Prof Raymond Parsons

Cell: 083 225 6642

MEDIA STATEMENT - IMMEDIATE RELEASE

19 Sep 2019

'UNCHANGED INTEREST RATES A LOST OPPORTUNITY TO SEND A MORE POSITIVE MESSAGE TO BUSINESS AND CONSUMERS', SAYS NWU BUSINESS SCHOOL ECONOMIST PROF RAYMOND PARSONS.

'With unchanged interest rates at this stage the MPC has lost an opportunity to send a more positive signal to business and consumers, given the very low levels of confidence. There is indeed room for a further interest rate cut on the basis of the MPC's own presentation of relevant data around the balance of risks. The combination of a weak domestic economy, the reduced inflation risk, and an easing global interest-rate cycle justify a further reduction in borrowing costs at present.

With the inflation outlook better anchored, the MPC could therefore have safely given more weight to economic growth at this vulnerable point in SA's business cycle. Apart from confirming its growth forecast of only 0.6% in 2019, the MPC has now also reduced its growth expectations for 2020 and 2021. A more flexible approach to lowering borrowing costs now would have been useful when SA needs to break out of its 'low growth trap'.

However, it remains true that the real remedies for SA's economic malaise mainly lie beyond monetary policy. The basic solutions must still be found in the pro-growth economic structural reforms that SA so urgently needs. It is wrong to think that monetary policy can do more for structural growth and employment than it can in reality, although it can play a helpful supportive role.'

ENDS