

# Handle With Care

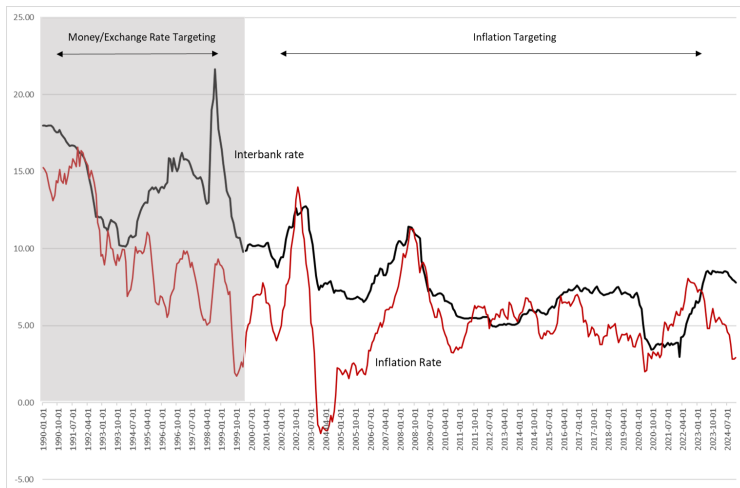
A Picture Gallery of South Africa Monetary Policy (and more..)

Nicola Viegi

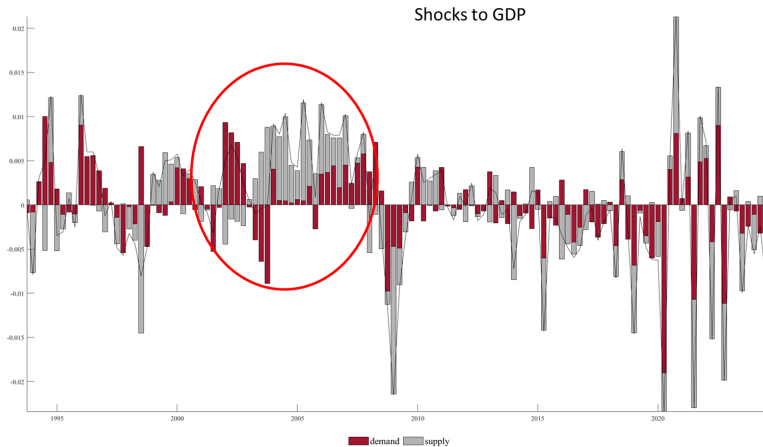
University of Pretoria and ERSA

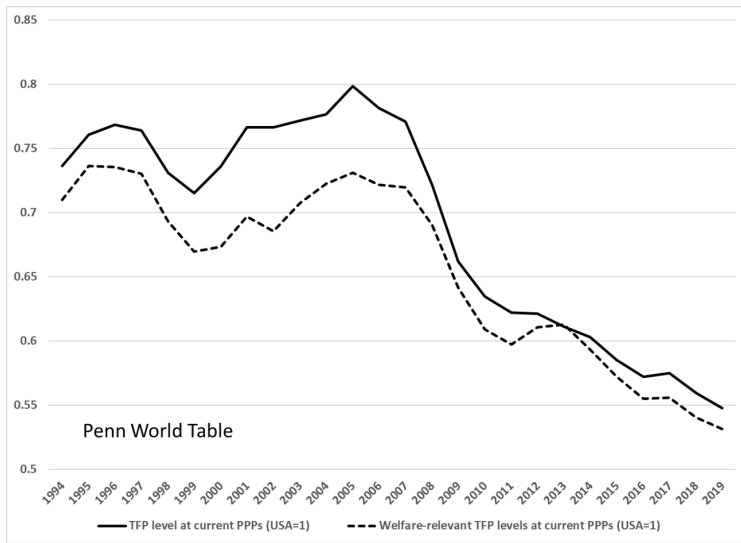
27 March 2025

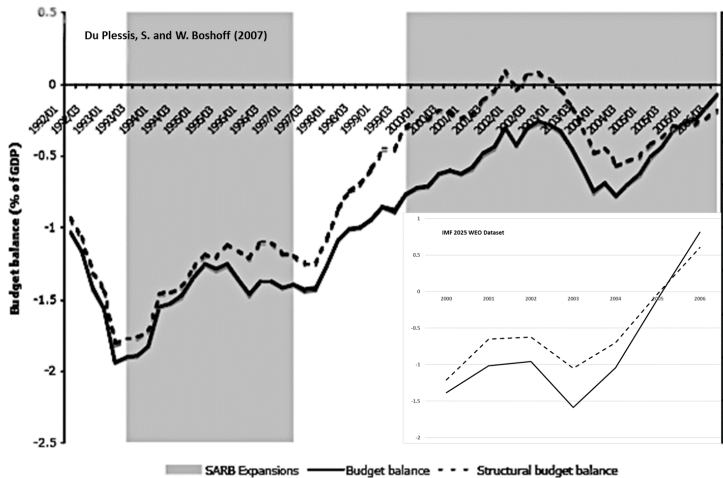
**1994-2000: Out with the Old, Waiting for the New**



