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'THE LATEST MPC DECISION - SOUTH AFRICA NEEDS A PERIOD OF STABLE INTEREST RATES', SAYS NWU BUSINESS SCHOOL ECONOMIST PROF RAYMOND PARSONS

'The widely expected decision by the MPC to again keep interest rates unchanged was the right decision in present economic circumstances. Both economic and political factors presently call for a predictable period of stable interest rates, especially as inflationary expectations in SA have moderated considerably. With changing global economic conditions, it would also be wise for the SARB to remain flexible regarding monetary policy and future trends in interest rates. In retrospect the hike in the repo rate in November 2018 was probably a mistake.

The bad news from the MPC was the cut in its 2019 growth forecast from 1.7% to 1.3%, with downside risks. The SARB saw this as driven mainly by Eskom load-shedding, declining business confidence, and constrained disposable income. On present trends this MPC growth forecast may still be too optimistic, given the highly negative impact recent load-shedding has had on the economy. Growth may now eventually turn out to be only about 1% for 2019 as a whole.

The MPC nonetheless rightly emphasized the importance of urgent structural reform to get the economy on a higher growth path in future. Taking both the positive and negative factors emerging from the MPC's latest assessment of the economic outlook it seems that the SA economy will broadly be in a 'holding pattern' until after the elections in May. Economic and policy uncertainties are likely to remain elevated until then.'

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