

CONCLUSION

- 113 I wish to conclude and summarise this final part of my statement by observing that the rand exchange rate obviously came under a great deal of pressure in the latter half of 2001. If developments in the balance of payments are taken into account, as well as the other issues already mentioned, including the fact that market participants would tend to trade according to the view that the rand is vulnerable, thereby adding further to pressures in the rand, this depreciation in the value of the rand was not altogether unexpected. Admittedly the severity and the speed of the decline were surprising and of great concern.
- 114 If the Bank had been aware of illegitimate transactions which may have had the effect of adversely affecting the value of the rand, it would have investigated them.
- 115 It is recognised in the Bank that the best defence of a currency is prudent macro-economic policies accompanied by structural and micro-economic reforms, where appropriate.
- 116 Given the inflation-targeting monetary policy framework under which the Bank operates, it was not considered appropriate to hike interest rates in defence of the currency. Nor was it considered appropriate to intervene in the foreign exchange market to support the value of the rand by means of the forward book.
- 117 The Bank did express its concern, in a statement by myself on 14 October 2001, about the recent volatility in the domestic foreign exchange market as the interest of South Africans and non-resident investors are of paramount importance. It was felt appropriate to enforce existing exchange controls on non-residents to ensure that only legitimate transactions take place in the foreign exchange market. Also contained in this statement was a very positive announcement regarding future purchases of foreign exchange to reduce the NOFP.

118 In a joint statement issued by myself and the Minister of Finance on 21 December 2001, the positive economic fundamentals were reiterated.

Thank you very much.