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

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1. Introduction

The success of monetary policy can only be judged relative to its appropriate goals. They are: price stability, financial stability and prudent financial support for government (Goodhart, 2010). While financial stability has risen in importance as a policy goal since the international financial crisis, price stability and macro-economic stability more generally remain central goals of monetary policy.

Inflation, that process by which money loses its value over time, 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. An important lesson of monetary policy since the 1980s is that the goal of low and stable inflation can be achieved more effectively if these price and wage decisions are co-ordinated with the actions of the central bank. Since the decisions of the public and private sectors are market decisions though, the co-ordination cannot occur hierarchically, but only through a credible commitment to low and stable inflation by the central bank, which will act as a focal point for the market decisions. Price and wage decisions are to an important extent forward looking which implies that the focal point is also about expected future price and wage developments, and the central bank's task is to persuade[6] the market decision makers to coordinate their price expectations with the goals of the central bank.

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[6] The word persuasion is selected here in recognition of the fact that the public are thinking agents in the interaction, rather than passive recipients of a central banks message.

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. Monetary policy has become significantly more transparent as a consequence. This unprecedented rise in transparency leads to the questions of the optimal degree for monetary policy as well as the specific design of the central bank's communication strategy. The aim of transparency and central bank communication is to increase the credibility and predictably of the central bank's actions in the eyes of the public in order to encourage them to anchor their inflation expectations to the target.

It is rarely explicitly acknowledged within the literature that the public accesses the central bank's communication from two sources, directly through communication from the central bank in its various forms, but also indirectly via the media. Most of the literature on central bank communication has focused on the quantity and quality of the original communication sent by central banks, emphasising the need to be simple (Mishkin, 2004), clear (Winkler (2002), Siklos (2003), Bulíř, Cihaḱ and Šmidková (2013), and Bulíř, Cihaḱ and Jansen (2013)) or predictable (many papers including Poole and Rasche (2003) and Ehrmann and Fratzscher (2007)), or evaluating how various measures of inflation expectations move shortly after this communication (many papers including Gürkaynack, Sack, and Swanson (2005) and Gürkaynack, Levin, and Swanson, (2006)). While the value of these features of the original central bank communication is not being disputed, we argue that most members of the general public do not receive the central bank's communication in its original form. A challenge that faces a central bank is that even well intentioned, skilful central bank communication doesn't necessarily arrive with the general public as the central bank initiates.

This paper presents an exploratory analysis of media reports on inflation and monetary policy in South Africa. We use an interdisciplinary approach that begins with systematic, qualitative textual analysis used extensively in the social sciences. Rather than being driven deductively by economic theory, we begin inductively with the creation and analysis of a qualitative dataset. 101 newspaper articles from 2014 were analysed with the aim of evaluating how the South African media reports on inflation, inflation expectations and monetary policy.

We do not analyse, in this paper, the incentives that influence the central bank, the journalists or the financial analysts, so we are not yet about to comment on the stakeholders' reasons for the views they express. Instead, we study the message received by the public on monetary policy via the printed media in an inductive manner (deliberately limiting the assumptions we make upfront about reasons for the content in the media reports) and make primarily two points.

Firstly, we show 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 will 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. The media is also not a neutral platform, but responds pro-actively to its perception of the needs and interests of its readers. Given the strategic interaction that takes place in the media to determine the final message that is published, attention should be dedicated to analysing the final media articles.

Secondly, we discuss some of the characteristics of the media discourse on inflation, inflation expectations and monetary policy. We identify some ideas that present the potential for confusion or conflict, by exploring the way in which concepts such an inflation and institutions such as the South African Reserve Bank are being defined, negotiated and contested in the media. Although members of the general public may receive information about inflation or monetary policy via other sources, often interpersonal interactions, there is reason to believe that the media does have some impact on the inflation behaviour of the general public.

The characterisation of the reporting on inflation, inflation expectations and monetary policy in the media reports is being used to inform the direction of our ongoing research into the communication network which interactively negotiates and debates information about inflation and monetary policy, as well as reception studies (focusing on the reception of the information about inflation, inflation expectations and monetary policy by the inattentive general public). Together, analyses of the media messages about inflation and monetary policy received by the public, as well as the communication network that determines these messages, will provide feedback for a central bank about the effectiveness of various elements of its communication.

Sections 2, 3, 4 and 5 of the paper will present the theoretical framework that economists typically use to justify the use of central bank communication as a monetary policy tool and to evaluate its effectiveness. However, the qualitative dataset presented thereafter is created without reliance on this theoretical framework, motivated by the need to understand the role of the media, which is not adequately reflected in the theoretical framework. By limiting the theoretical structure imposed upfront, we aim to rigorously identify the relevant issues in order to avoid both potential acts of commission and omission in the subsequent research, caused by the adoption of inappropriate assumptions. A discussion of the method of media analysis used and the results of this media analysis are presented in sections 5 and 6.

2. Strategic monetary policy

Friedman (1968) drew attention to the long and variable lags of monetary policy and emphasised the powerful influence of expectations for the outcome of monetary policy. Lucas (1976) in turn showed that formal monetary policy models rigorously incorporate expectations as part of the decisions made within the model (expectations are endogenous). Kydland and Prescott (1977) added that if realised expectations are a decision within the model, and the central bank doesn't take this into account, the central bank will be prone to an inflationary bias. If a central bank does not design their incentives in such a way that they offer a credible commitment to a particular pattern of policy behaviour (Shelling, 1960), the public recognise the inflationary bias faced by the central bank and adjust their own inflation expectations upward. Crucially, economic policy takes place in a dynamic setting and the public, whose welfare is influenced by these policies, are not passive participants in the economy.

Given that the economic decisions of the public co-determine how inflation evolves over the short to medium term, and that the public are active, thinking participants in the economy, monetary policy involves strategic considerations. It is strategic in the sense that the economic outcome faced by all the decision makers, depends both on their own behaviour as well as that of the other players.

As a consequence monetary policy institutions have been designed to provide clarity to the public about the incentives faced by the central bank in order to manage private sector expectations. Specifically, the strategy by modern central banks is typically to use a nominal anchor to provide 'a constraint on the value of domestic money' or, more broadly, to provide 'a constraint on discretionary policy' (Mishkin, 1999: 1). In line with the concept of anticipatory self-command (Shelling, 1960), central banks began to limit their own discretion in order to communicate to the public that the central bank was committed to low and stable inflation. For example, through the adoption of inflation targeting, a central bank limits its ability to use discretion by publically committing to an inflation target. This clarifies the incentives faced by the central bank and makes their future behaviour more predictable for the public. In response, central banks have made much more deliberate use of transparency, which Mishkin (1999) argues is essential to providing a credible nominal anchor.

