



LOCAL ECONOMIC INDICATORS	NEWS
<p>31 Dec 2024 31 Mar 2025</p> <p>All-Share Index +- 84,095 +- 88,637</p> <p>Market PE ratio 16.8 15.3</p> <p>USD/ZAR R18.9/\$ R18.3/\$</p> <p>SA 10Y Government Bond yield 9.04% 10.62%</p> <p><small>(Data: Bloomberg, SimplyWallSt, Tradingeconomics, Google Finance.)</small></p>	<ul style="list-style-type: none"> The South African Reserve Bank (SARB) left the Repo Rate unchanged at 7.5% in their announcement on 20 March 2025. The unadjusted Prime Lending Rate hovering at 11.0% maintains the unrelenting pressure on the SA consumer. On 12 March 2025 South Africa's Minister of Finance announced an increase to Value Added Tax (VAT) from 15% to 15.5%. Widespread opposition from other members in the GNU leave many wondering about the ANC's ability to pass the budget in parliament in order to give effect to this. Despite this potential lack of support by the majority it seems SA is destined to be burdened by this change to the budget come 1 May 2025. On 20 January 2025, a President Trump executive order postponed the enforcement of TikTok's US ban for 75 days to comply with the law. Failure to do so would risk having the application being completely banned in America.

TARIFFS - THE TALK OF THE TOWN

With the United States significantly increasing Tariffs against major trading partners the jury still seems undecided about whether the effects hereof will be positive or negative. What is certain however is that increased tariffs do exert an impact on the real estate sector.

While tariffs are generally designed to protect domestic industries and generate government revenue, their indirect effects on real estate investments can be significant – they create broader economic shifts, influencing inflation rates, consumer spending, and investments. These economic factors play a pivotal role in determining the performance and appeal of property investments.

A direct effect of increased tariffs on property investments arises from their impact on construction costs. When tariffs are levied on imported materials such as steel and aluminium, construction becomes more expensive. Real estate developers face higher input costs, which can drive property prices higher—a challenge for prospective investors and buyers.

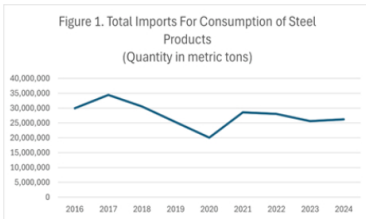
As example, in 2018, the U.S. imposed tariffs on imported steel and aluminium to protect domestic producers. These tariffs directly impacted construction costs. The imports hereof dropped by 11.3% in 2018 and additionally by 17.3% in 2019 (Refer to Graph below). Prices for steel and aluminium increased by 5% and 10%, respectively, according to Reuters, and industries such as construction faced higher input costs, leading to increased prices for consumers. A study by the Peterson Institute for International Economics (PIIE) suggested that U.S. consumers paid an additional \$1.4 billion per month as a result of these increased tariffs.(Texas A&M University, 2025).

Inflation can also play a role - higher tariffs may contribute to an overall increase in goods prices, creating inflationary pressure. Rising inflation often leads to increased interest rates as central banks attempt to stabilize the economy. Elevated interest rates make mortgages and other property financing options costlier, with these side effects of tariff-induced economic changes potentially dampening demand for real estate investments and suppressing broader property investment growth. In short, increased tariffs can introduce uncertainty into the market which often erodes investor confidence.

It's clear that increased tariffs undoubtedly introduce complexity to the real estate investment ecosystem with the consequences being substantial. So, as ever, a good idea for some may not be an appetising result for all.

GRAPH OF THE MONTH

USA Steel Product Imports - Effects of Tariffs



Source: Texas A&M University, 2025

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