

Flash Comment

South African central bank delivers final cut

- The South African central bank (SARB) announced that the Monetary Policy Committee (MPC) has decided to cut the key policy rate by 50bp, bringing it to 6.00%.

Details

The key policy rate was cut by 50bp to 6.00% at the MPC meeting today. This came out in line with market expectations, including us. The market reaction was fairly limited; however, the South African rand firmed somewhat after the announcement, as some market participants had perhaps hoped for a bigger cut.

Assessment & Outlook

Despite the rate decision being unanimous and that all MPC members advocated the decision to ease further, nonetheless Governor Marcus said that she sees the prospect of further rate cuts as “limited”. Today’s cut should be perceived as a step to further support the already growing economy.

While commenting on inflation and the economy, Governor Marcus said that economic growth in H2 is expected to moderate further, though private consumption has shown some signs of recovery. Downside risk from the global economy remains high. On the inflation outlook, Marcus said that the central bank’s inflation forecast has been revised down and that the main upside risks to inflation were administered price increases.

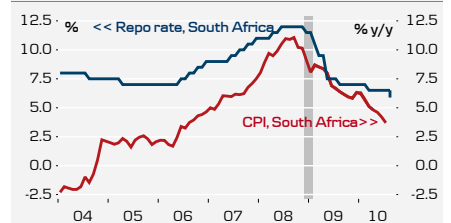
To conclude, having read the statement, it is clear that the central bank is aware of risks to the South African economy from the global economic slowdown. On the other hand, the central bank acknowledges that the economy is recovering and perhaps doesn’t need further stimulus. In our view, today’s rate cut was the final one and we now expect the SARB to stay on hold for some time to come.

Key policy rate

Act	Con	DB	Last
6.00%	6.00%	6.00%	6.50%

Source: Danske Markets

SARB delivers another 50bp cut



Source: EcoWin Reuters

Analyst

Stanislava Pravdova
+45 45 25 80 71
spra@danskebank.dk

Disclosure

This research report has been prepared by Danske Research, which is part of Danske Markets, a division of Danske Bank. Danske Bank is under supervision by the Danish Financial Supervisory Authority. The author of this research report is Stanislava Pravdova, Analyst.

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