The unprecedented increase in the level of monetary policy transparency, by inflation targeting and non-inflation targeting central banks alike, was aimed precisely at increasing coordination between central banks and the public. This does not mean that central banks have to commit inflexibly to a particular future action irrespective of the uncertain unfolding of the economy. Instead transparency and central bank communication are used to assist the public to understand the motivation of the central bank by allowing them to, in the language of game theory, ‘discover patterns of individual behaviour that make each player’s actions predictable to the other’ (Schelling, 1960: 84). Central banks attempt to make their own actions predictable with the intention of persuading private sector decision makers to adjust their expectations in line with the level of inflation targeted (formally or informally) by the central bank.

Central bank communication is therefore persuasive communication, which Della Vigna and Gentzkow (2009:4) define as “a message provided by one agent (a sender) with at least a potential interest in changing the behaviour of another agent (a receiver).”

3. Inflation targeting as an institution aimed at achieving the monetary policy goal within a strategic setting

A nominal anchor is an economic policy institution that limits the discretionary ability of a central bank to set the instruments of monetary policy. A pegged nominal exchange rate, the gold standard, or monetary growth targets are familiar examples of nominal anchors for monetary policy. It is an important lesson of the post-Bretton Woods period that a nominal anchor is needed for the successful pursuit of goals of monetary policy. In societies where decisions interact dynamically as described above inflation and inflation expectations have not been successfully stabilised at the low levels pursued by central banks, without these authorities committing to some form of nominal anchor; to some institutional arrangement that limits the central bank’s policy discretion in a strategic manner (Walsh, 2003).

Inflation targeting has become the most durable nominal anchor for monetary policy in the post-War era (Rose, 2007). As a framework for monetary policy inflation targeting was pioneered by the Reserve Bank of New Zealand in 1989, and was soon followed by monetary authorities in Australia, Israel, Chile, Canada, the United Kingdom and many others. The South African Reserve Bank followed in 2000. While the local application of this framework differs between countries, the following features are common to most applications:

1. The announcement of an explicit target for inflation over a certain (medium to long term) horizon.
2. The absence of alternative nominal anchors.
3. The use of this explicit target in a strategic approach to monetary policy, which includes both:

a. A forecasting strategy for inflation, the output-gap and other relevant variables.
b. A far-reaching communication strategy that implies substantial transparency for the monetary policy process.

In practice inflation targeting is more appropriately called “inflation forecast targeting” (Haldane, 2000), since the central bank’s tries to keep the forecasted inflation rate (over an appropriate horizon) consistent with its inflation target. This means that an inflation targeting central bank adopts the forecasted inflation rate as an intermediate target. While intermediate targets are not generally optimal (Cecchetti, 1998), the forecasted inflation satisfies the criteria for an appropriate intermediate target (Svensson, 1996), crucially for this discussion: the forecasted inflation rate is highly correlated with the actual inflation rate, the instruments of monetary policy have a greater impact on forecasted inflation (compared with observed inflation), the public can easily observe and comprehend the inflation forecast, while the observed inflation rate is observed only with a lag.

4. Transparency

Transparency on the part of central banks has become widely promoted as a way to enhance accountability as well as the coordination of the decisions of the central bank with those of the private and public sectors. Cukierman (2009:3) defines transparency as ‘a state in which the bank fully and immediately transmits to the public all its private information about the economy, about its objectives and about the internal procedures that underlie the bank’s policy decisions.’ Earlier the Bundesbank, the forerunner of the current European Central Bank, described transparency in the following manner: ‘Transparency here plays the part of self-imposed commitment: by disclosing the basis of the policy decisions, the central bank enables the general public to assess their adequacy and impose a sanction, if appropriate’ (Deutsche Bundesbank 2000).

Generally central banks across the world have become much more transparent, especially since the 1990s. Siklos (2002) and Eijffinger and Geraats ([EG] 2006) are the first to have measured the transparency of central banks. Both indicators were focused on the record of advanced economies since they are the ones that initiated the drive for more transparency. The EG had the advantage over the Siklos proxy in that it measured changes in transparency over time. Subsequently, Dincer and Eichengreen [DE](2008, 2014) extended the EG index as did Siklos (2011). As a result, data has now been compiled for a sample of over 100 countries for a sample covering a decade and a half of annual data.[7]

The DE and EG indicators are based on five categories which are themselves an aggregation of 15 attributes of central bank transparency. The more of these attributes it possesses the higher the score. The most transparent central bank scores a maximum of 15 points; the least transparent central bank would earn an index value of zero (see DE 2014 and Siklos 2014 for the details).

Cukierman (2009) argues that full transparency is limited by feasibility constraints. He argues that the feasible level of transparency with respect to the structure of the economy and the implicit loss function of the central bank is constrained by the limited knowledge about the structure of the economy. Furthermore, central banks' transparency about the relative weight they place on the output and inflation gaps, as well as the shape of the losses from these two is constrained by the fact that in practice monetary policy decisions are made by committees, the members, each of whom may view this differently.[8]

Cukierman's results, however, are sensitive to the manner in which his model is specified. In a review of the benefits and costs of transparency, Eijffinger and van der Cruijsen (2010) point out that different models can produce different conclusions about the net benefits of central bank transparency. What is a more important is that clarity of communication trumps the mere achievement of transparency (e.g., see Winkler 2002, and Siklos 2003). Recognising that a central bank communicates with a heterogeneous audience, Eijffinger and van der Cruijsen (2010: 293) recommend that the "…best communication strategy is likely to depend on the recipient". In a 2008 survey paper, Blinder et al. (2008) pointed out that the empirical evidence about central bank transparency had progressed far more quickly than the theory had. Acknowledgement that a central bank's audience is heterogeneous and that a large part of this audience does not access this communication in its original form offers the potential to enrich the economic theory.

[7] Siklos' (2011) proxy measure is available from the Central Bank Communication Network, http://central-bank-communication.net/en/. It is also worth noting that correlations between CBI using Cukierman's construct (or the DE expanded version) and indicators of transparency are low (around 0.12).

[8] Asa Swank and Visser (2007), and Sibert (2006) point out committees of experts face their own challenges as there is pressure either to conform or to free ride. Moreover, the level of diversity can be affected according to whether the background and training of the committee members differs. Also, see Maier (2010) for empirical evidence.

5. The role of the media in the strategy of monetary policy

The heterogeneity of a central bank's audience is a significant challenge. Blinder and Wyplosz (2004) divide the audience broadly into the financial markets (financially literate and well informed about monetary policy) and the inattentive general public (Blinder and Wyplosz, 2004). Others have expanded this concept of the rationally inattentive general public (Cukierman, 2009) and considered the implications of their behaviour, as distinct from those of the more informed analysts, for macro modelling (Mankiw and Reis (2007), and Sims (2010)). We acknowledge that the rationally attentive general public are themselves a heterogeneous group, so this distinction remains a simplification of reality. However, if we assume that the central bank's audience is divided into two groups based solely on the criteria of whether they access the central bank's communication directly in its original form or indirectly via the media (or some other source), then this abstraction is sufficient for the purposes of this analysis.

