

Economists predict repo rate cut

By [Neo Semono](#)

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Economists predict the Monetary Policy Committee (MPC) will announce a 100 basis point cut in the repo rate on Thursday, 30 April 2009, after their two-day meeting.

Nedbank Chief Economist Dennis Dykes told *BuaNews* on Tuesday that a 100 basis point cut was likely following the MPC's two-day meeting which will kick off on Wednesday.

"We're expecting the MPC on Thursday to announce a 100 basis point cut - the same as last month. The economy is still very much under pressure," Dykes said.

Last month, Reserve Bank Governor Tito Mboweni announced that the MPC had reached a decision to cut the repo rate by 100 basis points. This was a third cut since the beginning of the year.

The rate cut was seen in light of the current economic crisis crippling industries across the globe.

In South Africa, domestic production had contracted because of weak demand domestically. This also in turn has led to a significant decline in exports.

Senior economist at Investment Solutions Chris Hart also shared the same sentiments as Dykes, saying that a 100 basis point cut was possibly on the cards for Thursday.

In March, the Reserve Bank indicated that the committee would hold its regular meetings more often to allow for more effective planning and quicker reactions to changes in the economy. The committee has since met every month; however July will be an exception.

Meanwhile, on Wednesday Statistics South Africa is expected to release the Consumer Price Index (CPI) for the month of March.

Last month, the CPI came in a little higher than expected at 8.6%. This was 0.5% higher than the corresponding annual rate of 8.1% at January 2009.

Both economists predict that the CPI will move closer to 8%.

"The CPI will be closer to eight percent, this downward trend is of concern," said Hart, while Dykes said the public will be

disappointed at the figures and the expected petrol price increase.

“We think it will be at around 8.4%. It could be slightly slower,” said Dykes.

Commenting on the Producer Price Inflation (PPI) which will be released on Thursday, Dykes said: “There should be some improvement.”

PPI for February came in at 7.3% year on year which is 1.9% lower than January's figure of 9.2% year on year.

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