PSA
The Union Of Choice

MEDIA RELEASE	**PSA urges Monetary Policy Committee to cut interest rates that deepen economic crisis.**
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The Public Servants Association of South Africa (PSA) has noted the upcoming Monetary Policy Committee (MPC) meeting on 24 January 2024 where critical decisions are to be taken, which will either cascade more people deeper into debt or offer an opportunity to recover financially.

In view of the challenging economic landscape, the PSA urges the MPC to exercise caution, considering the potential detrimental impact of another interest-rate increase on public-sector employees and the entire country. Many of the country's workers have not recovered from the effects of the COVID-19 pandemic where jobs were lost, income streams ran dry, families were destroyed, and assets were lost. The cost of living has become extremely high and most citizens, including public-sector employees, are finding it difficult to make ends meet. With the academic year for schools and universities underway, the demands on workers' income have further increased.

This is not the time to increase interest rates. An interest-rate cut is what the economy needs at this time. The country's middle class, including most public-sector employees, is deeply indebted. Many of these workers are one salary away from bankruptcy. Accounts are in arears with looming repossession or attachment of their property. A report issued in October 2023 revealed that 73% of disposable household income is used for servicing debt repayments. Workers are losing their assets, including homes and cars, as they struggle to pay mortgages. The rate of repossession of assets, especially vehicles was so high in 2023 that even the Ombudsman for Banking Services raised alarm, blaming this on the prolonged heightened cost of living.

Repossession of assets is not a simple case of people living beyond their means but rather a matter of rising interest rates that which have far outpaced increases in incomes. Increased interest rates will only deepen the crisis. Last year, a Nedbank monitor reported that 62% of South Africans complained that "their spending equalled or exceeded their income." This is the reality of working adults in South Africa.

With interest rates on a constant rise, the cost of debt repayment is also increasing the burden on the disposable income of workers. According to economist, Dawie Roodt, the cost of loan repayments has gone up by "approximately R5 438 per month" since November 2021 as a result of increased interest rates over the years. People who use to afford a home are now paying just to cover for the interest rates over the past years. This is money they do not have and did not budget for.

For workers who are struggling along, tomorrow's decision by the MPC will be crucial. They are waiting with the hope that the MPC will show compassion and offer relief by a cut on the repo rate, with a resulting reduction in debt-repayment fees. This will give workers something in their pockets to cover for other critical areas.

Those entrusted with the power to decide the fate of people must exercise that power responsibly and reasonably. Increasing the interest rate is not an option as it will be disastrous for overburdened workers. The PSA thus urges the MPC to show compassion as the homes, cars and future of many workers depend on its decision regarding interest rates.

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