## **2000 - 2007: The South African "Great Moderation"**







# Conventional monetary policy

Aug-04 *MP Decision -50 bps; unanticipated* "The Reserve Bank's monetary policy committee took a shock decision yesterday to cut interest rates [...] in a move interpreted by some as bowing to pressure to weaken the rand."

Apr-05 *MP Decision -50 bps; unanticipated; F1 -55.68 bps* . The repo rate cut surprises the market with a dovish shift. 'Blinkered Attention to Inflation Eschewed for Welcome Focus on Rand and Jobs' is the Business Day's title. [...] Mboweni takes eye off target to survey SA's real economy [...] Is it a coincidence that the last time the Reserve Bank surprised the market with an interest rate cut, it also followed a hue and cry by labour unions about the strong rand's toll on the economy?

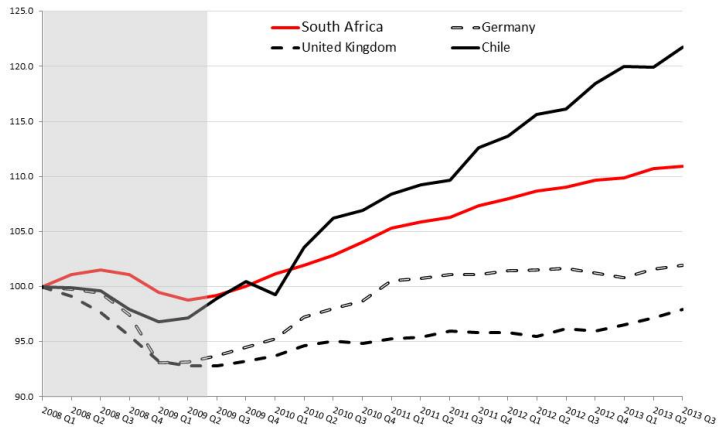
**BusinessDay**



## **2008 - 2012: Rowing Against the "Dilemma"**

# GDP Cost

GDP 2008-2013 in Selected Countries

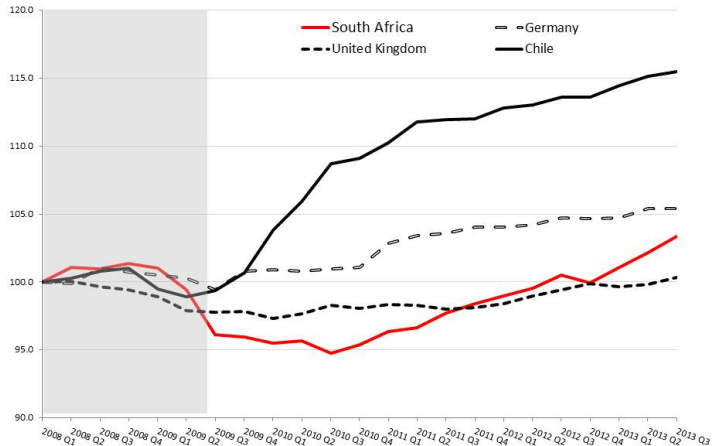


# Managing External Risk

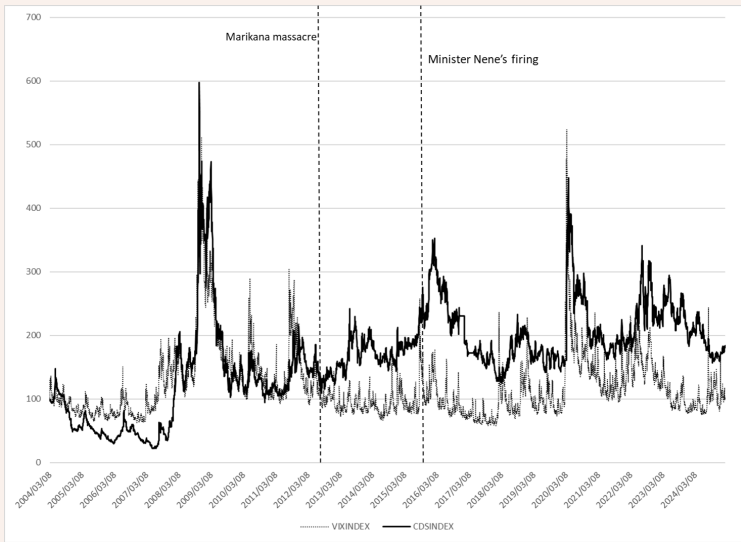
- Oct-08 *MP Decision 0 bps; anticipated.