



South African Reserve Bank

Media Release

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Comment on recent market developments

The South African Reserve Bank (SARB) has received numerous requests for comment on recent market developments. We have noted recent developments in financial markets in response to concerns around China's growth prospects and the timing of lift off of the policy rate in the United States. Global equity markets have declined, commodity prices are softer, and emerging market currencies have depreciated. The reaction in South African financial markets has generally been consistent with markets around the world.

As previously indicated, while we are concerned about excessive volatility, the SARB is committed to the exchange rate of the rand being set by market forces. The SARB has over many years maintained its position of not intervening in the foreign exchange market with a view to influencing the rand exchange rate towards a particular range or level.

This position, however, does not suggest that the SARB is completely indifferent to exchange rate movements. In the event of developments that threaten the orderly functioning of markets or that may have financial stability implications, the SARB may consider becoming involved in foreign exchange markets to ensure orderly market conditions.

Developments in South African markets in recent days are largely a response to external factors, and market indicators have moved in line with those in other financial centres. From a monetary policy perspective, having previously indicated that the exchange rate represents a significant upside risk to inflation, the impact of exchange rate developments on the inflation trajectory will be considered in

conjunction with other relevant factors. The SARB operates within a flexible inflation targeting framework and will continue to pursue sound monetary policy in the interest of balanced and sustainable economic growth.

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