

Repo rate hike: We need to prepare for future interest rate increases

 By [Tony Clarke](#)

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Many have been holding their breath in anticipation of a minor interest rate upswing after the extended period of record-breaking lows and it has happened! The South African Reserve Bank has elected to increase the repo rate by 25 basis points. This takes the repo rate to 3.75% and the prime lending rate to 7.25%.



Tony Clarke, MD of the Rawson Property Group

Realistically, we need to prepare for future interest rate increases. The Monetary Policy Committee has already expressed concern over the effect Eskom's tariff hikes and unstable oil prices will have on inflation. If this rises too far above the inflation target midpoint of 4.5%, SARB was very likely to increase interest rates as a control measure.

From this point onwards, however, interest rate increases are at least likely to start off very slowly. We're expecting a slight increase again in the new year, which means homeowners still have some time to prepare. Given the added financial pressure of rising petrol prices as well as electricity and water tariff hikes, careful financial planning is going to be key in 2022.

Economic growth forecasts for 2022 are conservative at best, with load shedding threatening the already low 1.8% GDP growth predicted. However, the property market remains full of opportunity for buyers, sellers and homeowners – particularly over the festive season.



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Less marketing competition over festive season

There's often a drop in listings over Christmas and New Year, which means sellers who do market over this period have far less competition. The festive season's focus on friends and family also presents a great opportunity for sellers to tap into the holiday spirit. Highlighting a home's summery side and entertainment potential can do wonders this time of year.

As for buyers and investors, property prices remain favourable, and while interest rates won't rapidly increase in the near future, they're still likely to be good for some time, still presenting a good time to buy. However, now isn't the time to push affordability, but it's a great time to buy low and pay off your debt faster.

The same goes for homeowners, existing homeowners should focus on reducing unnecessary spending and making their bond repayments their financial priority. Putting extra income, like year-end bonuses, straight into your home loan can deliver some incredible long-term savings.

Above all, however, buyers, sellers and homeowners should enjoy their homes this festive season, be financially responsible, and not panic over what 2022 may bring. We may have some challenges in store, but they're nothing we haven't faced many times over. Property remains an excellent and stable investment, outperforming many other asset classes.

ABOUT TONY CLARKE

Tony Clarke is the MD of the Rawson Property Group.

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