

FEBRUARY 2018

The year couldn't have had a better start than when the MPCC met in January and made a decision to reduce the interest rate to 7%. This translates to a direct reduction in the prime rate used by banks to calculate interest on debt issued and a marginal reduction in savings, fixed deposits and call account rates. In a case where we have a high number of employed people heavily indebted, the reduction was welcomed. Inflation has remained stable after dropping below 6%, following the reduction in food costs that had increased just over two years ago during the drought. These positive developments even though they may seem insignificant, mean at the very least, improved disposable incomes. This certainly provides an environment to channel money to the right places whether in the form of reducing debt or increasing savings.

It is important to pay attention to such market detail even though it may seem too much because this is where money can be lost or made. This does not mean full comprehension of all the technical detail of what exactly happens is necessary, however understanding how a change in key indicators such as the interest rate and inflation is important in personal financial management. It is therefore upon each one or with the assistance of a financial adviser to monitor how personal financial standing is affecting by such news, either positively or negatively. In essence this should be encouragement to continuous monitoring of important documents such as bank statements, loan statements, investment statements and retirement benefit statements.

On another note, worryingly many of our people continue to commit and lose large sums of money into investments they are not familiar with in effort to make quick money. These include schemes where high returns are promised, forex trading and cryptocurrencies. This is so prevalent that often debt is acquired to make such investments, yet the consequences when things go wrong which is mostly the case money is lost and debt repayment continues. The other extreme is that lifelong savings and investments are also committed and all that had been built over years lost in an instant. The best way to protect against such is to check whether products promoted as investments are known and approved by the FSRA.

It is true that the ultimate goal is to achieve financial independence. However there are no short cuts because it is a process that requires dedication and commitment. As the year progresses, reducing debt should be the aim and not incurring more. Further investment made or assets acquired should be predominantly those that will generate a reasonable interest or income, reasonable being at in line with inflation.

Key Market Indicators

Inflation ¹	4.6%
Interest Rate (Bank Rate) ¹	7.00%
Prime Rate ²	10.5%

1. Source: Central Bank of Swaziland

2. Source: FNB, Nedbank, Standard Bank, Swazi Bank, Swaziland Building Society

Glossary

1. Inflation – the general increase in prices and the fall in purchasing value of money.
2. Interest Rate – amount paid by borrowers for use of money borrowed from lenders.
3. MPCC – Monetary Policy Consultative Committee
4. Prime Rate – the rate used as a benchmark by banks for lending rates.