



# Market insights with **Property Barometer**

Important information you need to know to make informed decisions.



**FNB**  
First National Bank

how can we help you?

## SARB LEADING BUSINESS CYCLE INDICATOR – SEPT. 2011

The SARB Leading Business Cycle Indicator continues to point to a weaker economic and mortgage market period ahead, although its month-on-month decline was less than in August.

22 November 2011

*The release of the September SARB Leading Business Cycle Indicator provided little in the way of surprises, showing further month-on-month decline, which is not out of line with the direction of certain key global leading business cycle indicators.*

*The Leading Indicator correlates well to trends in the South African mortgage market, and more specifically to trends in the value of new mortgage loans granted.*

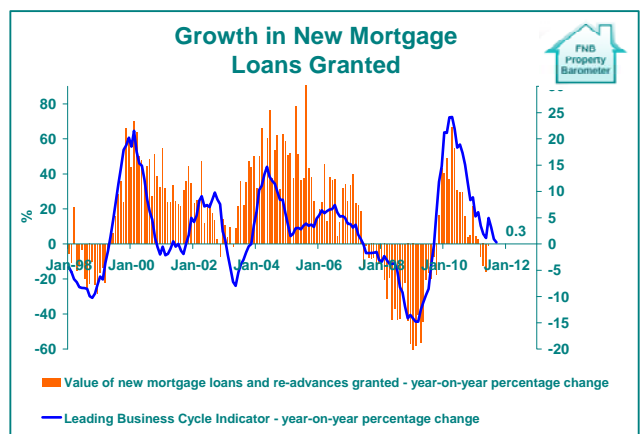
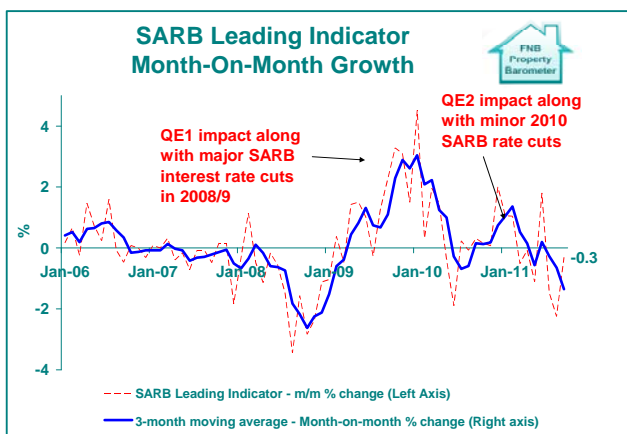
*On a month-on-month basis, the Leading Indicator fell by -0.3% in September, which represents less of a decline than the -2.2% of August, but is the 3<sup>rd</sup> consecutive month of month-on-month decline.*

*The 2 main “drags” on the Leading Indicator in September were, firstly, weakness in the number of residential building plans passed, and secondly the weakness in the Leading Indicator of SA’s major trading partner countries, signaling that global economic weakness is indeed set to have a negative impact on our own economy in the short term. A further cause for concern was that the time series for job advertisements in the Sunday Times was also said to be a negative contributor, suggesting weakness in the area of job creation in the near term.*

*Year-on-year, the Indicator was down to +0.3% and steadily de-celerating.*

*One sees a broad correlation in the direction of the year-on-year percentage change in the Leading Indicator and that of the value of new mortgage loans granted (residential and commercial, with residential being the dominant component). From March to June, the value of mortgage grants was already in year-on-year decline.*

*Looking ahead, the further decline in the SARB Leading Indicator suggests likely near term economic weakness, and this would probably imply the same for the mortgage market and the value of new mortgages granted, given the typical correlation between the two series’.*



**JOHN LOOS:**  
**HOUSEHOLD AND PROPERTY SECTOR STRATEGIST**  
**011-6490125**  
[John.loos@fnb.co.za](mailto:John.loos@fnb.co.za)

**EWALD KELLERMAN:**  
**PROPERTY MARKET ANALYST**  
**011-6320021**  
[ekellerman@fnb.co.za](mailto:ekellerman@fnb.co.za)

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