MEDIA RELEASE	**Repo-rate cut: PSA welcomes relief with caution**
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The 100 basis point (1%) cut in the repo rate to 5.25% by the SA Reserve Bank (SARB) is welcomed by the Public Servants Association (PSA), but the Union warns that this measure on its own is not sufficient to combat the social and economic risks associated with the COVID-19 pandemic.

The announcement by the SARB represents one of the biggest reductions ever and was necessitated by the change in South Africa's economic outlook for 2020. The downward revision of the economic outlook is ascribed to the global outbreak of COVID-19 (Coronavirus), with rising infection rates in South Africa. There are economic implications owing to significantly reduced productivity, economic activity, soaring medical expenses as well as unavoidable job losses associated with imposed restrictions. COVID-19 will negatively affect global and domestic economic growth through the first half of 2020 and the South African economy is expected to contract by 0.2% in 2020.

The 1% cut in interest rates is intended to ease financial conditions and improve the resilience of households and businesses owing to the short-term economic implications of COVID-19. This step may provide some relief for businesses and public servants who are mostly not coping with increasingly tough economic conditions. It will hopefully make credit repayment easier for the majority of public servants who are heavily indebted and ease the burden of the high cost of household necessities such as transport, electricity and food.

The PSA pointed out that monetary policy can, however, not be the only instrument to ease ongoing economic hardship. It plays an important part in building confidence and containing economic damage, but other instruments should come into play. These include a fiscal policy with government supporting economic activity. There should be significant financial support for small and medium-sized enterprises, and special support to business that have to decongest or open for limited hours such as restaurants and the tourism sector.

Various other countries around the world have shelled out stimulus packages via their central banks and treasuries. The Bank of England announced a monetary policy stimulus by cutting interest rates to 0.25%. The Chancellor of the Exchequer, Rishi Sunak, outlined an expansionary fiscal policy and a $14 bn emergency fiscal stimulus to counter the economic shocks of the COVID-19. The interventions are directed at both businesses and at bolstering capabilities in the national health system. The European Commission has promulgated a Corona Response Investment Initiative that has set aside just over $41 bn to support small and medium-enterprises, boost short-term employment schemes and shore up the health-care systems of European Union (EU) member countries.

The United States Federal Reserve Bank has slashed its policy rate by a full percentage point to between zero and 0.25. It has also outlined an asset purchase programme to the tune of R700 bn.

Switzerland has set aside $10.5 bn to aid small businesses and freelancers who have been hard-hit by government shut-down measures. The Chinese central bank has unveiled a $79 bn stimulus package to support companies. This has also seen the relaxation of the reserve requirements for banks to give them more flexibility to lend to businesses. The German state bank will lend $610 bn to companies to ensure they survive the pandemic.

With South Africa now firmly caught in the grips of the pandemic, the PSA calls on government to urgently upgrade public health infrastructure by cooperating with private healthcare providers. In addition, government should follow international suit to avoid an economic disaster. The SARB should also consider another round of interest rate cuts to stimulate more economic activity and avoid total economic collapse.

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