

Industry relieved at repo rate news

The Monetary Policy Committee's (MPC) decision to leave the repo rate unchanged has been welcomed by property and financial institutions.

"This decision was anticipated and welcomed, as South Africa's economic recovery remains fragile, with consumers beset by rising costs such as increases in electricity tariffs," says Dr Andrew Golding, CE of the Pam Golding Property group. "It comes as relief to financially distressed consumers," adds Absa Retail Bank CE, Gavin Opperman.

"From a residential property perspective, while the housing market has plateaued and is to some extent in the doldrums, recent activity indicates an upward trend both in regard to the number of units sold and in terms of pricing. There is a cautiously optimistic outlook for the next six to nine month period as the market appears to have overcome the worst, with the result that there are opportunities for trading conditions to improve, albeit gradually," continues Golding.

"Sooner or later we anticipate that mortgage lending criteria will ease, as bank lending appetites increase and this is seen realistically against a backdrop of some negative influences - as occurs in economies from time to time. A recent example of this has been the proposed Property Rates Amendment Bill, which fortunately has been clarified and appears at worst to involve guesthouses and B&Bs. In addition, despite some comment around curbing foreign investment in property, South Africa continues to be a real prospect for international investors at present.

"Taking all these factors into consideration and given the existing economic scenario, it appears that interest rates may remain in the current narrow band for the remainder of this year," he concludes.

Opperman says consumers are already feeling the impact of rising inflation, driven by higher transport costs and housing operational costs such as municipal rates, taxes and other levies and he is quick to warn consumers against over-committing on new debt.

"Consumers should concentrate on using any excess income to consolidate existing debt and start saving. Adding that, although consumer confidence will be buoyed by the decision to leave rates unchanged, the number of consumers with impaired credit records remains relatively high.

If rates are kept stable, current homeowners with mortgage loans will not be impacted in terms of monthly repayments, which will give them some breathing space. He also notes that monthly repayments on Absa vehicle loans will remain unchanged but adds that to avoid over-committing on vehicle finance loans, customers should opt for vehicle finance contracts that they can comfortably afford.

"Consumers should realise that extending the finance period, slows the redemption of capital, resulting in consumers accruing relatively more interest on their vehicle finance loans over a longer repayment term."