



Market insights with **Property Barometer**

Important information you need to know to make informed decisions.



FNB
First National Bank

how can we help you?

JULY SARB LEADING BUSINESS CYCLE INDICATOR

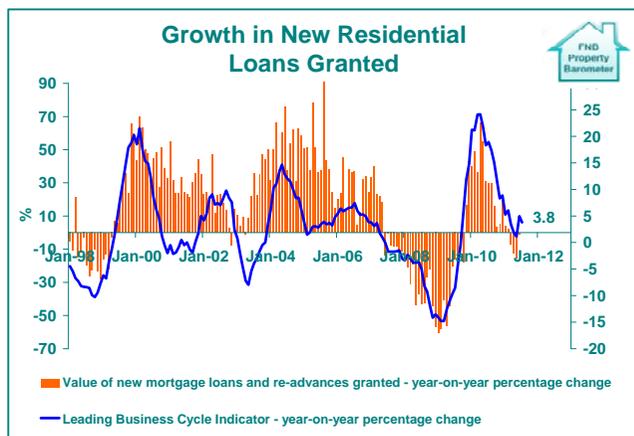
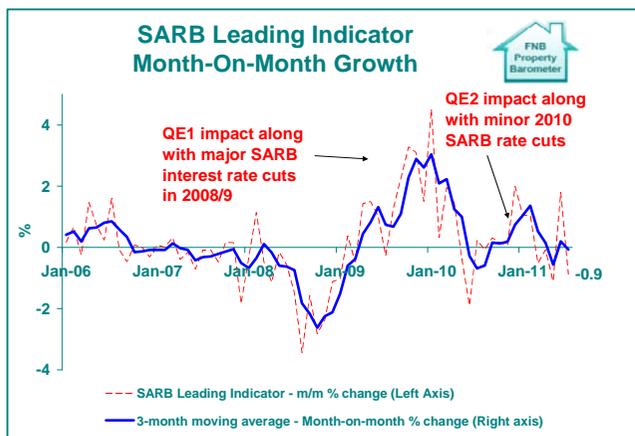
After a brief June uptick, the Leading Indicator moves back into negative territory in July, suggesting the continuation of a flat mortgage market.

20 September 2011

After a month-on-month growth spike to +1.8% in June, the SARB Leading Business Cycle Indicator moved back into month-on-month decline in July to the tune of -0.9%. In order to remove monthly data volatility, we also examine the 3-moving average of the Leading Indicator values. On a month-on-month basis, the 3-month moving average also resumed its decline, recording a slightly negative growth rate of -0.07% in July.

The July indicator level would suggest that the impact of the 2nd round of quantitative easing by the US Federal Reserve, has worn thin, and SA's own leading indicator slowdown broadly tracks the global economic slowdown. Indeed, the Composite Leading Indicator for SA's major trading partner countries was said by the SARB to be a negative contributor to our own Leading Indicator. Along with this, local Business Confidence and job advertisements were included amongst others as negative contributing factors. One of the positive contributing factors was the "interest rate spread", which we interpret to point to an increased market expectation of possible interest rate cuts in July. However, this along with commodity price and stock market increases, and M3 money supply growth, being cited as positive contributors, could not wholly offset the negative factors.

As the direction of mortgage loans granted broadly tracks the direction of the Leading Indicator, the flat-to-negative growth direction in the Leading Indicator suggests ongoing weakness in mortgage market growth. As at June, the value of new mortgage loans granted virtually stabilized on a year-on-year basis, declining only slightly by -0.8% after some far sharper declines in previous months. This June improvement in mortgage loans co-occurred with a mild up-tick in the year-on-year growth rate of the Leading Indicator in the same month. However, in July, the year-on-year growth rate in the Leading Indicator slowed once more, and a slowing economic and household disposable income growth rates to come as suggested by the direction in the Leading Indicator, would suggest that significant positive growth in new mortgage loans is unlikely in the near term.



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