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South African Reserve Bank

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Position

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Title of paper

Inflation and monetary policy: what South African newspapers report in an era of policy transparency

Biographical details/achievements

Dr Reid is a senior lecturer in the Department of Economics at Stellenbosch University in South Africa, where she lectures mainly graduate courses in macroeconomics and monetary economics. Her academic research has focused on monetary economics, with a particular interest in central bank communication. Her current research agenda, which is a continuation of her PhD thesis, takes an interdisciplinary approach to analysing the impact of central bank communication with the inattentive general public.

Abstract of paper

Inflation is a monetary policy outcome in the long run. But the process of inflation involves decisions about prices and wages in the public and private sectors that co-determine how it will evolve over the short to medium term. The recognition of the multiple forward-looking decision-makers involved in the effective pursuit of monetary policy goals has introduced a strategic perspective to policy, where the strategy is to an important extent a communication strategy, an act of persuasion. For the public, one of the main sources of information about a central bank's communication is the media. We analyse, in this paper, the content of print media reports to explore how information about inflation and monetary policy are presented to the public. These media articles present the views of the journalists as well as those of other sources, including the central bank and financial analysts. We primarily make two points. Firstly, we argue that the media is not a passive conduit of central bank communication. Instead, it provides one of the central, public domains where expectations about future inflation are voiced, negotiated and shaped between various stakeholder groups. We argue that the media platform should be recognised as a point of strategic interaction, where the central bank's carefully crafted communication is joined by other voices. Secondly, our content analysis identifies some of the characteristics of the media discourse on inflation and monetary policy, including some concepts that present the potential for confusion. This characterisation of the media articles is exploratory in nature and identifies a range of relevant questions which we are exploring in ongoing research on the factors that determine the public's inflation expectations.