

Sarb rate hike expected this week

The South African Reserve Bank's (Sarb's) Monetary Policy Committee is set to increase the repo rate this week.



Source: [South African Reserve Bank](#)

This is according to [Finder.com's SARB Repo Rate Forecast Report](#).

The majority of Finder's panel of 20 economists, academics, and property specialists (70%) expect the rate will increase and just 30% say it will hold.

Chief economist at Efficient Group, Dawie Roodt, thinks the MPC will and should increase the rate given rates are increasing internationally, a sentiment shared by Oxford Economics Africa economist, Jee-A van der Linde.

"Based on the further rise in US inflation, the pick-up in wages, and the Fed's hawkish policy pivot, we forecast the SARB will implement a 25bps increase in each of the four quarters this year," said van der Linde.

Chief economist at IQbusiness, Sifiso Skenjana disagrees and thinks the Sarb should take a wait-and-see approach.

Record-high US inflation the swing vote

"While inflation in the US has come out at levels last seen in 1982, putting upward pressure on interest-rate expectations in

the US, the Sarb should take a more measured approach and keep interest rates on hold. While price path data continues to come in we expect domestic inflation will moderate; and a move to increase interest rates would strangle an already struggling South African economy.”

University of the Free State associate professor, Johan Coetzee, who thinks the rate will increase but is in favour of a hold decision, said a balancing act is required.

“The Sarb will have to balance the inflationary pressure seen coming from the supply side of the economy, with the lacklustre economic activity (albeit picking up) on the demand side of the economy.”



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Whether or not a rate increase happens in January the panel is confident that the rate will increase this year. Half the panel thinks the rate will increase four times in 2022, 30% three times, 15% twice and 5% once.

However it will be a while before the rate reaches pre-pandemic levels. Over a third (37%) of the panel think it'll be at least 2026 before the rate hits 6.5%. Meanwhile director at Intellidex, Peter Attard Montalto doesn't think the rate will ever reach 6.5% given neutral real rates “are probably lower now”.

The panel thinks South Africa's GDP will grow by 1.9% on average this year. Lecturer at the University of South Africa, Mzwanele Ntshwanti, had the most bearish forecast of .9% and Coetzee the highest at 2.5%.

Intermittent power supply a determining factor

90% of the panel said load shedding is one of the main factors impacting economic growth. The next most common economic drag identified by the panel was lingering unemployment (50%), followed by softer commodity prices (45%) and the deceleration of global demand (35%).

You can find the full report with additional commentary [here](#).

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