

Summing Up The Economic Forecast

Attendance at the 2007 Annual Rode Conference held last month in Cape Town and Johannesburg “broke all previous records”, according to property economist and conference organizer, Erwin Rode of Rode & Associates.

“For the first time in the history of the conference, we had to turn delegates away,” comments Rode, who once again presented his annual Prognosis for Property.

The popularity of the conference is due in no small part to the calibre of speakers, among them at this year’s event being John Loos (property strategist at First National Bank’s Home Loans Division), Dr Cees Bruggemans (chief economist of First National Bank), Prof Andre Roux (director of the Institute of Futures Research at the University of Stellenbosch), Dries du Toit (of Dries du Toit Consult CC), attorney John Gilchrist (editor of My Mortgage magazine), and Chris Bosch (of Rural Maintenance [Pty] Ltd).

Summing up the lessons learnt at this year’s conference, Dr Charles Martin – master of ceremonies and senior economist at the Bureau for Economic Research at the Stellenbosch University, predicted the following:

- The building industry was likely to continue to experience skilled labour shortages and building cost increases were likely to remain high owing to demand pressures and supply constraints;
- Real durable consumption expenditure (eg cars, furniture and home appliances) was expected to show negative growth in 2008. Expenditure on non-durable goods such as food would continue to do well because of expected positive employment and income growth while semi-durable goods (such as clothing) would perform adequately. However, local manufacturers would feel the strain from the continuing importation of goods from abroad as long as the rand exchange rate remains relatively strong;

- Consumers on the whole would be wise to prepare for interest rates to stay higher for a longer period than expected at the beginning of 2007;
- While the residential property market had peaked and is expected to show more moderate growth going forward, commercial and in particular industrial property would continue to fare well for the foreseeable future.

In view of the possibility that risk factors, such as the large current account deficit on the balance of payments, could result in economic conditions changing rapidly, Dr Martin advised attendees of the wisdom of a “scenario approach”. He noted that it is “always a good idea to have a Plan B” and perhaps even a Plan C in place, and ended the conference with the wise but witty perspective: “Never panic. But if you must panic, panic first!”