**NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER 4668 [NW5791E] DATE OF PUBLICATION: 02 DECEMBER 2022

4668. Mr T M Langa (EFF) to ask the Minister of Finance:**

What intervention measures have been taken to bring relief by reducing the prime lending rate that is making life very difficult for the citizens of the Republic? NW5791E

**REPLY:**

The Honourable Member appears to be basing his question on the underlying repurchase (repo) rate, which then impacts on the prime lending rate. The repo rates are the primary tool that the SARB uses to control inflation, which is the rate at which the SARB lends to commercial banks. The prime lending rate is the rate at which commercial banks then lend to their customers, and is higher than the repo rate, as it incorporates their costs and profit margin.

The raising of the repo rate (and thus prime the lending rate) is a necessary intervention in response to inflation. Inflation erodes the ability of households in South Africa – particularly workers and those living on fixed incomes such as social grants or pensions – to buy necessities. Inflation in South Africa has risen sharply over the past year, reflecting both high global inflation, markedly higher food and fuel inflation, as well as domestic drivers, particularly core inflation. As inflation rises, the ability to buy the same number of products becomes more difficult as prices rise.

National Treasury supports the South African Reserve Bank in the exercise of its constitutional mandate, which is to protect the value of the rand, in the interest of balanced and sustainable economic growth. The Governor of the South African Reserve Bank and the Minister of Finance and their officials are in regular consultation to maximise coordination between fiscal and monetary policy objectives. The national government pursues a comprehensive approach to assist households in the Republic facing cost-of-living pressures via the annual Budget process, by funding basic services, grants (eg old-age, child support and social distress grants) and specific programmes, including:
• The South African government has suspended the anti-dumping duties on poultry imports from five countries and this should ease chicken prices and provide the much-needed relief to consumers. On August 1, 2022, the Minister of Trade, Industry and Competition announced a decision to suspend the imposition of Anti-Dumping Duties (ADDs) on poultry from Brazil, Denmark, Ireland, Poland, and Spain for a period of twelve months “considering the rapid rise in food process as well as the impact that the imposition of the anti-dumping duties may have on the price of chicken.
• The government intervened through the introduction of the temporary reduction in the general fuel levy to provide relief to consumers. On 31 March 2022 the Minister of Finance and the Minister of Mineral Resources and Energy jointly announced a temporary reduction in the general fuel levy of R1.50 per litre from Wednesday 6 April 2022 until 31 May 2022 to provide limited short-term relief to households from rising fuel prices following the Russia/Ukraine conflict. This relief package was further extended for two months until 2 August 2022. (the reduction was adjusted downward to 75c per litre from 7 July 2022 to 2 August 2022).

The sharply higher domestic inflation is the reason why South Africans are finding their incomes unable to buy the same basket of goods they afforded just a few months ago. Raising of the repo rate is the necessary corrective intervention required to reduce inflation.