* In the immediate aftermath of Lehman Brothers' bankruptcy and at the onset of the financial crisis, the SARB appears to underestimate risks. "SA did not need to join a round of rate cuts by central banks globally as its financial system remained stable in the face of global turmoil, said Bank governor Tito Mboweni." Market disagree. The Business Day titles "Disappointment at Mboweni's decision to buck global trend."
- Feb-09 *MP Decision -100 bps; anticipated* "Growth [...] is a real concern. And from the Bank's point of view, given its mandate of price stability, the output gap suggests it should be worrying less about inflation and more about growth."
- Sep-11 *MP Decision 0 bps; anticipated;* "The Bank revised its growth forecasts sharply down, and warned that they were still at risk from the global downturn. It was concerned about the potential impact of global turmoil."
- Sep-13 *MP Decision 0 bps; anticipated;* "Markets might have been a little euphoric yesterday after the US Federal Reserve pulled back from the 'tapering' [...]. But the Reserve Bank's monetary policy committee was definitely not about to be carried away. Its tone yesterday [...] was anything but euphoric."

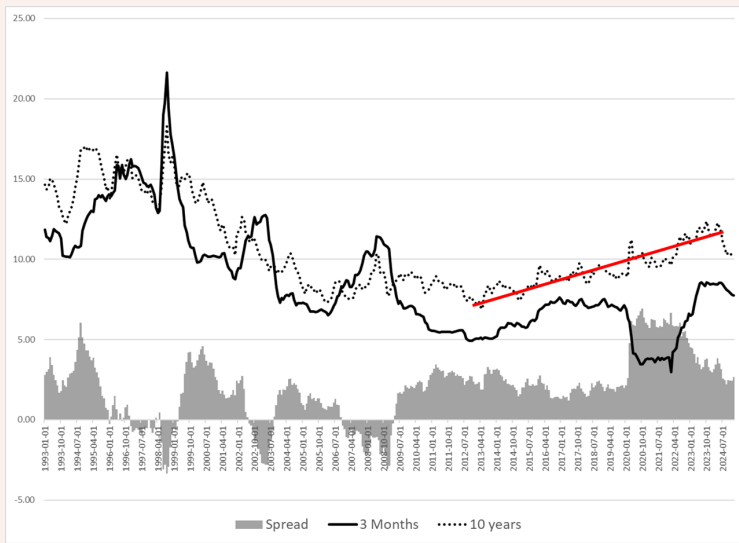
# Employment Cost

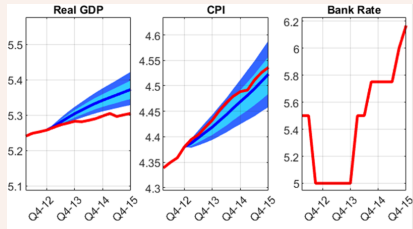
Employment 2008-2013 in Selected Countries



## **2012 - 2019: Dimming of the Rainbow**

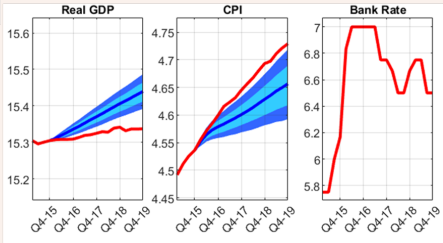






2012-2015

2015-2019



Loate, T. and N. Viegi (2025)



