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ABOUT THE COMPANY

DaMina is a preeminent independent frontier markets risk research, due diligence and Africa M&A transactions consulting firm.

With a special focus on African capital and commodities markets, DaMina provides exclusive, highly-tailored, 360-degree and around-the-clock regulatory, political risk advisory, due diligence and M&A consulting services to a range of marquee global firms.

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DaMina Advisors Note: South African central bank 'inflation targeting' policy future uncertain as specter of a stagflationary recession hounds governor from office after just 1 term. New governor may expand the bank's CPI target range beyond 3%-6%, or completely overhaul the entire monetary policy framework -- rather than hike rates and trigger a recession.

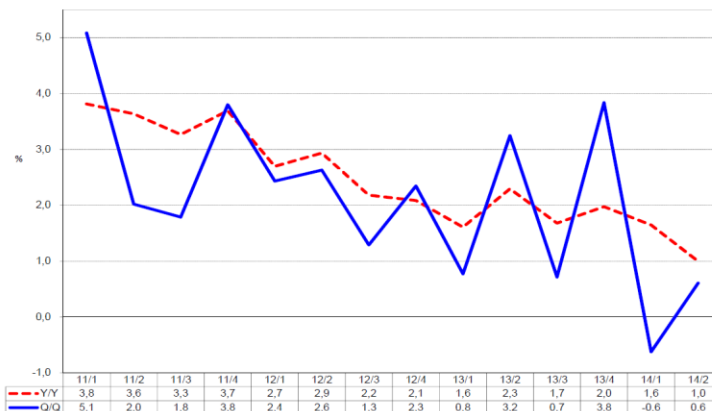
The South African central bank stands at a cross roads. 14 years after first adopting the politically unpopular 'inflation targeting policy,' regime, renewed prospects of more years of permanently high structural unemployment, coupled with surging inflation expectations, due to wage hikes, and anemic economic growth may force the next central bank governor to either: (a) expand the current CPI target range beyond 3%-6% to create greater policy flexibility, or (b) completely abandon the 14 year old inflation targeting policy, and dramatically overhaul it in favor of 'basket of targets,' like the US FOMC; or (c) accept the breach of the target range for a considerable period to guarantee growth and avoid oncoming recession. No matter the choice, South Africa's 14-year monetary policy framework is set for a significant change soon.

While the leading frontrunners to replace departing Governor Gil Marcus are both known inflation hawks, if either gets the position they will be constrained by larger political realities. Neither can adopt a 'Volcker-type' 1980s strident anti-stagflationary hawkish posture. There is simply not enough political space for either to do so. President Zuma may also look beyond Deputy Governors Mminele and Kganyago, and pick some else from outside the cloistered walls of the bank. Contrary to media speculation, neither Mminele nor Kganyago are automatic shoo-ins to replace Marcus. Zuma may pick an outside candidate and surprise the markets.

CPI has breached the SARB's 'inflation target' range and may accelerate further into 2015



South African GDP growth is contracting and could tip the country into recession



Source: SA Stats

For more in-depth analysis kindly contact us.

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