In addition, we make a second assumption that the communication the public does receive is typically intermediated by the media. This is not unreasonable given that, according to the June 2015 All Media and Products Survey (AMPS), 27,3% of the adult population of South Africa reads an 'AMPS' daily newspaper, and 29,4% reads an AMPS weekly newspaper. In addition, literature on opinion leadership finds that 'opinion leaders are more exposed to media and contents devoted to their area of expertise' (Weimann, 1991: 131), so it is likely that the media reports have the potential to have a substantial influence on the views of the inattentive public, either directly or via opinion leaders.

In summary, we assume that although central banks employ a range of communication tools, most the members of the general public are rationally inattentive (Cukierman (2009), Sims (2010)) to the original forms of central bank communication as these are costly to acquire and process (Birchler and Bütler (2007); Della Vigna (2007)). This rationally inattentive audience relies (to varying degrees admittedly)[9] on the media to gather, condense and interpret this primary information on their behalf. As a result, reporting on monetary policy in the media, of which the central bank's communication forms part, is one point of strategic interaction between the stakeholders who co-determine the path of inflation.

In the rest of this section, we build the case to support assumption 2 - that the media does have the potential to influence the public's inflation expectations as well as their view of the credibility of the

[9] The analysis in this paper does not yet identify who reads the media articles, or how different members of the general public receive information about inflation and monetary policy.

central bank (the assumption that the 'media matters') - and we propose that the media does this in a way that is neither passive nor neutral. Given that such a large portion of the central bank's audience receives the communication via the media, and that this audience has a large impact on price stability through their price and wage decisions, it is necessary for us to examine the influence of the media on the economic decisions of the public. After the First World War, the dominant model of communications was the Hypodermic Needle Theory (Lasswell, 1927), which treated media consumers as passive recipients of powerful media messages. Lazarsfeld's two step model (1948) challenged this theory, arguing that social interactions had a far greater impact on public opinion than the media. Until the 1970s, the prevailing consensus was that mass communication had minimal influence on the attitudes of the recipients (Roger, Hart and Dearing, 1997; Scheufele and Tweksbury, 2007). However, McCombs and Shaw (1972) argued that this conclusion was an overstatement of the lack of influence of the media. By focusing on the agenda setting role of the media (whether the media's coverage of an issue influenced its salience in the eyes of the audience), rather than its direct effect on the attitudes of the audience, they suggested that although the media does not determine what the public believe, it does have an influence on what they think about.

There is also rapidly growing evidence from the economics literature about media bias (Gentzkow and Shapiro (2010),) and the effects of media exposure on a range of social and economic decisions (Della Vigna and La Ferrara, 2015), including voting behaviour (Della Vigna and Kaplan, 2006), children's education, family choices, and health. Evidence on the effects of the media on voting behaviour are particularly relevant to this paper, as monetary policy is a political act on account of being part of the macroeconomic policy mix, even if central bankers are not political policy makers.

It is therefore reasonable to assume that the media have the potential to influence the public's inflation expectations as well as their view of the credibility of the central bank. The factors that determine how the media use this potential influence can be discussed by considering the incentives facing the media. News is a commodity (Hamilton, 2004), the production of which is responsive to both consumer demand and supply-side incentives (Della Vigna and Gentzkow, 2009). Media houses are under intense pressure to remain profitable, so they are extremely sensitive to their perceptions of the demand of their target market (Gentzkow and Shapiro, 2010). As a consequence media reports display varying degrees of accuracy versus entertainment or affiliation across newspapers, influenced by the perceived demand of the consumers of each publication. The objectivity of these media reports are also potentially influenced by supply side incentives, such as pressure from the editor, politicians or advertisers. For example, the editor could face incentives to either favour a political bias to ensure political support, or to favour impartial reporting with the aim of satisfying a target audience that values accuracy.

Crucially, the media are not a passive conduit of central bank communication. The final message that the general public receives is a complex message, in contrast with the carefully crafted, deliberately simplified message of the central bank. McCloskey argues that as economists we need to improve our rhetoric (the study of argument) by 're-entering the human conversation' (1998: 37). In order for rhetoric to be used in a purposeful manner, the speaker needs to pay attention to his/her audience, recognising that communication is a two-way street (Mboweni, 2006). Therefore, we began our analysis of the success of the communication of the South African Reserve Bank with the inattentive public by studying, in this paper, the nature of the messages in the media articles.

6. Method of media analysis

For this analysis, 101 articles were selected from 14 regional and national English-language newspapers published in South Africa. These articles were downloaded from two online media platforms, the Mail and Guardian (www.mg.co.za) and the Independent News and Media Database (www.iol.co.za). The selection criteria were a publication date between 1 January 2014 and 31 December 2014, and the main subject matter pertaining to either inflation or the SARB. Data was analysed using Content Configuration Analysis (CCA; Bergman, 2010; Bergman & Bergman, 2011). CCA is a systematic analysis method for non-numeric data. Related to qualitative content and thematic analyses, CCA has several unique characteristics (Bergman, 2010; Bergman & Bergman, 2011). CCA explicitly and continuously connects data and context throughout the analytic process. If types of qualitative analyses are considered on a continuum, where identify the actual content embedded in a text is located on the one end and constructing meaning based on the subjectivity of the analyst is located on the other, then CCA is located in between, where interpretation is always rooted in the raw data, but raw data cannot yield results in the absence of interpretation. Instead of merely coding data and then analysing the codes, which decontextualize words and concepts, CCA re-contextualizes[10] codes and themes by integrating them into the analytic frame from which they were extracted. To systematise the media representations of inflation and the Reserve Bank in the South African media, we inductively[11] explored the articles based on themes and dimensions

[10] By sorting and grouping codes (short, decontextualized segments of the larger data set) which share similar characteristics, we develop themes. Systematising these themes allows us to develop an analytic framework. Recontextualisation involves returning to the raw data with the analytic framework to see how well the interpretations (initially developed based on the codes) are reflected in the dataset as a whole. A reinterpretation would be necessary if, for example, interpretations based on the micro- (code) level data do not fit well on a macro-level.

[11] An inductive analysis involves developing themes in a bottom-up, exploratory way. These themes are not based on theory, nor decided on a priori, but developed based on the content of the data. In quantitative research, the equivalent is dimensional analysis (e.g. factor analysis, multidimensional scaling, correspondence analysis, cluster analysis, etc.).

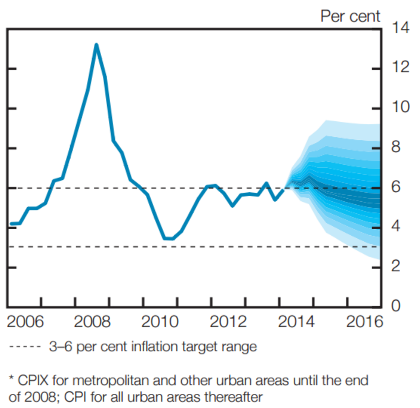
embedded in the newspaper narratives. An initial analysis identified the various dimensions associated with inflation and the Reserve Bank in the South African media, followed by an exploration of specific characteristics and their interrelations associated with various SARB stakeholder positions.