# Managing Internal Risk

- ▶ Surprise 25 bps hike in March 2016

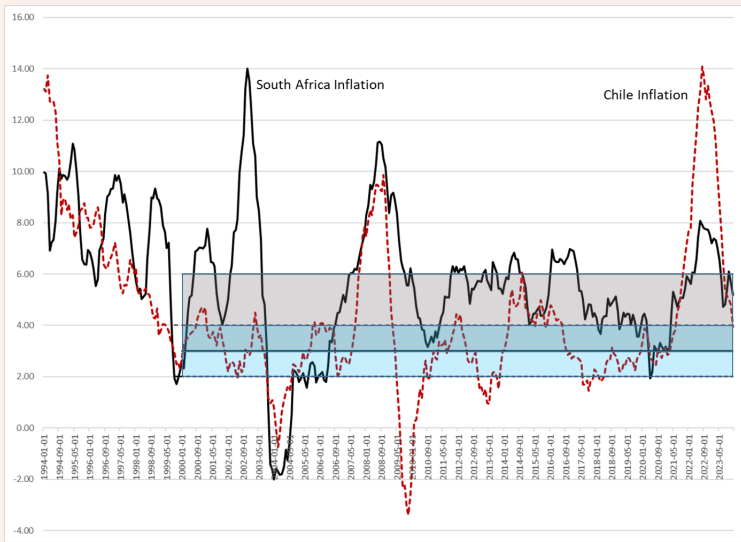
It is hard not to wonder whether the events of the past few days were the factor that tipped the monetary policy committee into opting for a 25-basis point hike rather than a hold. And rightly so. This is not the time to take any chances with either policy credibility or the exchange rate.

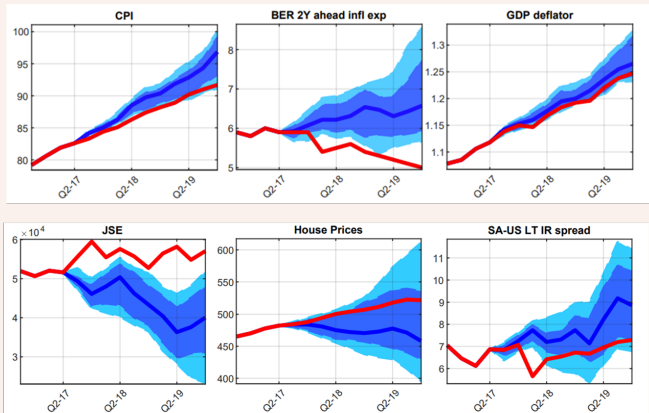
[...] the dramatic disclosures of the Gupta family's influence on ministerial appointments have undermined SA's credibility with investors further and put new downward pressures on the rand.

[...] if the committee's response was on the hawkish side (in the monetary policy sense), it cannot be faulted for acting to manage the risks as best as it can.

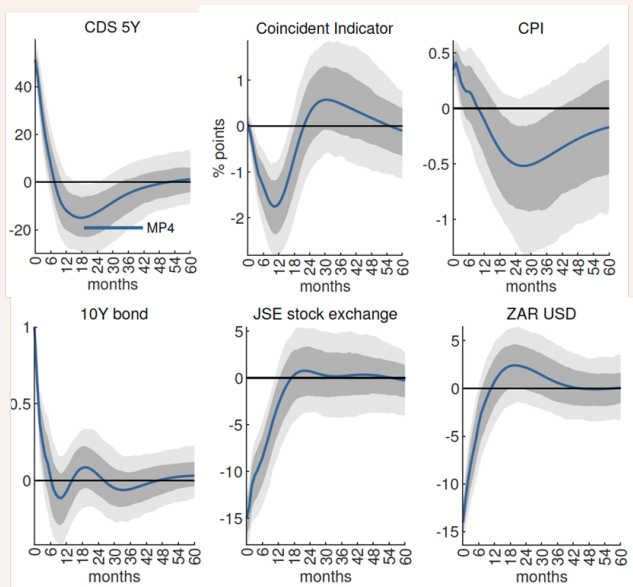
**BusinessDay**

**2020 - 2025: Looking for a Strong Anchor**

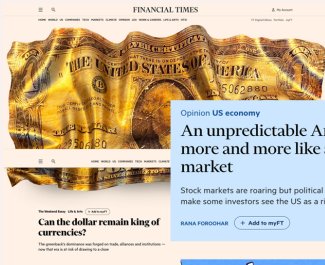




Pirozhkova, E. and N. Viegi (2023)



Pirozhkova, E., G. Ricco, and N. Viegi (2024)



Opinion **US economy**

## An unpredictable America looks more and more like an emerging market

Stock markets are roaring but political volatility and social tensions make some investors see the US as a risk to be hedged against

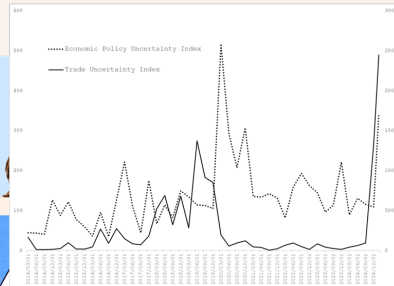
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