

Sarb announces higher-than-expected repo-rate hike

By  Katja Hamilton

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The Monetary Policy Committee (MPC) has increased its repo rate by 75 basis points with effect from 22 July 2022. The 75bp hike brings the repo rate to 5.5%.



Source: The South African Reserve Bank.

This was the message of the Sarb governor Lesetja Kganyago at today's official public repo-rate announcement.

The news comes on the back of South Africa recording its highest inflation peak in 13 years last month; amidst growing economic uncertainty as food and fuel prices continue to rise, and escalating concerns around Russia's war on Ukraine.

Three members of the MPC committee preferred the announced increase, one member preferred a 100 basis points' increase; another member preferred a 50 basis points increase.

"The revised repo rate path remains supportive of credit demand in the near term, while raising rate levels consistent with the current view of inflation risks," Kganyago said.

He said economic and financial conditions are expected to remain more volatile for the foreseeable future.

"In this uncertain environment, monetary policy decisions will continue to be data dependent and sensitive to the balance of

risks to the outlook. The MPC will seek to see through temporary price shocks and focus on potential second-round effects, at the risk of de-anchoring inflation expectations," Kganyago added.



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Kganyago reiterated that the aim of monetary policy is to stabilise inflation expectations more firmly around the mid-point of the target band, and to increase confidence of hitting the inflation target in 2024.

"Guiding inflation back towards the mid-point of the target band can reduce the economic cost of high inflation and enable lower interest rates in the future, thereby achieving a prudent public debt level; increasing the supply of energy; moderating administered price inflation and keeping wage growth in line with productivity gains.

"This would enhance the effectiveness of monetary policy and its transmission to the broader economy," he said.

He concluded his announcement by saying Sarb would continue to closely monitor funding markets for stress.

Kganyago unpacks the reasons for the MPC interest-rate decision [here](#)

ABOUT KATJA HAMILTON

Katja is the Finance, Property and Healthcare Editor at Bizcommunity.

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