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MEDIA STATEMENT

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'THE FAILURE OF THE SARB TO CUT INTEREST RATES AGAIN PARTLY REFLECTS THE ECONOMIC PRICE BEING PAID BY SA FOR CONTINUED OVERALL POLITICAL AND POLICY UNCERTAINTY', SAYS NWU SCHOOL OF BUSINESS AND GOVERNANCE ECONOMIST PROF RAYMOND PARSONS

'The fact that, contrary to wide-spread expectations, the MPC felt unable to follow through today on its previous cut in interest rates in July, is a pity but understandable. The fact that the MPC was evenly split on the decision shows there is room for legitimate differences of opinion on the balance of risks facing the economy and on whether a further modest cut in rates is possible. It also reflects the high level of uncertainty in prevailing economic assessments. The SARB had earlier created the impression that, with inflation broadly under control and the economy in a 'low growth trap', the stage had been reached where gradual declines in interest rates were possible in the second half of 2017.

A further reduction in borrowing costs at this stage would have been helpful to improve present low levels of consumer and business confidence. But the failure of the SARB to cut rates again this year now partly reflects the economic price being paid for continued overall political and policy uncertainty. The SARB's growth forecast for this year is now still only 0.6%, but rising to 1.2% in 2018, yet with risks to the growth outlook on the downside. Per capita growth will continue to decline in SA. The MPC was right to warn that there still remain serious risks for SA on the economic horizon. It is clear most of these risks are mainly created by domestic economic and political factors.

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