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'PUBLIC PROTECTOR'S PROPOSAL TO CHANGE MANDATE OF SA RESERVE BANK OPENS A PANDORA'S BOX OF NEW RISKS FOR SA ECONOMY,' SAYS NWU SCHOOL OF BUSINESS AND GOVERNANCE ECONOMIST PROF RAYMOND PARSONS

'The Public Protector's proposal that the mandate of the South African Reserve Bank (SARB) should be changed in order to be more 'transformation-led' threatens to open a Pandora's Box of additional risks for markets and rating agencies about SA. While it seems unlikely that any change will happen immediately, the fact that this matter is being raised now is negative for SA at a time when the country is economically vulnerable. It injects an unnecessary additional element of uncertainty into the economic debate when SA can least afford it, and when levels of confidence require to be boosted instead.

We must recognize that the SARB is highly respected both here and overseas for its conduct of monetary policy, and is also widely regarded as an important bastion of institutional strength here in troubled economic times. The SARB as an institution has become one of SA's major national assets. This was particularly emphasized in the recent decisions by the three major credit rating agencies to cut SA's investment rating, in which they nonetheless stressed the stability of key institutions like the SARB for SA's future economic prospects.

It is also puzzling why the Public Protector has ventured unexpectedly into the highly complex sphere of monetary policy, as well as offering a specific recommendation as to how the constitution should be changed regarding the SARB's mandate. Real economic transformation in SA needs to be driven by other socio-economic policies, not by monetary policy. Like the office of the Public Protector itself, the independent role of the SARB needs to be respected. We must hope the SARB will strongly defend its existing mandate and autonomy through the appropriate channels.'

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