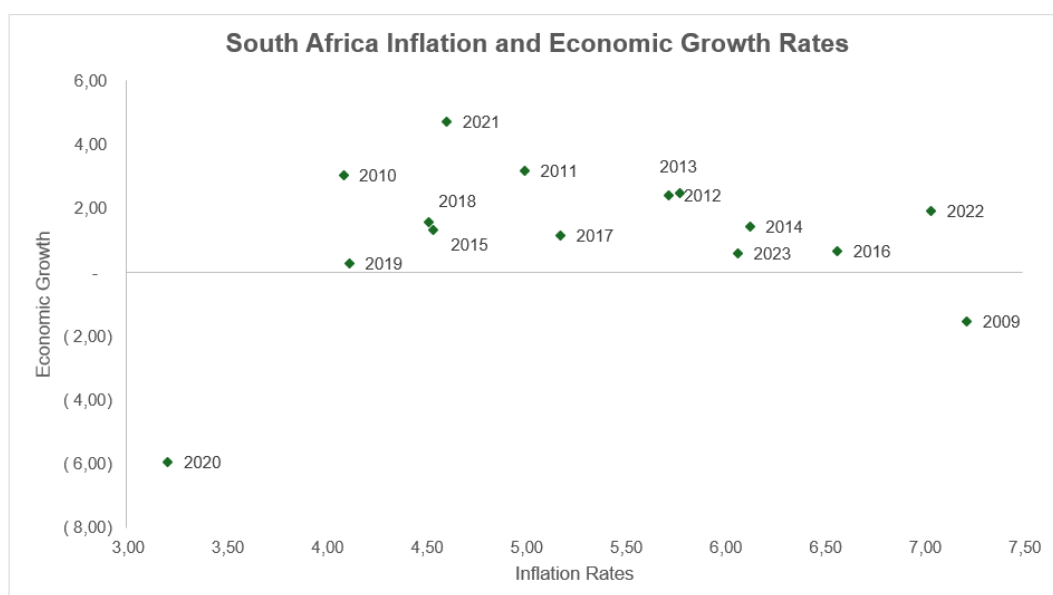


Figure 7-4: South Africa Inflation and Growth Rates

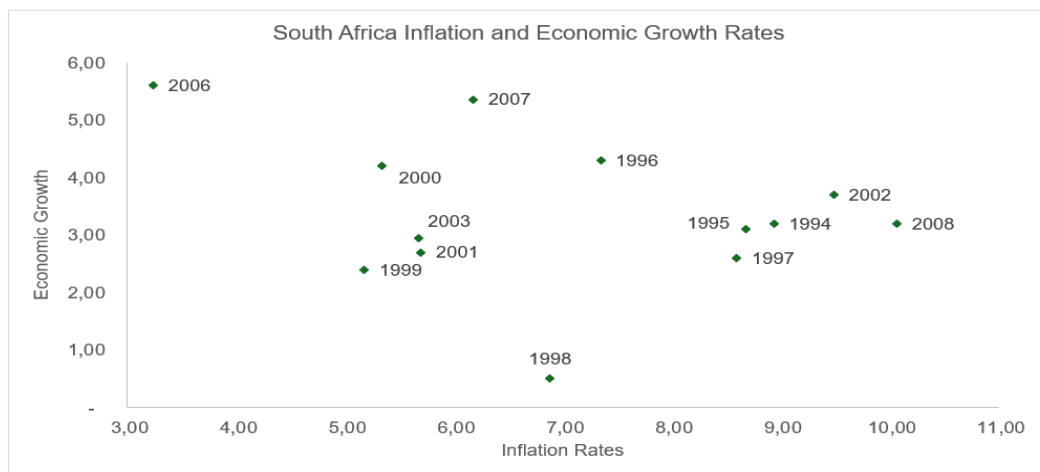


Figure 7-5: South Africa Inflation and Economic Growth Rates

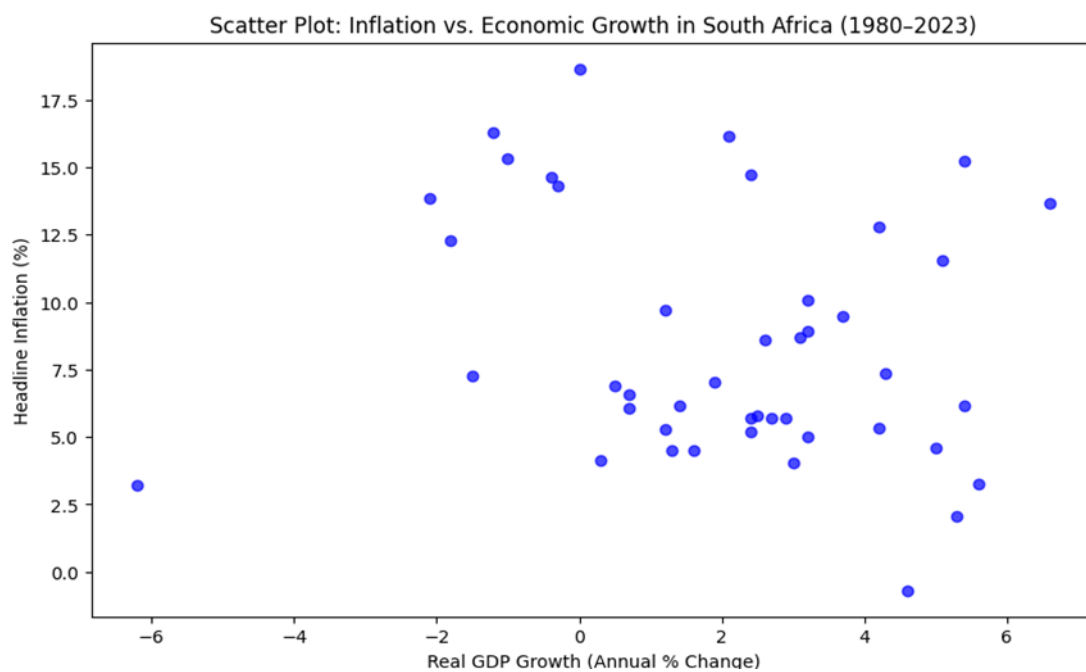


Figure 7-6: South African Inflation and Economic growth (1980-2023)

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