

## X P Guma: Monetary policy transparency and openness

Speech delivered by Dr X P Guma, Deputy Governor of the South African Reserve Bank, on behalf of Mr T T Mboweni, Governor of the South African Reserve Bank, at the launch of the labour markets and social frontiers publication series, 15 October 2002.

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Honoured guests, colleagues of the South African Reserve Bank and members of the media.

As you are already aware, formal inflation targeting was introduced in South Africa in February 2000. One of the hallmarks of inflation-targeting is the greater degree of transparency it requires regarding monetary policy. A major determinant in the success of the inflation-targeting framework hinges on whether the Bank's actions are fully understood by and have credibility with labour, business, government and other social players in our economy. I have mentioned this in the past, but I am compelled to stress it again, that monetary policy transparency and openness are essential in order to enhance the understanding and credibility of our policies.

This commitment to transparent monetary policy has resulted in numerous initiatives to improve the communication of our policies to the public. In March 2001, the Bank published and distributed its inaugural Monetary Policy Review, which is now published twice a year. We make statements, which are broadcast live on SABC, at press conferences shortly after each Monetary Policy Committee (MPC) meeting. And we simultaneously release a detailed written statement in which reasons for the Bank's stance is explained. Monetary Policy Forums (MPFs) are held twice a year at various venues around the country to create a platform for discussion on monetary policy and general economic developments, both domestically and internationally. The Bank also reports regularly to Parliament on monetary policy. Over and above all of this, I am frequently invited by various organisations to address various groups and forums, ranging from businessmen and women to universities, HIV/AIDS donors and caregivers, and I use every opportunity to bring the Bank and its work closer to the people.

Today, I am proud to officially launch another initiative that is ground-breaking for the South African Reserve Bank and which I believe ranks it as a leader among central banks. The Bank realises that the effects of monetary policy impact on labour markets and social development issues. While we acknowledge that sometimes these linkages are not blatant, we cannot rule out the possibility that some of the trickle-down effects are real and warrant more in-depth interrogation.

It is for this reason in particular that we thought it necessary in February 2001 to establish a Labour Markets and Social Issues Unit as part of the Research Department. The unit's mandated task is to conduct research into the inter-relationship and interaction of monetary policy with labour markets and social development issues, and to inform the Bank and other relevant partners of their findings. The publication that is being launched here today originates from this unit, in collaboration with numerous internal and external experts and editors. We believe that a wealth of valuable research and information exists amongst independent stakeholders, but the greatest contribution to society is when this information can be shared in a manner that impacts on policy and is accessible to the greater populus in a form that is easily comprehensible. It is hoped that this publication will serve as a '*melting pot*' in which this purpose may begin to crystallise.

Through publications such as this new series, *Labour Markets and Social Frontiers*, the Bank aims to facilitate a number of objectives. The Bank will engage with broader labour market and social development issues in order to develop a holistic, more integrated knowledge base and policy oversight. This series offers stakeholders the opportunity to share their perspectives on monetary policy *vis-à-vis* labour markets and social development debates. Through this initiative we are encouraging a wider readership base to include a broader spectrum of labour, community and social partners. We also aim to create an awareness of how monetary policy interacts with labour markets and social development dynamics.

A pilot edition of the publication was released in March this year to "*test the waters*" in a sense. We included a questionnaire to solicit responses about the publication so that it could be improved as a channel of labour and social dialogue and debate. The openness of the Bank is evidenced by the fact that this edition includes four articles from experts outside the Bank. An invitation to submit articles to be published in this initiative is extended to you again today, in a bid to draw wider public research, comments and opinions closer to the Bank and to better inform monetary policy.

One cannot say with certainty what the future holds for any organisation, but I am confident that the South African Reserve Bank is progressing steadfastly in its quest to become more transparent to the public. We urge our partners, especially those in labour, business and the social sectors, to support us as we endeavour to strive for the real values of openness, democracy and accountability. It is very easy to make challenging statements in chorus from a distance. What really counts and matters is true commitment.

In inviting you to be a part of our publication, *Labour Markets and Social Frontiers*, we acknowledge that we have heard your cry - we are prepared to take you seriously and we embrace you as we join together to make a concerted effort in making a meaningful difference to all South Africans.

Thank you.