EFF STATEMENT ON THE SOUTH AFRICAN RESERVE BANK'S DECISION TO INCREASE INTEREST RATE

Thursday, 24 March 2022

The EFF is shocked by the decision by the South African Reserve Bank to increase the repurchase rate. The Monetary Policy Committee announced a 25-basis point increase in the repo rate to 4.25 percent beginning March 25, 2022.The decision by the SARB MPC has cited the slow economic recovery from the coronavirus pandemic, low growth and the Russian military exercise in Ukraine as the reason for the steep increase in the repo rate. The increase of 25 basis points comes after two other increases were announced in November 2021 and January 2022.

The EFF has warned that the Reserve Bank's conservative approach to monetary policy is informed by outdated tools of analysis that favour the wellbeing of the financial sector and the currency above all other factors. South Africa’s economy has failed to yield any meaningful growth in the past 10 years because of poor and incompetent management of macroeconomic policy. This is in addition to the deep structural problems that characterize the economy as a whole. There is uncontrollable drive to return to pre-coronavirus profiteering levels even when material conditions have changed drastically.

The haste to return to high-level interest rates will only serve the financial sector at the expense of all others. The majority of workers who have home and motor loans are effectively going to return to high repayment instalments even when many have not received salary increases or increases matching the inflation rate. The reality is that most companies are only beginning to resume full operations now and are starting to allow maximum capacity production and operation as more people are vaccinated. It will take many years for most companies and households to return to the pre-coronavirus outbreak financial condition, and the conservatism of the Reserve Bank is not helping. The sharp rise in interest rates does not support either credit demand or the economy's ability to recover.

In South Africa, monetary policy has proven to be ineffective. In addition to sharply rising interest rates, workers have to spend more money on electricity and petrol, as increases in both utilities are well above record-breaking increases. It is proving more and more difficult for many households to afford even the most basic of items. Some workers cannot afford to go to work as the cost of transport and electricity is now more than their wages without any prospect of an increase in their salaries.

The EFF rejects the SARB finance sector's worshiping tendencies while workers and poor families continue to suffer. The so-called Monetary Policy Committee, a group of self-serving Washington-controlled administrators of a neo-colonial state who make decisions that serve their masters while the country suffers, must be challenged. Our economy can't be judged by how well the Johannesburg Gambling Stock Exchange is doing while other industries are losing jobs.

The EFF will demand immediate finalization of the private member's bill introduced by the Commander in Chief and President in Parliament to nationalize the South African Reserve Bank to allow suitable conditions to engage in an uncontrolled conversation about the future of South Africa's monetary position and not the box-ticking exercises that the National Treasury and the Reserve Bank have engaged in recently.

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