

The latest repo rate hike means that we're almost out of the woods

By [Rhys Dyer](#)

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The latest interest rate hike announcement of 25 basis points now pins South Africa's repo rate at 7.25%. While this rate hike is lower than the three consecutive 75 basis point hikes experienced in the latter half of 2022, consumers are feeling the mounting pressures of increasing costs, ongoing load shedding and slow economic growth.



Source: [Pexels](#)

I believe that this moderate increase is one of the last rate hikes that we will experience this year.

Inflationary pressures are now subsiding, and South Africa appears to be very close to, if not at, the peak of the current interest rate cycle. Interest rates have reached similar levels to those experienced pre-pandemic – now at 10.75% compared to 10.25% in the first half of 2019.

Internationally, a source of good news is the reversal of China's zero-Covid policy. The re-opening of the Chinese economy should provide a much-needed boost to the global economy and local commodity prices.

The local housing market as it stands

Ooba's latest statistics depict a gutsy stance from South Africa's major banks, which continue to compete for home-loan business, with rates below prime at levels last experienced more than 10 years ago. In addition, the rate of successful home-loan approvals remains robust, currently sitting at 84.1% in Q4 of '22 - up from the approval rate of 83.7% recorded in Q4 of '21.

Further good news exists in the form of the average national purchase price, which grew by only 2.4% in Q4 '22. Homes are becoming increasingly affordable for aspirant homebuyers, especially in the first-time homebuyer's segment where average purchase prices are lower compared to year-earlier levels, which means homebuyers are finding more value for their money.

Curbing the effects of rate hikes through financial wellness

In addition, we are seeing signs of greater liquidity among financially savvy consumers as they continue to prioritise deposits on their homes to meet affordability requirements and achieve a better interest rate. Our latest statistics show a 22.8% increase in the national average deposit amount from R97,723 in Q4 '21 to R121 906 in Q4 of '22.

While first-time homebuying appetite remains off its highs due to rate sensitivity, this category has also indicated an increased prioritisation of deposits, with the average amount rising by 14.3% (now at R98,038) from Q4 of '21 to Q4 of '22, indicating smart budgeting among this category.

Looking ahead, I believe that current and potential homeowners can now breathe a small sigh of relief as South Africa's interest rates stabilise. With the exception of a possible single small additional rate-hike this year, I believe that we are now out of the woods, and that South Africans can start to plan around the interest rate of 10.75 to 11%.

I also believe that this stabilisation will allow more buyers to better budget their monthly repayments, knowing that we are at the peak of the interest-rate cycle, with future rate movements likely to be downwards early in 2024.

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