7. Analysis of the text in media reports

In this section, we present the qualitative data analysis of South African media reports on inflation, inflation expectation and monetary policy in 2014, and discuss the implications of the observations made in the analysis.

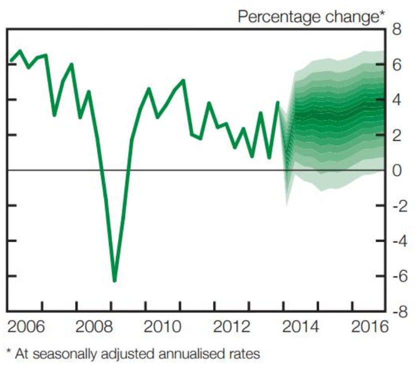
These 2014 media reports were written in a year in which the SARB faced the challenge of high inflation and a weak and deteriorating economy. Inflation breached the upper limit of the target band in April 2014 and the SARB forecast, in its June Monetary Policy Review, that inflation would remain above the band until the second quarter of 2015 (figure 1). This was accompanied by disappointing economic growth that was not forecast to improve significantly (figure 2). However, assisted by lower oil and food prices, inflation (as measured by the consumer price index) peaked sooner than expected and decreased to within the band in September and October 2014 (where the SARB forecast it would remain for the rest of the forecast horizon). However, inflation expectations and core inflation remained stubbornly high, growth continued to disappoint, and the SARB estimated that potential growth had deteriorated further during the year.

Figure 1: Targeted Inflation Forecast



Source: South African Reserve Bank, Monetary Policy Review, June 2014

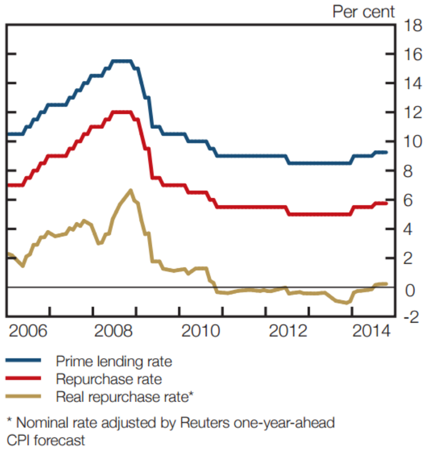
Figure 2: Real GDP growth Forecast



Source: South African Reserve Bank, Monetary Policy Review, June 2014

With Gill Marcus as Governor of the SARB until 8 November 2014, and Lesetja Kganyago thereafter, the repurchase rate was increased gradually by a total of 75 basis points throughout the year, constituting the first rate hiking cycle in over 5 years. In spite of the increases, interest rates remained at low levels (figure 3).

Figure 3: Monetary policy and the prime lending rate



Source: South African Reserve Bank, Monetary Policy Review, December 2014

In the SARB's December 2014 discussion of its monetary policy stance (SARB, 2014b), inflation expectations are described as 'stubbornly high' (2014b: 3) and the reader is told that these expectations and underlying inflation are definitely relevant to the policy stance:

> '… it is important to look through the first-round effects and focus on spillovers to underlying inflation and inflation expectations. Here there is less scope for relief.' (SARB, 2014b)

CCA was used in this paper to analyse the way in which the media presented inflation during this period. Quotations from the original media reports are used as examples throughout the discussion.

The analysis begins by exploring the definitions of inflation (implicit and explicit), as well as the causes and consequences of inflation, found in media text , in order to analyse how the process of inflation is represented in the media. This is followed by an analysis of the inflation expectations of various stakeholders. Implicit in the analysis of the media's reporting on inflation and inflation expectations is also a discussion of the role of monetary policy.

We argue that the media is a platform where the intentional strategic communication of the SARB is joined by the voices of other intentional stakeholders, rather than a passive conduit for the communication of the SARB. A characterisation of the reporting by the media about inflation and inflation expectations is used to identify areas of potential confusion.

7.1 Presentation of inflation in the South African media

7.1.1 Definition of inflation

Using content configuration analysis to determine how inflation is defined in the South African media revealed three interesting features. The first relates to the range of terms used to discuss inflation, the second to how rarely inflation is defined at all, and the third to the focus on the rising prices of particular consumer goods and services.

While sorting and classifying the data to clarify what the media says inflation is, we found more than 30 inflation-related types or concepts. These included various indices which act as proxies for inflation[12], concepts related to the measurement of these indices[13], and concepts referring to the broader inflation environment[14]. A variety of inflation rates[15] are also reported, as well as a range of inflation dimensions of forecasting and expectations[16]. Despite this profusion of concepts, inflation is rarely explicitly defined and the media reports do not address the similarities or differences between these inflation concepts.

The only explicit definition of inflation found during the analysis is that of core inflation. This definition seems to be standardised in the media since it appears nearly verbatim across various newspapers throughout 2014 in the following manner:

> *Core inflation – which excludes food, non-alcoholic beverages, petrol and electricity – rose to 5.8% in August, its highest level in four years. (10-20-MG-Economic)* *(1)*

In the academic literature, core inflation is described in a variety of ways (Ruch, 2016) – 'underlying inflation' (Gordon, 1975), the 'persistent' component of inflation (Friedman, 1963 and Roger, 1998), a 'generalised' concept (Eckstein, 1981) and 'sticky price inflation' (Ruch, 2016). If inflation is the sustained increased in the general level of prices, then these descriptions of core inflation are in fact descriptions of inflation. Inflation is persistent, generalised and sticky. Core inflation is an important concept when discussing inflation and the role of monetary policy, because this is the only component of the price increases that central banks can control with monetary policy.

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[12] For example, consumer price inflation and core inflation.
[13] For example, inflation basket and inflation data.
[14] For example, inflation environment and US inflation.
[15] For example, the consumer inflation rate, core inflation rate, personal inflation rate, CPI annual inflation rate
[16] For example, the inflation trajectory, inflation pressures, inflation risk.

However, isolating core inflation is also complex and there now exist a variety of measures of core inflation, one of which is the exclusion index that appears in the South African media reports[17]. The exclusion based method of measuring core inflation excludes a small set of typically volatile relative prices - food, non-alcoholic beverages, petrol and electricity. Given that this description of inflation excludes prices that feature prominently in the lived experience of consumers, it presents a point of confusion and tension when viewed together with the third feature of the definition of inflation - the focus on the rising prices of particular consumer goods and services.

Inflation is frequently defined in the media from the perspective of the consumer[18], and reporting on rising prices tends to focus on consumer-related products. Inflation is understood not only as a steady rise in prices, but also as something which affects the daily lives of consumers, especially the poor.

> *By contrast, the price of clothing and footwear is estimated to have increased by 3.6 percent and 3 percent respectively. The food basket was also up 3 percent.* (02-17-IOL-Monetary) (2)

This raises two issues. Firstly, it should not be assumed that inflation has negative welfare implications for all of society. While it is true that inflation erodes the welfare of members of the public with fixed income streams for example, a large portion of the public is able to offset this effect through inflation indexed income streams. Secondly, while there is a close association between inflation and the changes in the cost of living (as represented by the consumer price index), the distinction between these two concepts[19] (Du Plessis, 2014) is absent from the media reports.

