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MEDIA STATEMENT

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'A SURPRISE BUT WELCOME CUT IN INTEREST RATES ALSO HIGHLIGHTS A HUGE WEAKNESS IN THE GROWTH OUTLOOK', SAYS NWU SCHOOL OF BUSINESS AND GOVERNANCE ECONOMIST PROF RAYMOND PARSONS

'The surprise but welcome decision by the MPC to reduce interest rates by 25 basis points, despite the fact that there remain potential risks to the inflation outlook, emphasizes the SARB's concern about SA's growth prospects. This is confirmed by the MPC's decision to halve its 2017 growth forecast to 0.5%, which is more in line with several private sector economists' expectations, as well as that of the NWU's latest policy uncertainty index.

This MPC statement is a sobering message from the SARB about the prospects for growth and employment in the period ahead and must be taken seriously. The thrust of the MPC's economic assessment also confirms that, while lower interest rates are helpful to the economy at the margin as well as psychologically, they are not growth-drivers.

In addition, the MPC has warned that it may reverse this decision if the inflation outlook deteriorates. Monetary policy can offer no fundamental solutions. SA must indeed look to other relevant policies to move the economy forward.

The MPC's analysis also emphasizes that it remains essential for SA to urgently implement structural reforms which are clear, coherent, certain, confidence-building and growth-oriented. That is the only way in which SA can hope to break out of its present 'low growth trap'.

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