

Contained inflation made the case for an easing in the repo rate

 By [Dr Andrew Golding](#)

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With limited, modest growth anticipated for the year ahead, it is encouraging that the Monetary Policy Committee saw fit to reduce the repo rate by 25bps in order to help kickstart the economy and foster increased confidence among consumers who are feeling the pressure of ever-rising costs.



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Contained inflation, which is currently close to the lower limit of the Reserve Bank's inflation target, further made the case for an easing in the repo rate. With subdued growth and muted inflationary pressures, the Reserve Bank's decision is welcome – particularly given the heightened uncertainty ahead of the 2020 Budget Speech and likely downgrade of SA's credit rating to junk status by Moody's in March.

Signs of green shoots

Yet despite the ongoing economic challenges faced, including the reintroduction of load shedding, we continue to see signs of green shoots in the residential property market place.

Having experienced a period of correction in regard to house prices, first-time and a mix of other home buyers are seeing the market in a positive light, further buoyed by financial institutions' robust appetite for lending. This is enabling more aspirant buyers to gain a foothold on the property ladder.

Pockets of solid activity are evident in all markets, for example metros where demand is outstripping supply, including coastal markets and secondary coastal towns, but particularly frontline coastal property which has consistently retained value, as well as commuter belts which have high appeal for those seeking a convenient live, work, play lifestyle.

Consolidation to continue

House price inflation was fairly muted last year (2.7% Jan-Nov 2019 according to the Pam Golding Residential Property

Index), but transaction volumes showed some growth during the course of last year. It is unlikely we will see a sustained recovery in the residential market until the economy enters a decisive growth phase however, in the meantime we expect consolidation in the market to continue - supported by the willingness of financial institutions to lend, renewed demand following price correction, and a steady increase in first-time buyers. We anticipate that while house price inflation this year may be stronger than last year, it is unlikely to significantly exceed the prevailing inflation rate, so anticipate another year of consolidation, with pockets of strength.

ABOUT DR ANDREW GOLDING

Dr Andrew Golding, chief executive of the Pam Golding Property group, was originally in private practice as a General Practitioner on the Atlantic Seaboard from 1991 to 1996, after which he joined the family business as MD in 1996, followed by his present position.

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