The tension between inflation and the cost of living (lived experience) of the public, is also reflected in implicit definitions of inflation that appear in the media. The most frequently mentioned implicit definition of inflation is the increase of prices, which is again reported mainly in terms of particular consumer products. Newspaper articles report either rising prices in conjunction with changes in the inflation rate or alone as an indicator of what inflation is.

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[17] While this paper does not comprehensively present the relative merits of these alternatives, one difference between the exclusion index and the other alternatives is relevant - model based or statistical based alternative methods remove the transient, temporary components of each price rather than excluding only a small set of typically volatile relative prices - food, non-alcoholic beverages, petrol and electricity.

[18] For example, personal inflation, food price inflation, consumer inflation, car inflation, household inflation and medical inflation.

[19] The consumer price index is designed to measure changes in the cost of living. Although it is commonly used as a measure of inflation, it does not 'impose adequate identifying assumptions to reveal the process of inflation' (Du Plessis, 2014: 6).

Inflation accelerated to 5.4% from 5.3% in November, the Pretoria-based statistics office said. The median estimate of 23 economists in a Bloomberg survey was 5.6%. Prices rose 0.3% in the month. (01-22-MG-Inflation) *(3)*

By contrast, the price of clothing and footwear is estimated to have increased by 3.6 percent and 3 percent respectively. The food basket was also up 3 percent. (02-17-IOL-Monetary) *(4)*

There is, in addition, some evidence that the public questions the official inflation figures (Rossouw and Padayachee, 2009), so it reasonable to be concerned about references to a core inflation measure, which conflicts with the media's other definitions of inflation.

In summary, this analysis of the inflation concepts and definitions of inflation reported in the South African media reveals that the media does not try to explain that the price indices used are (imperfect) proxies for an unobservable inflation rate, or to distinguish between relative price changes and inflation. In fact, the focus on the impact of rising prices on consumers tends to emphasise some of the relative price movements that are most volatile (such as fuel and food).

In the sections that follow, we add to these definitions of inflation by exploring the way in which the media reports on the causes and consequences of inflation, in order to present a deeper understanding of how it presents the process of inflation.

7.1.2 Causes of inflation

The process of inflation has many potential causes, but in the media we find that the discussion is typically divided into two types, namely local and global causes, with the local causes (for example, economic growth, changes in prices, and exchange rate movements) more frequently reported. Of these local causes of inflation, economic growth is often reported in conjunction with other local causes, which are collectively referred to as 'the deteriorating fundamentals' causing inflation.

The MPC remains concerned about weak growth, widening output gap and the negative employment outlook. … These [deteriorating domestic fundamentals] included the negative GDP (Gross Domestic Product) growth rate, the adverse reports from the ratings agencies, and the protracted nature of the platinum and metal workers strikes. (07-17-MG-Rising) *(5)*

Much of the outlook is "dependent on the behaviour of the currency, domestic food prices and the extent to which local retailers start to pass on price increases more aggressively to consumers," he said. (07-23-IOL-Inflation) *(6)*

Labour unions representing South Africa's almost 1.3 million civil servants are demanding a pay raise that's more than double the inflation rate. … The MPC is also concerned about "the possible impact of forthcoming wage negotiations, including in the public sector," Marcus said. "Excessive wage settlements could have adverse impacts on employment, inflation, the general competitiveness of the economy." (10-02-IOL-SA) *(7)*

In the media, the global context was characterized by financial market volatility, slowing demand, and the lasting consequences of the global economic and financial recession[20] over the sample period. These issues are most often discussed in relation to two markets, the US and other emerging economies. Besides the state of the economy and policy actions in these countries, newspaper articles also report how changes in the US or other emerging economies create pressure on the South African Reserve Bank (SARB) to make corresponding policy changes. In this regard, the SARB is criticised for either mimicking the policy decisions taken by global actors, especially other emerging economies or, even though these policy changes are viewed as necessary, they are reported as incongruent with local needs.

Likely interest rate increases in the United States would require corresponding policy shifts in South Africa, Kganyago said in a speech prepared for delivery at an investor conference in Cape Town. (09-30-IOL-Kganyago) (8)

While the normalisation of interest rates in the US suggests South Africa should also raise borrowing costs, doing so carries the risk of weakening the economy, according to Mminele. Africa's second-biggest economy is constrained by labor strikes, power-supply shortages, slowing consumer demand and the rising cost of inputs, he said. (11-28-IOL-SARB) (9)

Two groups of causes of inflation mentioned in the media, the exchange rate and the role of prices, connect the global and local contexts. The Rand, is one of the primary risks to inflation in the local context because of the pressure it puts on, for example, the price of imported goods in an open economy such as South Africa. The exchange rate is presented as being both volatile and as having an unpredictable relationship with inflation. This uncertainty highlighted by the media is justified, given

[20] The direction of the variables emphasised is again an outcome of the choice of sample period analysed.

that the exchange rate as well as its pass-through to inflation are both unpredictable. Here are some examples of the Rand as both local and global causes:

> *They [economists] said the volatile Rand though does pose an inflation risk and the effects of the Rand might be seen coming through in the numbers in 2015. (12-11-IOL-SA)* (10)

> *The Rand's 22% slump against the Dollar since the beginning of last year, the worst performance among 16 major currencies tracked by Bloomberg, is adding to pressure on inflation and threatening the central bank's 3% to 6% target. (01-22-MG-Inflation)* (11)

It is interesting to notice the emphasis of the media on the exchange rate. But even more thought provoking is the surprising absence from our analysis of the causes of inflation of any discussion of the role of inflation expectations or recognition that inflation is a process. Since monetary policy is forward looking, the current policy stance is determined by how the SARB expects economic activity to unfold in the future. This communication gap between the SARB and the media cannot be under-emphasised and may well have implications for how inflation evolves over time.

7.1.3 Consequences of inflation

Five types of consequences of inflation are identified in our analysis: the effects on prices, interest rates, the exchange rate, economic growth, and the impact on investors and investments. Increasing prices and rising interest rates are the two most frequently reported consequences. The distinction between inflation and the consequent increase in prices, suggests that the reason to fear inflation is its impact on consumer prices.

From a policy perspective, we notice that the media portrays inflation as being detrimental to the consumer but this is also the case for the policy reaction (rising interest rates). One or a combination of explanations can be offered for this. The media can report that rising policy rates don't reduce the impact of inflation on their cost of living (which calls into question the credibility of the SARB), and, or, they can focus on a short horizon, in which case both inflation and rising interest rates will negatively affect consumers' cost of living.

In addition, a range of knock-on effects, or secondary consequences of inflation, were identified, which reinforce the consumer focus. These consequences include, for example, increasing budget pressures on households, a drop in consumption, and the effects on imports and exports in relation to South Africa's global competitiveness.

