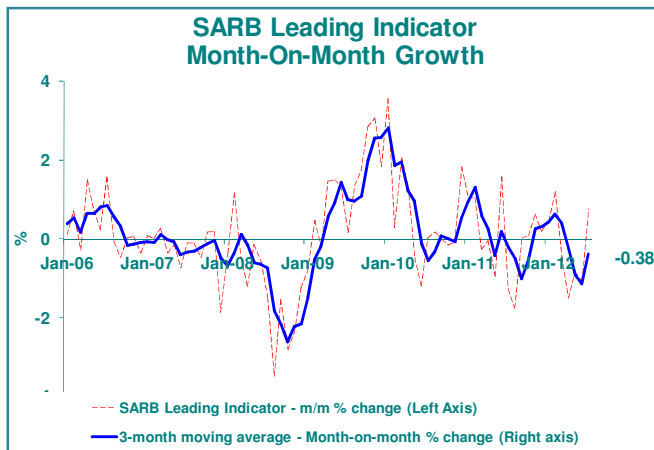


HOUSEHOLD SECTOR – SARB LEADING INDICATOR

The July Leading Business Cycle Indicator is up month-on-month, but still points to a flattish picture for the economy and mortgage market.

25 September 2012

The Reserve Bank (SARB) released its Leading Business Cycle Indicator for July today. On a month-on-month basis, the indicator rose by 0.8%, the 1st rise since February 2012.



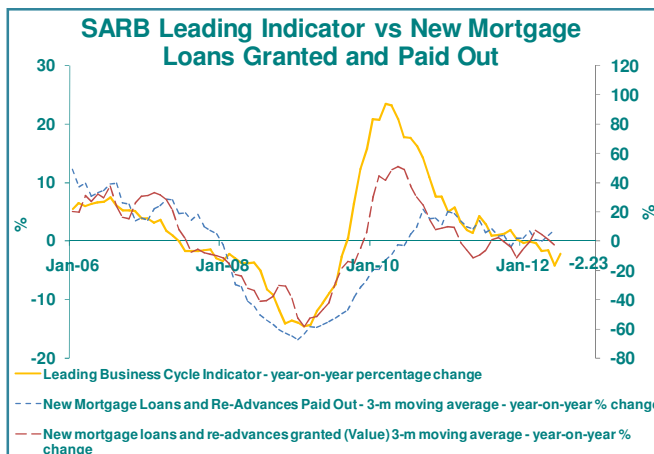
However, the month-on-month Leading Indicator movements can be somewhat volatile, and for this reason we prefer to use a 3-month moving average for smoothing purposes. The 3-month moving average for the 3 months up until and including July still showed a decline of -0.38%, slightly less decline than the previous month but still painting a weak economic picture.

The economic picture emanating from the Indicator reflects a very uncertain global economic picture at present. On the one hand, the Leading Business Cycle Indicators of SA's Major Trading Partner Countries made a positive contribution to the SARB Leading Indicator.

On the other hand, the Commodity Price Index for SA's main export commodities, normally reflective of global economic conditions, made a negative contribution to the Indicator. Domestic manufacturing indicators used in the Leading Indicator, also partly reflective of global economic conditions, were also reported by the SARB to have made negative contributions to the Indicator.

Therefore, not too much should yet be read into a one month rise in the Leading Business Cycle Indicator. The international economic situation remains weak and uncertain at best.

In addition, on a year-on-year basis, the July Leading Indicator was still in decline, pointing to a weak economic situation despite the month-on-month rise. The Indicator was down -2.23% year-on-year in July.



This weakness in the Leading Indicator is relevant for SA's mortgage market, which tends to track it quite well, suggesting relatively flat near term growth in value of new mortgage loans and re-advances granted, and mortgage loans paid out.

As at July, the 3-month moving average for the value of new mortgage loans granted, according to the SARB stats, was -2.65% down year-on-year, while the value of mortgage loans paid out recorded mild growth of +7.05% over the period.

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