



Biennial Conference 2016



South African Reserve Bank

Professor Eric Schaling



Position held

Jelle Zijlstra Chair in International Finance

Affiliation (institution)

Wits Business School

Physical address: 2 St David's Place,
Parktown, Johannesburg

Postal address: PO Box 98,
Parktown, Johannesburg
2193

South Africa

Tel. no.: +27 11 717 3660

e-mail: eric.schaling@wits.ac.za

Title of paper

Estimating a time-varying Phillips curve for South Africa

Biographical details/achievements

Prof. Eric Schaling studied macroeconomics at the Faculty of Economic and Business Administration at Tilburg University, The Netherlands. After obtaining his doctorate at the same university with the thesis 'Institutions and monetary policy: credibility, flexibility and central bank independence', he joined the Monetary Analysis Division of the Bank of England. In 1998 he moved to South Africa and became full professor of economics at the University of Johannesburg. He has been a consultant to the International Monetary Fund, the Federal Reserve Bank of St Louis and the Bank of Finland. In South Africa he has been an adviser to National Treasury, the South African Reserve Bank, the Parliamentary Portfolio Committee on Finance, the Southern African Development Community and the Presidency, to

name a few. In 2004 he was appointed Fellow at the Centre for Economic Research, Tilburg University, The Netherlands. In January 2007 he was appointed South African Reserve Bank Chair at the University of Pretoria. In April 2010 he was appointed Jelle Zijlstra Chair in International Finance at Wits Business School.

Major research output/publications

- Schaling, E. 2004. 'The nonlinear Phillips curve and inflation forecast targeting: symmetric vs asymmetric monetary policy rules'. *Journal of Money, Credit and Banking* 36(3, 1): 361–386, June.
- Bullard, J and Schaling, E. 2009. 'Monetary policy, determinacy, and learnability in the open economy'. *Journal of Money, Credit and Banking* 41(8), December.
- Schaling, E and Tesfaselassie, M. 2010. 'Managing disinflation under uncertainty'. *Journal of Economic Dynamics and Control* 34: 2568–2577.
- Schaling, E, Tesfaselassie, M and Eijffinger, S. 2011. 'Learning about the term structure and optimal rules for inflation targeting'. *Journal of Money, Credit and Banking* 43(8): 1685–1706.
- Kabundi, A, Schaling, E and Some, M. 2015. 'Monetary policy and heterogeneous inflation expectations in South Africa'. *Economic Modelling* 45: 109–117.
- Schaling, E and Tesfaselassie, M. 2016. 'A note on trend growth and learning about monetary policy rules in a two-block world economy'. *Macroeconomic Dynamics*. Forthcoming.

Abstract of paper

In this paper we estimate a Phillips curve for South Africa using a bounded random walk model. Central bank credibility, the slope of the Phillips curve, the natural rate of unemployment and the central bank's inflation target band are time-varying. We find that the slope of the Phillips curve has flattened since the mid-2000s – particularly after the Great Recession – which is in line with the findings in most advanced countries. Our results indicate that inflation persistence increased from 1994 to 2001, remained constant from 2001 to 2008, and eventually increased around 2008. Moreover, we find that the increased stability of inflation expectations after 2008, which coincides with the great financial crisis, is not only a result of good policy but also of good luck.