As is well recognised, households are under increasing budget pressures from higher prices and taxes imposed on them. And, most relevant, they are suffering from a lack of pricing power in the most important market for their services, the labour market. (02-17-IOL-Monetary) *(13)*

Africa's most advanced economy needs to be more competitive, partly by ensuring that inflation does not price local goods and services "out of world markets", Kganyago said. (09-30-IOL-Kganyago) *(14)*

In summary, a range of terms are used by the media to discuss inflation, but inflation is rarely explicitly defined at all. Only the exclusion based version of core inflation is ever explicitly defined. But the constant reference to rising prices of consumer goods and services (both when defining inflation and when discussing the consequences of inflation) renders the exclusion index incongruent with the media's portrayal of inflation in that it excludes a large share of precisely these consumer goods and services. In its discussion of the causes of inflation, the media includes the exchange rate as a cause of inflation, but the role of inflation expectations or recognition that inflation is a process is conspicuously absent.

In the following section, we discuss the reported inflation expectations of the various stakeholders and consider how these relate to the reporting on inflation and the role of the official target variable.

7.2 Reported inflation expectations of various stakeholders in the South African media

Anchoring inflation expectations is one of the SARB's primary tasks and the media provides one of the central public domains where these expectations are voiced, negotiated, and shaped between various stakeholder groups. On the one hand, the SARB regularly releases communication to the media concerning its inflation expectations and forecasts, while, on the other hand, a range of opinions from external actors are also reported with their own, often divergent sets of expectations and forecasts. The third actor, who plays an important role in the negotiation of the meaning and consequences of inflation expectations is the media and its reporters, who, by reporting or omitting specific information selectively, also contribute to the shaping of inflation expectations.

To better understand this, we identify three stakeholder groups whose inflation expectations are reported in the media: the SARB, the analysts and the media itself. An explicit discussion of these distinct voices is in itself is interesting in that previous research (Berger, Ehrmann and Fratzscher

(2011), Reid and Du Plessis (2011)) considered only the final message presented in the media. The explicit study in this paper of the reported views of the different stakeholder groups provides insight into the complexity of the final message, and the different actors' influence on this message.

In our analysis of the reported inflation expectations, we systematise the differential expectations within and between stakeholder groups. First, the expectations of the SARB and analysts are examined in detail, after which the similarities and differences between them are analysed along four dimensions: forecasted inflation trends, information sets used for these inflation forecasts, the roles and responsibilities of the SARB, and analysis and expectations of the SARB's monetary policy strategy.

7.2.1 The expectations of the South African Reserve Bank

As the central bank, the SARB frequently features in the media as a commentator and forecaster on the South African economy. Such reports do not only describe the various issues impacting on the country's GDP, but also connect some of these challenges to inflation as well as inflation expectations. Some of the issues the SARB is reported to use as part of their information set in policy deliberations and the development of forecasts in the 2014 sample period include, internationally, a deteriorating global environment in the aftermath of the global financial crisis, slow growth in Europe and China, as well as policy shifts in the US and other emerging economies. National issues that the SARB is reported to draw on include lowered productivity, rising costs, labour unrest, energy insecurity, government debt, rising unemployment, the weak Rand, and weak economic growth. Of these, weak economic growth is presented as one of the most important considerations in monetary policy decisions.

> *"The MPC remains concerned about weak growth, widening output gap and the negative employment outlook." (07-17-MG-Rising)* *(15)*

Despite this challenging landscape, the SARB is quoted in the media throughout the year as indicating to analysts what they can and cannot expect from the SARB in terms of roles, responsibilities, as well as monetary policy stances, considerations, and changes. In terms of their role, for example, the SARB states explicitly that its primary responsibility remains inflation targeting and the anchoring of inflation expectations.

“Monetary policy must retain and strengthen its focus on inflation,” he [Lesetja Kganyago] said. “In doing so, we will push the envelope of transparency and clarity wherever possible; to help ensure that inflation expectations do not drift from the target.” (09-30-IOL-Kganyago) (16)

While growth is a concern, “the primary responsibility of the bank is to keep inflation under control and ensure that inflation expectations remain well anchored,” Marcus said. (02-03-IOL-Traders) (17)

Conversely, quotes from the SARB communicate their limits of its responsibility in two respects. In the first, the SARB is reported as stating that, although it takes economic growth into consideration during policy deliberations, the task of fostering economic growth falls beyond its capabilities. In the second, the SARB notes that currency stabilisation is not part of their mandate and that it is not its responsibility to support the Rand.

Marcus warned that monetary policy should not be seen as the growth engine of the economy and the sources of the below par growth performance are largely outside the realms of monetary policy. (07-17-MG-Rising) (18)

South Africa’s rate increase wasn’t aimed at supporting the rand, though the currency’s weakness is the primary risk to inflation, Marcus said. According to the bank’s model, the inflation rate should rise two basis points for every 1 percent drop in the rand. The pass-through has been more muted than that due to weak economic growth, she said. (02-03-IOL-Traders) (19)

In terms of monetary policy, the SARB is frequently reported during the 2014 sample period as stating that monetary policy in South Africa was accommodative but that this stance could not be maintained and that interest rates would need to be adjusted accordingly:

"The MPC is of the view that, notwithstanding this increase in the repo rate, monetary policy remains accommodative," she said. "Further moves in the repo rate will be highly data dependent." (01-29-MG-South) (20)

“Whilst the SARB opted to leave rates unchanged at today’s meeting, we remain of the view that a gradual normalisation of interest rates will continue during 2015 and 2016. (09-18-MG-Domestic) (21)

Statements such as these provided insight into the SARB's expectations of future monetary policy. However, determining when or how this would occur was less obvious. This presents perhaps the least transparent aspect of the SARB's position in the media. While it is not difficult to discern its roles and responsibilities, what can or cannot be expected from them, or the factors which it takes into consideration when estimating inflation expectations, identifying its position on monetary policy, especially in relation to rate tightening cycles, is by far the most obscured.

In media reports on rising interest rates, the only consistently reported element is that monetary tightening will be data-dependent. It is possibly clear to the financially literate portion of the SARB's audience that the reference to data dependence is acknowledgement by the SARB that they face uncertainty about the future unfolding of the economy. They may understand that any central bank is cautious not to create the impression that it has committed unconditionally to a future path for monetary policy. But our analysis shows that the media just uses the jargon 'data dependent' without explaining that this presents a limit to ability of the SARB to commit to future policy action, rather than a reluctance to reveal information about its planned future policy that it does have at its disposal. Our analysis suggests that the impression is created that the SARB is hesitant to reveal many dimensions about its future policy actions, which may render its decisions predictable to analysts, beyond this data dependence.

> *Further monetary tightening would be "highly data dependent," Marcus said.* (01-30- MG-Rand) (22)

> *"The MPC is of the view that, notwithstanding this increase in the repo rate, monetary policy remains accommodative," she said. "Further moves in the repo rate will be highly data dependent." (01-29-MG-South)* (23)

Finally, in terms of inflation forecasts reported in the media, the SARB expected the inflation rate to be above their target range for most of 2014, and to return within the target range during 2015.

