

## Statement of the Monetary Policy Committee

15 January 2002

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Issued by Mr T T Mboweni, Governor of the South African Reserve Bank, at a meeting of the Monetary Policy Committee in Pretoria

A special meeting of the newly constituted Monetary Policy Committee was called today to discuss the appropriate monetary policy stance in view of the effects of recent economic developments on the outlook for inflation. The steep depreciation of the rand has altered inflationary expectations in South Africa which endangers the attainment of the inflation targets. To counter second round effects of the depreciation on inflation, the Monetary Policy Committee decided to increase the repo rate with 1 percentage point to 10,50 per cent with effect from 16 January 2002. It is envisaged that this decision will lead to corresponding increases in the lending rates of domestic private banks. This decision should not have a material effect on domestic economic activity because of the stimulatory impact of the currency depreciation during the second half of 2001.