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MEDIA STATEMENT

IMMEDIATE RELEASE

INTEREST RATES

Commenting on the South African Reserve Bank (SARB) decision today to leave the repo rate unchanged BUSA says —

Quote:

Not unexpectedly, the repo rate has been left unchanged. As BUSA would like to see the lowest possible interest rates consistent with control of inflation to get the SA economy moving again, it had hoped that a further cut of 50 basis points might have been possible at present. Although BUSA understands the reasons for a cautious monetary policy, the Reserve Bank has been unable for the past three meetings of the Monetary Policy Committee (MPC) to lower interest rates further. 'The domestic outlook for inflation' the Reserve Bank itself says, 'remains favorable as a result of weak demand and the main threat to the inflation outlook emanates from possible electricity price increases'.

The real cost of borrowing for business remains high and helps to explain why the recovery from the recession is slow. BUSA endorses the warning about the impact of excessively higher Eskom tariffs, which is likely to lead to less output and employment — given overall demand weakness. The strong rand has also made it more difficult for business to compete either locally or abroad. While an economic recovery in SA does not depend solely on monetary policy, BUSA hopes that the Reserve Bank will find more room to maneuver at the next meeting of the MPC in January 2010.

17 November 2009

Unquote.

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