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MEDIA STATEMENT - IMMEDIATE RELEASE

Commenting on the SARB's Monetary Policy Committee (MPC) decision today to continue its interest-rate easing cycle North-West University Business School economist Prof Raymond Parsons says:

'To again reduce interest rates by another 25 bps is the right decision for the economy in present circumstances. The inflation outlook now still well within the SARB's target range and the economy is battling with sluggish GDP growth of probably less than 1% this year. A further easing in borrowing costs for business and consumers is therefore supportive of future economic activity.

The lower borrowing costs are positive for confidence levels at a time when the incipient economic recovery is struggling to gain momentum, and bearing in mind the GNU's growth target of 3% in the medium term. The MPC has also further trimmed its growth forecast for 2025.

However, whether there can be further interest rate cuts this year is now highly uncertain. There is global uncertainty because of US tariffs. South Africa now has to unpack the complex economic impact of the higher US tariffs on the domestic economy and take shock-absorbent steps to ameliorate the situation. On a 'worse case scenario' estimates range of a loss of between 0.4%-0.7% in SA's economic growth, depending upon what remedial measures can eventually be taken.

And there also needs to be finality on the key likelihood of a lower inflation target of 3%, in which case the SARB has indicated it will need to keep borrowing costs higher for longer. The dialogue with the National Treasury still appears on-going. It is also not yet clear whether the necessary political support and 'buy-in' has been secured for the inflation target change.'

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