

Repo rate remains unchanged, property market to remain restrained

By  Adrian Goslett

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South African Reserve Bank governor Lesetja Kganyago announced on Thursday, 21 September, that the Monetary Policy Committee has decided to keep the rates at their current levels - this coming off the Reserve Bank's last decision in July to cut the rates by 25 basis points. Currently, the repo rate is at 6.75%, with the prime lending rate at 10.25%.



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Considering the rates had only been cut three months ago, keeping them steady was a decision most would have expected. While many households would have been relieved that we are out of the rate hiking cycle, it will still take some time for the effects of the rate cut to see fruition, if at all. Many consumers have very high debt-to-income ratios, which could take a while to rectify. Added to this, there are still a few other aspects that are affecting consumer confidence and keeping them on the side lines, such as policy uncertainty and the full impact of the credit downgrades.

Poor economic growth

Some economists are predicting that we are likely to see further rate cuts shortly, given the fact that inflation is expected to remain below 5% for the remainder of the year, and economic growth has been very poor. Inflation is bordering on two-year lows, while GDP growth has reached levels not seen for the last eight years. These factors are bound to result in the Reserve Bank easing its monetary policy.

With waning consumer confidence, property transactions will remain constrained even with the expected seasonal upturn in the warmer seasons. Until there is improved economic growth and higher numbers of consumers with the required affordability ratios necessary to purchase property, the property market will remain restrained.

ABOUT ADRIAN GOSLETT

Adrian Goslett is CEO and regional director of RE/MAX Southern Africa. He joined RE/MAX Southern Africa in 2005 as a franchise development consultant, supporting various regions and offices. Throughout his career at RE/MAX he has held various positions. In 2010, after successfully leading 160 offices and over 1500 agents in six countries through the worst years real estate has ever seen in South Africa in 30 years, Goslett was appointed as CEO of RE/MAX Southern Africa.

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