# Repo rate unchanged

Consumers will breathe a sigh of relief after the South African Reserve Bank's (SARB) Monetary Policy Committee (MPC) decided to keep the repo rate unchanged at 6.5%.


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Despite a stagnant economy, coupled with several external and internal factors, SARB Governor Lesetja Kganyago said, the seven member MPC had decided against increasing the repo rate. Four members voted against an increase while the other three wanted a 25 basis points growth.

“The committee remains concerned about the growing risks to the inflation outlook mainly due to exchange risks related to both domestic and external factors elevated by international oil prices and the possibility of higher electricity tariffs,” he said.

However, he said, demand pressures in the economy were not assessed to pose a significant risk to the inflation outlook.

“The MPC assesses the risk focus to be moderate on the downside,” he said.

The committee, he added, continues to be of the view that current challenges to the economy are primarily structural in nature and cannot be solved by monetary policy.

“Commitment to credible structural policy initiatives and implementation thereof is required to make a marked impact on the cost structure of the economy, potential output and employment. Monetary policy is most effective in addressing fiscal growth,” he said.

Kganyago said the committee continues to assess the stance of monetary policy to be accommodative.

“However, the MPC remains concerned about the deteriorating inflation outlook, driven mainly by the multiple supply side factors. The approach of the committee continues to look through the first round effects and focus on the possible second round effects,” the Governor said.

With risks and uncertainty at higher levels, he said, the MPC will continue to be vigilant and “will not hesitate to act should it become necessary”.

He highlighted that the business confidence index decreased to 38 index points in the third quarter.

“Growth in gross fixed capital is expected to remain weak. Household consumption expenditure contracted by 1.3% in the second quarter, declining for the first time in two years. In the medium-term, the increase in disposal income is expected to be supportive of consumption expenditure,” he said.

However, household consumption expenditure is likely to be constrained by recent tax changes, weak employment growth as well as subdued credit growth extension to households.