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MEDIA STATEMENT - IMMEDIATE RELEASE

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'THE WIDELY EXPECTED MPC DECISION TODAY TO AGAIN LEAVE INTEREST RATES UNCHANGED NONETHELESS LEAVES THE DOOR OPEN TO A POSSIBLE FUTURE RATE CUT', SAUS NWU BUSINESS SCHOOL ECONOMIST PROF RAYMOND PARSONS.

'The widely expected MPC decision to again leave interest rates unchanged reflects the MPC's majority view of the present balance of risks facing the economy. But on both growth and inflation grounds the case for a future interest rate cut is now strengthening. With various authoritative growth forecasts for 2019 being recently steadily revised downwards to about 1% and future inflation coming closer to the desired 4.5% midpoint of the inflation target band, the balance of risks in the months ahead may well tilt towards the prospect of lower interest rates.

It would also resonate with existing global interest rate trends.

Complex cross-currents in the SA economy, including emerging international trade tensions, therefore need to be successfully navigated to turn the economy around. The MPC itself has again reduced its 2019 growth forecast, now from 1.3% to 1%. Inflationary expectations in SA are at their lowest in a decade. With a split 3-2 vote on the latest MPC outcome, future interest rate decisions have therefore become a much closer judgement call, as the burden of proof for a central bank cannot be absolute certainty.

Although it remains mainly to structural economic reforms that SA must now look to strengthen the economy, neither should the costs of borrowing unnecessarily hamper it at this vulnerable point in the business cycle. Yet structural issues remain paramount. For example, as emphasized by the SARB Governor, stabilising Eskom and providing energy security are major factors in SA's future growth prospects, given the serious negative impact of load-shedding on GDP growth in 1Q 2019.

With the downside risks accompanying the MPC's latest reduced 2019 growth forecast, the emphasis in the post-election period therefore has now to be focused far more on what pro-growth reforms a new Cabinet will be able to begin to implement. Early action is needed to boost business and consumer confidence and to put the economy on a higher growth path.

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