

Homeowners remain hopeful of interest rate nearing its peak

Homeowners will be hoping that the upcoming repo rate announcement on Thursday, 30 March, will signal the peak of the current interest rate hiking cycle. This could provide some respite for households dealing with escalating living expenses.



Source: Gallo/Getty

Says BetterBond CEO Carl Coetzee: “Our banking partners and economists predict that we are approaching the top of this current rate-hiking cycle and we can look forward to rates starting to stabilise towards the end of this year and into 2024, holding steady or perhaps even starting to come down slightly.”

Economist Dr Roelof Botha explains: “With a bit of luck, the Reserve Bank will hold its repo rate steady at the forthcoming meeting of the Monetary Policy Committee (MPC). Apart from considering the pressure that current and prospective homeowners are facing in the wake of higher prices for food, electricity and fuel, the MPC has probably realised that its monetary policy direction has had an impact on our country’s fourth quarter GDP figures.”



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Need to stimulate economic growth

Botha adds that inflation is expected to continue on a downward trajectory, as global freight shipping costs, which were primarily responsible for last year’s spike in global inflation, have declined by more than 75% in the past year.

“You could argue that it is simply not necessary to raise interest rates further, but rather to consider a more

accommodating stance aimed at stimulating economic growth.”

Opportunities for aspirant homebuyers

The property market has cooled in recent months on the back of nine consecutive repo rate hikes since November 2021, putting consumers under pressure. However, Coetzee says, there are still opportunities for aspirant homebuyers to enter the property market.

“After the National Budget Speech last month, the transfer duty threshold has now increased by 10%. This means that buyers of homes up to R1.1m will not have to pay transfer duty. This is a welcome reprieve for homebuyers, especially first-time buyers.”

Although headline inflation at 6.9% is still not within the SA Reserve Bank’s 3-6% target range, another interest rate hike would place households under additional financial strain. Furthermore, with the recent announcement by Statistics SA that the country’s economy contracted 1.3% in the last quarter of 2022, a rate increase would be counterintuitive.

“The Reserve Bank’s stance has been accommodative, and we believe this could prompt the MPC to hold the repo rate steady this month,” says Coetzee.



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Return to 'normal'

There is also a broader point here, which has been highlighted by Egyptian-American economist and chief economic advisor to Allianz Mohamed El-Erian: “The world is changing. And we’ve got to recognise that we are exiting an extraordinary period of very low interest rates in many parts of the world, returning to something more ‘normal’, and that transition is not an easy one.”

Adds Coetzee: “This is certainly also true of the South African scenario where we saw record low interest rates in 2021 and 2022. However, let’s remember that there are still significant and worthwhile opportunities for homebuyers and property investors in the current market.”