



*MKI Economics Commentary* is a brief note intended to provide MKI's interpretation of key economic events such as the Budget, MTBPS, Monetary and Fiscal Policy decisions, Employment, data releases and other topical economic events.

### *SARB KEEPS BENCHMARK INTEREST RATE UNCHANGED*

The Monetary Policy Committee (MPC) of the South African Reserve Bank (SARB) has elected to keep the repurchase rate at 3.5 %, a decision made on 19 November 2020. The MPC was split in the decision with 2 members for a cut and 3 opting to hold the rate.

### *ECONOMIC ASSESSMENT*

Overall, risks to inflation were assessed to be on the downside in the near term but balanced over the medium-term. The scenario is aided by low oil prices and global producer price inflation. The local food price inflation is also expected to be largely contained.

Economic growth forecasts were revised for the better. The SARB sees a marginally smaller economic contraction of 8% for 2020 as compared to an 8.2% estimate it forecast in September 2020. Most analysts forecast a massive rebound in GDP for quarter 3 after the second quarter collapse.

With no demand side pressures evident and the economy clearly battered, the MPC decided to keep the repo rate unchanged at 3.5%.

### *COMMENTS AND CONCLUDING REMARKS*

This MPC sitting was the last for this year. Though holding the rate when some expected a cut, the bank cannot be faulted for not trying. The SARB has cut the repo rate by 300 basis points thus far this year. It has been a noble adventure while the



economy was under strain with the local economic recession, compounded by the Covid-19 pandemic. The pursuit of price stability from the monetary side was by and large an encouraging effort.

However, as implored by the SARB governor, the authorities should now implement macroeconomic and fiscal policies to support the economy. There is need for a faster pace in this regard.