

SARB 0.5% cut drops prime rate to 10%

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Weekly Comment



By Cees Bruggemans, Chief Economist FNB
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In a difficult but unanimous decision, the SARB MPC dropped interest rates by 0.5%, with prime falling to 10%, which is the lowest prime has been since 1981.

This small further rate reduction should assist the economy's recovery this year and next, with SARB upping its GDP growth forecast for 2010 to 2.6%.

CPI inflation is expected to drop further in coming months, while the economic recovery is likely to remain gradual.

I don't foresee further rate cuts this year, but expect current rates to remain 'low for long', probably well into next year.

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