

Repo rate hike has workers gasping for breath

By [Abigail Moyo](#)

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The repo rate increase of 75 basis points to 6.25%, as announced by the Monetary Policy Committee of the South African Reserve Bank (Sarb), will see most workers gasp for breath to keep up with the increasing cost of living.



Source: Supplied.

Workers with home loans, vehicle finance and other household debts face more financial pressure than before. On the positive side, pensioners and those who have managed to build a nest egg will see the benefits of their efforts as the higher repo rate will increase the return on their savings accordingly.

The repo rate is now 275 basis points higher than just before the first increase of 25 basis points in November last year, which places it at the same level as in January 2020, before the Covid-19 pandemic hit the world.

However, the economy is now 0.5% smaller than before the pandemic; 821,000 fewer people have jobs, and the combined real income of workers was 0.8% less in the second quarter of 2022 than in the second quarter of 2020.

Economists state that although interest rates are now at the same level as before Covid-19, the economy is much weaker compared to pre-pandemic levels.

The sad reality is that the annual inflation rate stands at 7.6%, well over the Sarb inflation target range of 3% to 6%. The

Sarb now forecasts economic growth of a mere 1.9% in 2022, down from a previously expected 2.0%. Together with the repo-rate increase, loadshedding and other factors, will lead to lower economic growth and more hardship.

South Africans are scraping the bottom of the barrel. Fuel, food, and basic services and goods are becoming more expensive while unemployment shows no improvement.

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