

## **Rate Cut Vital to the South African Property Sector**

The South African Reserve Bank's monetary policy is now hopelessly conservative and a significant drop in interest rates is essential to the property sector in particular.

So says Ivan Neethling, chairman of the Western Cape branch of the Institute of South African Estate Agents (IEA), who adds that "the release of the dismal fourth quarter, 2008, GDP figures should, in many people's view, have stirred the South African Reserve Bank into action and made them realise that they cannot delay an interest rate cut any longer".

A minimum cut of 2% followed by further cuts in mid-year, said Neethling, had been expected not only by the property sector but also by many economists and the business community as a whole.

"It does appear that the cries of ordinary South Africans, the business sector and leading politicians are falling on deaf ears. Mr Mboweni, it seems, is so determined to fight off the international credit crisis by keeping interest rates high that he is prepared to let the economy shrink further.

"It has to be accepted that if we are serious about turning this recession around, stimulating the economy and creating urgently needed jobs, a radical reduction in interest rates is now absolutely imperative."

Neethling said that State institutions like the South African Reserve Bank should never see their task purely in regulatory terms, i.e. in imposing fiscal disciplines.

"They are at all times, but particularly in difficult times like the present, also responsible for using the tools at their disposal to stimulate business confidence."

Right now, said Neethling, the rigorous application of the National Credit Act (NCA), "for which the government has, quite rightly, been highly praised", has in the housing sector, and more so in deprived communities, created a huge bottle neck to accessing housing finance. "If any progress is to be made towards housing the poor, decisive intervention will be required by Government."

The South African economy, unlike many others, said Neethling, should be sufficiently strong to be self-sustaining and self-financing.

"A 3% to 5% growth rate is needed if we as an emerging economy hope to create jobs and remain a meaningful player on the world stage. We cannot sacrifice all else merely to attract more foreign direct investment."

The irony of the current situation, said Neethling, is that the South African Reserve Bank appears to be standing alone instead of collaborating closely with other stakeholders such as the Department of Finance, who are providing huge stimulation through its works programmes.

"Surely these initiatives should be driven concurrently," he said.