

Repo rate cut by 100 basis points

The Reserve Bank has announced a 100 basis point cut in the repo rate, giving further relief to hard pressed South Africans.

By [Neo Semono](#) 30 Apr 2009

Addressing media at the end of a two-day Monetary Policy Committee (MPC) meeting, Reserve Bank Governor Tito Mboweni announced the repo rate would decrease to 8.5% with effect from next Monday.

“The committee is of the view that the adverse economic conditions continue to tilt the balance of risks to inflation outlook to the downside over the medium term and has therefore decided to reduce the repurchase rate by 100 basis points to 8.5% per annum with effect from 4 May 2009,” said Mboweni.

Last month, the central bank cut the repo rate by 100 basis points to 9.5%.

Some banks have already responded to the announcement and have lowered their interest rates. Standard bank and First National Bank have indicated that they will be reducing their prime lending rate from 13 to 12% effective from Monday.

The Governor said the MPC had considered the severe “synchronised” downturn in international and domestic economic conditions.

According to the MPC, which wrapped their monthly meeting a little earlier than expected, the global economy continues to be in a severe synchronized downturn placing a number of countries in recession.

He further highlighted that the country's domestic output and expenditure growth was declining and that prospects of growth depended to “a significant extent” on the recovery of the global economy.

The outlook for domestic economic growth remains subdued, with no indications of a quick recovery.

Bureau for Economic Research (BER) economist Hugo Pienaar told *BuaNews* on Thursday that most economists had predicted a 100 basis point cut. “The weak data on the real economy justifies the cut,” he said.

He said while the total 300 basis point cut since December was aggressive, he expected that the bank would further lower the repo rate when the MPC meets in May.

However, Pienaar cautioned that depending on the economy, the cut may only be a 50 basis point, later in the year.

Speaking to *BuaNews* shortly before the announcement, Nedbank economist Isaac Matshego said looking at current data the cut was necessary.

“The economy needs a stimulus, the bank should continue lowering interest rates,” said Matshego.

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