> *The Reserve Bank kept its benchmark repurchase rate unchanged at 5.5% last month even as it forecast inflation would stay outside the 3% to 6% target band until the second quarter of next year.* (06-18-MG-Inflation) (24)

As indicated at its last meeting, the committee continues to expect inflation to breach the upper end of the target range in the second quarter of 2014, and to return to within the target range in the second quarter of 2015, when it is expected to measure 5.9%. (03-27-MG-Gill) (25)

These inflation forecasts from the SARB are interesting for several reasons. First, they illustrate that, based on a medium- to long-term inflation horizon, the SARB shows some flexibility in their inflation targeting strategy by tolerating an inflation rate which remains outside a target band for a limited period. Second, news reports do not mention any justifications as to why the SARB is not alarmed by the inflation rate remaining outside of a target band, which risks creating the impression that the SARB is either not serious about achieving the target or not being fully transparent about the factors it is considering.

Finally and perhaps connected to the second point, the media rarely consistently reinforces the extended forecast horizon provided by the SARB throughout the year. Instead, media reports tend to focus on short-term inflation trends, especially in relation to the proximity or transcendence of the target band. In this way, news reports tend to emphasize, usually accompanied by various forms of alarm, that the inflation rate is nearing or outside the target band, and that the SARB is not or only insufficiently addressing this.

South Africa's inflation rate climbed to 6.6 percent in May, the highest in almost five years and exceeding the central bank's target for a second month. (06-18-IOL-Consumer) (26)

The Reserve Bank kept its benchmark repurchase rate unchanged at 5.5 percent last month even as it forecast inflation would stay outside the 3 percent to 6 percent target band until the second quarter of next year. (06-18-IOL-Consumer) (27)

Despite the expected moderation, inflation almost certainly remained above the upper limit of the South African Reserve Bank's 3.0% to 6.0% target band in September for the sixth consecutive month. (10-20-MG-Economic) (28)

In summary, there are several factors that shape the future inflation expectations of the SARB, which include, for example, global issues, such as the lasting consequences of the financial recession and lowered growth, and a range of local issues, such as energy insecurity, labour strikes, the Rand, and high government debt. Weak economic growth is also frequently mentioned. According to media statements from the SARB, their primary tasks include inflation targeting, anchoring inflation expectations, and ensuring price stability. Furthermore, they should not be expected to support the Rand or stimulate economic growth. At best, they are and have been providing a monetary climate, which they present as accommodative, a position which cannot be held indefinitely as inflationary pressures build. Once initiated, monetary tightening cycles will be highly data-dependent but beyond this cannot be anticipated by analysts. Finally, the SARB restates throughout the year that they expect the inflation rate to remain above the target range for 2014, before decreasing again in 2015. This forecast, however, is not taken up by the media, which opts instead to focus on reporting high or rising inflation in a manner that implies an ever increasing crisis level relating to inflation. By focusing on the short term breach of the target, and not reporting the justification for this experience, the media implicitly holds the SARB to account against the inflation prevalent at that time.

It is striking to notice that where the SARB is quoted or used explicitly as a reference in the media report, the message reported is one that is unlikely to be characterised as a misrepresentation of the communication of the SARB. However, the content of the media reports will also reflect the stance of the reporter as well as other competing voices quoted in the articles.

7.2.2 The expectations of analysts in the media

The media consult and quote a wide range of external actors[21], who comment on inflation trends and the role of the SARB. Two of their main contributions are to forecast future inflation trends and the consequent policy changes by the SARB. The most frequently reported forecast by the analysts for this sample period[22] is that inflation will rise, accelerate, remain above the target range of the SARB, or continue to edge up. These forecasts also show a lack of consensus in degree and kind, between different analysts and between expected and actual inflation trends.

[21] These include market watchers, such as investors, strategists, asset managers, economists, market researchers, analysts, and financial advisors from a wide range of local and global private corporations. Also cited are banks, including Investec, First National Bank, Citigroup, the IMF, Nedbank, Old Mutual, Rand Merchant Bank, Bidvest Bank, and Standard Bank, as well as several research units such as Statistics SA, Econometrix, and the Bureau for Economic Research (BER) at Stellenbosch University. Less prominent are reported positions of various individuals from the business sector, such as presidents, chief executives, and heads of retail, sales, and distribution units of large corporations. Finally, a group of anonymous economists, frequently surveyed by Bloomberg, also comment on inflation in the media. Interestingly, it is never stated who these economists are or whom they represent, and this expert group can vary from one survey to the next, consisting of 12, 17, 22, 23, 24, 25, 28, or 30 economists.

[22] Given that 2014 was period in which inflation was above the target for half the year, the focus on high and rising prices is partly a product of the sample period, although it does lead to the impression that the rate of change is continuously increasing

BER said whereas business people see inflation remaining at 6.2 percent in 2016, analysts and trade unions expect it to edge up 0.1 percentage point to 5.5 percent and 6.0 percent respectively. (12-11-IOL-SA) (29)

South Africa's inflation rate was unchanged at 6.6 percent in June, exceeding the central bank's target for a third month. The median estimate of 28 economists surveyed by Bloomberg was 6.7 percent. (07-23-IOL-Inflation) (30)

Although rare in this sample period, analysts occasionally predict a decline in inflation. Factors such as lowered food prices resulting from a decline in the producer price index, falling crude oil prices expected to bring down petrol prices and inflation, or a better performing Rand on the back of reduced consumer price index figures are mentioned. The impact of oil prices, a volatile relative price movement, on inflation seems to be the most consistently reported expectation in the media:

He said such a reduction in the petrol price would leave it virtually at the same level as it was in September last year. "On its own, this could be sufficient to take inflation back down to below the 6 percent upper end of the inflation target by the time September's inflation figure is released in October. (08-21-IOL-Petrol) (31)

Brent, the most-used oil in South Africa, declined 25 percent since June 24. Inflation in the next few months will depend on whether the oil price stays at current levels and drags down domestic pump costs, Elna Moolman, an economist at Macquarie, said by phone from Johannesburg on October 17. A drop in fuel prices "helps inflation to slow quickly," she said. (10-20-IOL-Will) (32)

The forecasts of the analysts are closely linked to potential monetary policy decisions as they attempt to predict when the SARB will respond to rising inflation. These debates focus primarily on determining the timing of interest rate hikes, and there are three issues that analysts use to predict when the SARB will raise interest rates, namely weak economic growth, inflation pressures, and the weakening of the Rand. This can be contrasted with the SARB's reported insistence that currency stabilisation is not part of their mandate.

Economic growth is reported as one of the main considerations in the determination of the appropriate stance of monetary policy. It is also used as the primary justification for how the SARB should behave according to market expectations.

