

African Bank Press release

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### Surviving the Repo rate hike

This week, South African Reserve Bank Governor, Lesetja Kganyago, announced that the repo rate was increasing by 25 basis points from 4% to 4.25%, effective Friday 25 March.

Darryl Adriaanzen, African Bank Group Executive: Operations, says that while the 0.25% increase was inevitable, it comes on the back of increased inflation which is already negatively impacting many cash strapped and debt-strapped South Africans.

He says the effects will however largely be limited to high-ticket, longer-term finance with variable rates, like vehicle finance and home loans.

“The good news for current personal loan customers is that these loans have fixed rates, so repayments on existing loans will not be impacted by the change,” he says.

Adriaanzen says there will also be an impact on credit card or revolving loan repayments at variable interest rates, although this impact may well be marginal if your outstanding balance is small.

An increase in the interest rate definitely means that budgeting becomes trickier, and a budget is a critical tool to make sure that you are clear on what the impact will be on your monthly finances and how best to plan for it.

He provides consumers with the following advice:

- In an increased interest rate environment, you really need to look at credit and store card debt and not allow spending to get out of hand on these. If you have the means to pay down your debt further, this will be beneficial in minimising the impact of these changes on your monthly budget and spend
- If you aren't able to meet your obligations, rather reach out for the various support options that are available early. This includes getting in touch with your creditors early to explain your situation and get information on what options you may have to manage the situation, as well as the option of assistance from reputable debt counsellors.
- If you are able to save in a high interest rate environment, your savings are likely to yield better interest, so it is worthwhile doing your homework and checking which banks have the highest savings and investment interest.

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PREPARED ON BEHALF OF AFRICAN BANK BY CATHY FINDLEY PR.  
CONTACT JACQUI MOLOI ON [JACQUI@FINDLEYPR.CO.ZA](mailto:JACQUI@FINDLEYPR.CO.ZA) OR 071 764 8233  
WITH ANY CONSUMER PR QUERIES.