

Unchanged repo rate signals need for state bank

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Unchanged repo rate signals need for state bank South African Reserve Bank Governor Lesetja Kganyago. Photo by Simphiwe Mbokazi / Independent Newspapers. Published 1h ago | Published 1h ago Share The monetary policy committee's (MPC) decision to keep the repo rate unchanged should intensify calls for the establishment of a state bank to prioritise the people. On January 25, the South African Reserve Bank (SARB) announced that the MPC had reached the unanimous decision to keep the repurchase rate unchanged at 8.25%. The Public Servants Association of South Africa (PSA) was among the various organisations that voiced extreme disappointment at the decision to keep the repo rate as is. According to the association, the MPC's decision had basically all but ignored the challenges faced by public sector employees and the country, which was still recovering from the massive job losses and loss of assets suffered by countless South Africans as a result of the Covid-19 pandemic. "The MPC missed an opportunity to assist South African citizens by reducing interest rates. This ignorance could plunge the country into a deeper financial crisis as the middle class, being mostly public-sector employees, is deeply in debt, with many being close to bankruptcy due to accounts being in arrears and debtors repossessing property. "The cost of living has become extremely high, and most citizens find it difficult to make ends meet. With the academic year for schools and universities also under way, the demands placed on incomes have increased even further," the association said in a statement. The PSA stressed that even an October 2023 report had revealed

how 73% of households' disposable incomes were tied up in servicing debt repayments alone. "Workers are losing their homes and cars as they struggle to pay these mortgages. The rate of repossession of assets, especially vehicles, was so high in 2023 that the Ombudsman for Banking Services subsequently raised alarms, fingering this on the prolonged heightened cost of living." The African Transformation Movement (ATM) expressed similar concerns regarding the unchanged repo rate, which the party said necessitated the establishment of a state bank that prioritised the needs and investment of the people over profit-driven motives. ATM national spokesperson Zama Ntshona said a state bank would serve as a safeguard against the unjust practices being employed by commercial banks, promoting financial inclusivity and stability in the nation. Ntshona said this was particularly important, given the startling revelations made by a former WesBank employee who alleged that WesBank was overcharging black clients on their products. "The impact of these practices on the livelihoods of ordinary South Africans cannot be ignored. The South African Reserves Bank's refusal to provide South Africans with a safety cushion by lowering the repo rate further aggravates concerns, especially in light of the recent rand manipulation scandal that the SARB has chosen not to address." Ntshona added: "This lack of accountability only serves to deepen mistrust among the citizens, who deserve a clear and honest explanation regarding such critical matters." The Star...