



finance

Department
Finance
North West Provincial Government
Republic of South Africa

Second Floor, Garona Building,
Mmabatho
Private Bag X2060
MMABATHO 2735
www.treasury.nwpg.gov.za

INFORMATION MANAGEMENT

Media Statement

05 February 2014

To **News Editors**
Journalists

Enquiries

Tel (018)388 3584

Fax :

e-mail :kgill@nwpg.gov.za

Sebegoe calls for belt tightening measure

The MEC for Finance Paul Sebegoe has called on consumers in the province to tighten their belts and spend their hard earned cash wisely in the wake of the recent hike of the interest rate by the reserve bank. The primary responsibility of the bank is to keep inflation under control and ensure that inflation expectations remain well anchored.

The bank increased the repo rate, the rate at which reserve bank lends money to commercial banks by 50 basis points or half a per cent to 5.5 percent there by pushing the prime rate from 8.5 per cent to 9 percent. The prime rate is the rate at which commercial banks lend money to consumers and businesses.

Sebegoe said the increase of 50 basis points of the repo rate announced at monetary policy committee meeting by reserve governor Gill Marcus means that consumers with debts including personal loans, mortgage loans and credit cards will have to fork out a little more to service their monthly premium. The monetary policy committee carefully considered economic challenges facing South Africa which include the weaker rand exchange rate, a threat to South Africa's inflation outlook as it makes imported goods like oil more expensive to buy, and reacted with the appropriate policy response.

“The hike in interest rates will further exacerbate interest on government debt issued domestically in the form of bonds and treasury bills, which is also likely to follow suit and edge higher. A combination of higher interest rate and the imminent increase in the petrol price, expected to fall just short of R14 a litre, will have a negative and undesired impact on the consumers who are already feeling the pinch considering the expenses that come with January month of having to pay for school fees, uniforms and registrations at institutions of higher education.

I therefore advise consumers to moderate their appetite for debt and to differentiate between their needs and wants, spend their monies wisely and just forget the nice to have things which will further add to their financial distress in future,” said Sebegoe, who added that more interest rate and petrol hikes are looming if macro-economic fundamentals do not change for the better.

End

Issued by the Department of Finance: For information contact Kesalopa Gill@ 079 548 6352 or 018/388 3585