



Prof Raymond Parsons

Cell: 083 225 6642

MEDIA STATEMENT - IMMEDIATE RELEASE

28 MARCH 2018

'INTEREST RATE CUT WILL HELP TO STRENGTHEN CONSUMER AND BUSINESS CONFIDENCE' SAYS NWU SCHOOL OF BUSINESS ECONOMIST PROFESSOR RAYMOND PARSONS

'The widely expected decision by the Monetary Policy Committee of the SARB to cut interest rates by 25 basis points, even though it was a split MPC vote, was the right one for the economy at this juncture and will strengthen consumer and business confidence. This is another tangible outcome of recent positive political and economic trends that have improved SA's economic prospects and allowed for a modest interest rate reduction.

The latest better-than-expected inflation figures and the recent decision by Moody's to leave SA's investment rating unchanged and raise their outlook on SA from negative to stable, have made a cut in rates possible at present. SA has avoided universal junk status for now. As confirmed by the MPC statement the scope for future rate reductions will remain data-driven by both the internal and external factors that usually determine monetary policy in SA.

There is therefore no guarantee that rates will continue to decline in 2018. Whether they do so will continue to decline in the rest of the year will therefore depend on factors such as the performance of the rand, the strength of domestic demand and on the expected future rate of inflation.

The outlook for growth in 2018 is now better, with a growth rate of about 1,8% likely, compared to about 1.3% last year. The previous hesitant economic recovery is now steadily broadening across the economy. What remains important now is that the structural reforms and policy certainty needed to translate the present economic recovery into much higher sustainable growth rates over the longer term begin to take place.

ENDS