The inflation data "will most certainly continue to highlight the Reserve Bank's current dilemma of managing an uncomfortable domestic inflation environment amid a weakening economic backdrop," Jeffrey Schultz, an economist at BNP Paribas Cadiz Securities in Johannesburg. (06-18-IOL-Consumer) (33)

That the economy is as weak as it is indicates that interest rates should have been significantly lower than they have been, and should be falling, rather than rising, given the deteriorating state of the economy. (02-17-IOL-Monetary) (34)

As the last quote illustrates, some analysts believe that interest rate hikes damage the South African economy. Implied in narratives like these is the idea that economic growth should be more important to the SARB, even if this may not be its primary mandate. The examples below show that there is acknowledgement that price stability is the primary mandate of the SARB :

Economists are divided over whether South African Reserve Bank Governor Gill Marcus will act to counter above-target inflation, or support weak consumer spending and sputtering economic growth. […] "We should also remember their primary mandate is price stability and if we have inflation increasing above their forecast trajectory, it is quite clear that inflationary pressures are key and should be top of mind." (07-16-MG-Economists) (35)

"It demonstrated that if inflation pressures build they will take their eyes off weak growth and focus on the inflation target. History tells you they won't only hike once." (02-03-IOL-Traders) (36)

"Given that the Reserve Bank's primary mandate is inflation targeting, one can argue that they have to implement more policy tightening to ensure CPI [Consumer Price Inflation] doesn't stay outside the target band for too long," Van Deventer, an economist at ETM, said by phone from Johannesburg on Tuesday. (07-16-MG-Economists) (37)

The third and final issue which some analysts consider when attempting to predict the actions or reactions of the SARB is the role of the Rand. There are times when, according to the reports, Rand vulnerability may override weak economic growth and inflationary pressures to become the main concern guiding the SARB's actions. Here, three examples:

"Interest rates should stay unchanged for at least the next six to nine months, unless the rand drastically slides further," Elize Kruger, an economist at KADD Capital, said. "Economic

growth is still very flat, but the price side is becoming more of a worry." (01-22-MG-Inflation) (38)

"They have changed their tune," Schoeman said by phone on January 31. "They have always have been a bank that targets inflation expectations, but now they are far more cognisant of the currency." (02-03-IOL-Traders) (39)

Despite the many disagreements, there is one issue where most stakeholders are of the same opinion. This consensus concerns the SARB's pattern of rate tightening once an interest rate hike has been introduced. Based on past experiences, they claim that interest rate hikes are never one off events and, instead, always signal a rate tightening cycle lasting a few years.

Stewart said Wednesday's increase arguably marked the start of a gradual rate tightening cycle that could last three to four years. (01-29-IOL-Inflation) (40)

With one exception, every rate increase by the South African central bank since 1998, when Bloomberg started compiling the data, signaled the start of a tightening cycle. The anomaly was in October 2000, when then-Governor Tito Mboweni lifted the repo rate by 25 basis points and then cut it by 100 basis points the next June. […] History tells you they won't only hike once. (02-03-IOL-Traders) (41)

"Whilst the SARB opted to leave rates unchanged at today's meeting, we remain of the view that a gradual normalisation of interest rates will continue during 2015 and 2016. […] Clients are advised to plan for higher interest rates over the medium term and to use the current low rate environment to pay down debt." (09-18-MG-Domestic) (42)

"It will be difficult for the South African Reserve Bank to have a hawkish tone and maintain that we're in a hiking cycle if they keep rates on hold for much longer," Nazmeera Moola, an economist and strategist at Investec Asset Management in Cape Town, said. (07-16-MG-Economists) (43)

The analysis thus far has focused on the dimensions associated with forecasting inflation, attempting to predict the SARB's responses, and what that means in terms of strategic monetary policy. Embedded in these positions is the way stakeholders expect the SARB to act according to their own analyses and preferences and therewith an indirect indicator of their expectations. In the media, these positions are often compared to actual inflation data or to contrast forecasts made by the

SARB in order to scrutinise the SARB's response to inflation. There are other examples in the media, however, where certain actors mark their opposition to the SARB. Interestingly, this opposition seems to be limited to trade unions.

> *With elections looming and the economy struggling to recover from the slowest growth since the 2009 recession, Marcus, 64, was facing pressure from the ruling African National Congress' labor-union allies to keep borrowing costs at a three-decade low.* (02-03-IOL-Traders) (44)

> *The Congress of South African Trade Unions, the country's biggest labor-union federation and a supporter of the ANC, has said it opposes inflation targeting and has called for a weaker rand and lower rates to stimulate growth.* (02-03-IOL-Traders) (45)

> *Labour unions representing South Africa's almost 1.3 million civil servants are demanding a pay raise that's more than double the inflation rate.* (10-02-IOL-SA) (46)

In summary, the positions of the analysts reported in the media make it clear that inflation is categorically bad, not only because it is continuously rising or too high, but also because high or rising inflation will result in interest rate hikes, which are viewed as detrimental to the economy. Inflation is expected to rise, either driven by or leading to price increases in relation to food, cars, and oil, as well as a weaker Rand, while lower prices or a better performing Rand may mediate some of these effects. Presented as an important mediator is the price of oil, which is understood as a key stabiliser to inflation and its consequences. When analysts attempt to predict how the SARB will act in response to inflationary pressures, they refer to three dimensions: the SARB focusing on economic growth, inflation pressure, or a weak Rand. Interestingly, these foci are portrayed as mutually exclusive. According to analysts, once the SARB decides to increase interest rates, it is viewed as a signal of the beginning of a rate tightening cycle. Finally, the most vocal stakeholder group in the media that attempts to pressure the SARB to act in their interest are trade unions. They appear to hold an antagonist position toward the SARB and are reported to oppose inflation targeting.

8. Conclusion

Following developments in the theoretical literature as well as historical experience, central bank communication has been increasingly recognised as an important monetary policy tool. A larger portion of the literature on central bank communication has focused on central banks' communication with the financial markets, with comparatively little study of their communication with the general public. In this paper we begin, as part of a larger study of the reception of the SARB's communication by the general public in South Africa, with an exploratory analysis of media reports on inflation, inflation expectations and monetary policy. We argue that although the SARB employs a range of communication tools, most members of the general public are rationally inattentive to the original communication of the SARB, relying instead on the media to gather, condense and interpret this primary information on their behalf. As a result, reporting on monetary policy in the media, of which the central bank's communication forms part, is one point of strategic interaction between the stakeholders who co-determine the path of inflation.

A qualitative approach to textual analysis, content configuration analysis, is used to inductively explore the media's reporting on inflation, inflation expectations and monetary policy. We conclude that the media is a platform where the intentional strategic communication of the SARB is joined by the voices of other intentional stakeholders, rather than a passive conduit for the communication of the SARB. A characterisation of the reporting by the media about inflation and inflation expectations was used to identify areas of potential confusion. These begin with the lack of a clear, consistent definition for inflation in the media reports.

This exploratory analysis is being used to influence the direction of ongoing research into the communication network which interactively negotiates and debates information about inflation and monetary policy, as well as reception studies (focusing on the reception of the information about inflation, inflation expectations and monetary policy by the inattentive general public). Together, analyses of the media messages about inflation and monetary policy received by the public, as well as the communication network that determines these messages, will provide feedback for a central bank about the effectiveness of various elements of its communication.

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