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22 September

MEDIA STATEMENT

IMMEDIATE RELEASE

BUSA COMMENTS ON SARB INTEREST RATE DECISION

While BUSA had hoped that the sluggish economic outlook and better-than-expected consumer inflation data in August would have justified a further cut in interest rates, it understands the balance of risks that have led the SA Reserve Bank (SARB) to leave interest rates unchanged at this stage. The current sharp drop in the rand and its possible rising inflationary implications have reinforced the expected 'wait-and-see' approach by the SARB and encouraged the decision to keep interest rates on hold at current levels for longer.

The downside risks to the SA economy remain highly visible in the light of an uncertain and weak global economic outlook and BUSA has already also previously reduced its growth forecast for 2011 as a whole from 3.4% to 3.1%. If domestic and global economic conditions weaken again, with recession threatening, a further interest rate cut will have to be considered before the end of the year. Business confidence remains at a low level. Other policy interventions may be necessary depending on global and domestic economic trends in the months ahead.

ENDS.

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