

MEDIA RELEASE **PSA alarmed about interest rate hike**

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The Public Servants Association (PSA), one of the largest Public-Sector Unions, is concerned that the increase in the repo rate, as announced by the Reserve Bank, will have a detrimental effect on South African citizens' ability to survive under extremely tough economic conditions.

Public servants who did not receive salary increases that were due in April 2020, are finding it very difficult to make ends meet and will now have to shoulder the extra financial burden of an interest rate increase. Despite public servants receiving a cash allowance in lieu of salary increases in 2021, this was a mere interim measure to alleviate increasing financial burdens. This cash allowance has been swallowed by steep increases in fuel and food prices as well as rising transport costs. The fact that it was not an unanimous decision by the monetary policy committee to increase the repo rate by 25 basis points, indicates that committee members are very aware of the serious consequences this increase will have on ordinary citizens.

The country is still reeling from the impact of large-scale looting and corruption. The interest rate increase will have serious repercussions for businesses trying to recover in the wake of the devastation of the COVID-19 pandemic. Most businesses are still feeling the effects of COVID-19 and there is a strong likelihood that if businesses cannot sustain themselves, job losses are imminent, which will further fuel the country's alarming unemployment rate. The rise in the cost of basic food items and other basic commodities is further forcing workers, including public servants, to take out loans at exorbitant interests rates to be able to meet their financial commitments.

On the other hand, the missed opportunity caused by a delayed process to effect pension withdrawals intended to alleviate hardships exacerbated by COVID-19 and increased monthly bank loan payments, may lead to skilled employees opting to exit the Public Service to access their full pension monies. Such an exodus will be to the detriment of quality service delivery to the country's citizens.

The South African economy is in urgent need of resuscitation and the increase in repo rate will not assist with this. The PSA calls on the Reserve Bank to urgently reconsider its decision to increase the repo rate in support of kick-starting the struggling economy and restoring workers' hope of a decent standard of living.

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