Interest rate hike: More pressure on South African consumer

South Africans will continue to remain under pressure as the governor of the South African Reserve bank Lesetja Kganyago announced yesterday that the bank will raise the repo rate to 6.75% from 6.5%. With the repo rate at 6.75%, the prime lending rate will increase to 10.25%.

Changes in the repo rate influence the prime lending rate, this is the rate banks use to determine interest rates for clients.

The increase in rates translate into higher monthly repayments on debt, this includes your bond, car finance, credit cards, retail accounts and personal loans.

The perpetual knock South African consumers have to take undoubtedly affects economic activity and investor confidence. These added cost increases have to be factored into budgets and this might deter many from taking the next step.

This prediction was solidified by the governor explaining that our domestic growth outlook remained challenging. The bank has also downgraded its GDP growth rate for 2018 from 0.7% to 0.6%. Although this might seem like a slim adjustment it is important to note that the knock-on effects are far greater.

Market fluctuations over a long-term investment period are inevitable, cyclical economic patterns certainly occur and at times display negative trends, however recent decisions by Government and its stakeholders could have far longer lasting repercussions on our economy.

The impact of continual financial pressure on a straining consumer could potentially have devastating effects on economic participation. This has already started resulting in an extended negative period for the man on the street and the ability to recover from these pressures and then return to a positive attitude toward investment action could take a long time.

It is imperative that we restore consumer confidence and avoid burdening South Africans with perpetual rising costs.

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