



South African Reserve Bank

## Assessing the Measurement of Inflation Expectations under South African Inflation Targeting<sup>1</sup>

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The main objective of most central banks is to maintain price stability, therefore within an inflation-targeting framework; central banks are faced with the greatest challenge in understanding the state of inflation expectations. In the case of the Republic of South Africa (RSA), there are at least three measures of inflation expectations, namely, Bond Market Break-Even Inflation, the Bureau for Economic Research (BER) Inflation Expectations Survey and the Reuters Inflation Expectations Survey. This paper reviews and compares the three inflation expectations measures against actual inflation reported. The paper begins by providing a brief history of inflation targeting in RSA and then defines the inflation expectations measures. The paper then assesses the performance of all the measures against actual inflation before concluding.

**Keywords:** price-stability, inflation-targeting framework, inflation expectations, break-even inflation

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