

## Repo rate

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[Kenneth Siyo](#) · 10 days ago 🗨️

This last Wednesday my country's Reserve Bank hiked its repo rate. This was raised by 50 basis points to 5.5 % pushing the prime rate to 9%.

Can someone out there help me understand this. What is the Repo rate? Is this the same as the interest rate? I've also heard the discount rate being mentioned before. Are all these rates names mean the same this or are they different. This was said to have been raised by 50 bases. What does 50 bases mean? What is a prime rate?

I know this is too many questions but I'm trying to understand all of this. I've noticed something that in economics similarities tend to be used and end up confusing some one. Anyone out there who can help with these questions?

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[tom](#) · 5 days ago 🗨️

I believe the repo rate is the same as the discount rate of the central bank lending to commercial banks. Prime rate is what the bank will lend to prime credit risks at. 50 basis pts is a half %; 100 being a full %. So I saw that you're from S. Africa. That rate seems normal and not artificial so as to create the asset bubble du jour. The US central bank, in its infinite wisdom has maintained prolonged artificially low rates to allow banks to get out from under assets which were a drag on balance sheets. Meanwhile, the market goes parabolic despite an underlying malady.

The problem with the massive proliferation of the \$ is that it's the world's reserve currency. Too much \$ chasing too few goods. In less developed countries where the %age of income spent on food is higher this can cause...oh, I don't know, revolution? I suppose the rationale behind all the stimulus is that we would be worse off. The problem I see is that they have used most of their ammo and the next option is to drop \$ from helicopters. Yellen, our new Fed chairperson has had a rap of being dovish, meaning more easy \$.

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Kenneth Siyo · 4 hours ago

Thanks Tom, helpful, much appreciated!

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