



ECONOMIC COMMENTARY

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*For every one to attain
financial well-being*

WE HATE INFLATION UNTIL IT RAISES OUR HOUSE PRICES

When bread becomes more expensive, we call it a cost-of-living crisis. When our house becomes more expensive, we call it wealth creation.

Our attitude towards rising prices changes remarkably once we own what is increasing in value. For parents, this creates an awkward tension: The increase that improves our balance sheet may also make our children's first homes harder to afford. Imagine your R2 million home appreciates by 10%. You gain R200 000 on paper. But, the R3 million property you hoped to buy also appreciates by 10%. The gap widens from R1 million to R1.1 million, before transaction costs. You are wealthier, yet upgrading requires another R100 000. The gain is useful if you downsize or move somewhere cheaper. Its practical value depends on what you need to buy next. First-time buyers have no existing property gain to cushion the increase. When house prices exceed earnings, deposits become harder to save towards. Inheritance may eventually help, but "waiting until your parents die" is a miserable economic strategy.

The more revealing test of an economy is how readily someone starting with little can build wealth. That means asking whether policy helps people earn more, start businesses, and acquire assets. Consider monetary policy. The South African Reserve Bank raised its policy rate to 7.25% in September, despite a 0.2% economic contraction in the second quarter. Its concern is legitimate: Services inflation remains elevated and longer-term inflation expectations are hovering around 4%, above its 3% target. But, a sound objective does not make every rate increase the right decision.

Research across emerging economies finds that monetary tightening reduces both inflation and economic activity. Highly indebted firms' investments are particularly sensitive. These costs matter to businesses financing expansion and households trying to buy their first homes. September's hike might thus put too little weight on the risks to investment and employment. A pause, with tightening kept available if evidence of persistent, broadening inflation strengthened further, would perhaps have been a better option.

Government should apply the same scrutiny to the costs that its policies impose. Treasury deserves credit for withdrawing a planned R20 billion tax increase and restoring inflation adjustments to income-tax brackets in 2026. But, taxpayers should demand much more on spending quality. The International Monetary Fund estimates that procurement reforms could generate savings of 1% to 3% of gross domestic product. Before asking households and businesses for more, government should demonstrate that it can buy infrastructure and services efficiently. Savings should support debt reduction and productive investment. Redistribution can relieve poverty. It cannot indefinitely compensate for an economy that fails to create enough opportunities to earn.

Beyond the budget, it would be prudent to substantially reduce Black Economic Empowerment requirements and remove those whose benefits cannot justify their costs. Transferring a stake in an existing company does not, by itself, create another factory or another job. Tackling racial exclusion requires wider access to skills, capital, and markets. Policy should make it easier to build the next business. Labour reform should similarly confront the costs imposed on smaller employers. A peer-reviewed study published in 2012 found that centralised bargaining reduced employment in affected industries, with losses concentrated in small firms. The Organisation for Economic Cooperation and Development raised similar concerns in its 2025 assessment. Extending agreements negotiated by larger employers to smaller businesses deserves particular scrutiny.

Protecting someone's existing job should not make it unnecessarily difficult for someone else to get their first one. Nor will cheaper credit alone solve housing affordability: Without more supply, it can simply bid up existing homes. Faster approvals, functioning infrastructure, and housing near jobs belong in the same growth agenda.

For homeowners, this requires an uncomfortable shift in perspective. More affordable homes may temper the capital gains we celebrate, while helping our children establish independent lives. The best inheritance would be an economy in which our children do not need one.

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