

Repo rate reduction will help ease economic pain post lockdown



By [Dr Andrew Golding](#)

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In an unexpected but welcome announcement, the Monetary Policy Committee this week announced a further 100bps cut in the repo rate, reducing it to just 4.25%. This will result in a further reduction of the prime rate to 7.75%, which is the lowest prime rate since the four months (July to October) in 1973 when the prime rate was just 7.5%.



Dr Andrew Golding, CEO of the Pam Golding Property Group

However, at that time, the prevailing consumer inflation rate was higher than the prime interest rate at 8.9%, which meant that the real (inflation adjusted) prime rate was actually negative at an average rate of -1.8% during this period.

In comparison, the most recent consumer inflation rate – at 4.6% - remains below the prime rate, meaning that the real prime rate remains in positive territory. Nonetheless, the substantial cumulative easing in interest rates thus far this year – 225 bps in total – is now offering significant relief to homeowners and indebted households.



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Easing pressure on residential housing market

While this will not offset the negative effects of a total loss of income for those not able to work from home or those not designated as an essential worker, the MPC's latest move will go some way towards easing the pressures on the residential housing market in regard to those with mortgages or seeking finance in order to acquire a home – helping to pave the way for recovery once the lockdown restrictions begin to ease and economic activity begins to recover.

From a property perspective, it is hoped that part of the easing of lockdown restrictions will include reopening or at least partial reopening of the Deeds Office which will enable transfers to be processed regarding successfully concluded sales transactions, which would aid indebted, distressed sellers already severely impacted by the current economic recession. Furthermore, the freezing of the property industry, which is currently in limbo to a large degree, means that government is precluded from receiving much-needed revenue from transfer duty, which is a significant contributor to SARS.

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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