

PROPERTY INSIGHTS

– September SARB Leading Business Cycle Indicator

Indicator

20 November 2018

SARB Leading Business Cycle Indicator moves back into year-on-year decline in September, which can point to further slowing in new mortgage lending growth after a “mini-surge” back in 2017.

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The South African Reserve Bank (SARB) Leading Business Cycle Indicator returned to negative year-on-year growth in September for the 1st month since July 2016, recording a decline of -0.5%. This is down from the positive +1.5% rate in the previous month, and the 3rd consecutive month of slowing year-on-year growth.

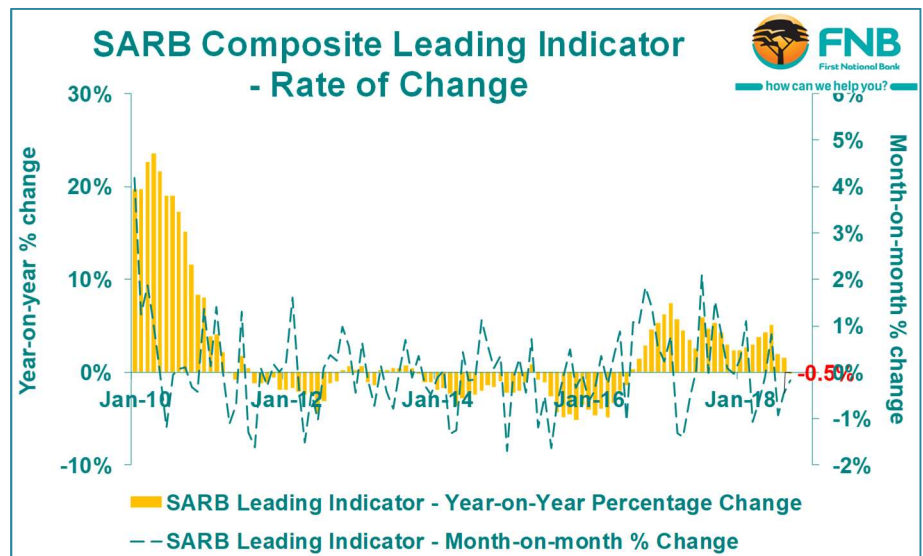
On a month-on-month basis, the Indicator declined by -0.2%.

The key negative contributors responsible for the monthly decline were a combination of local and global factors, including the number of residential building plans approved for homes larger than 80 square metres, job advertisements and the Leading Business Cycle Indicator for SA’s Major Trading Partner Countries.

On the positive contributors side, it was also a mix of global and local factors in September, including Commodity Prices for Main SA Export Commodities, New Passenger Vehicles Sold, and Hours Worked and Order Volumes in Manufacturing. It must be said that the Manufacturing statistics along with passenger vehicle sales still make for weak reading as at September, and the list of positives was not strong enough to offset the month’s negative contributors. We have 6 month-on-month declines in the 1st 9 months of 2018.

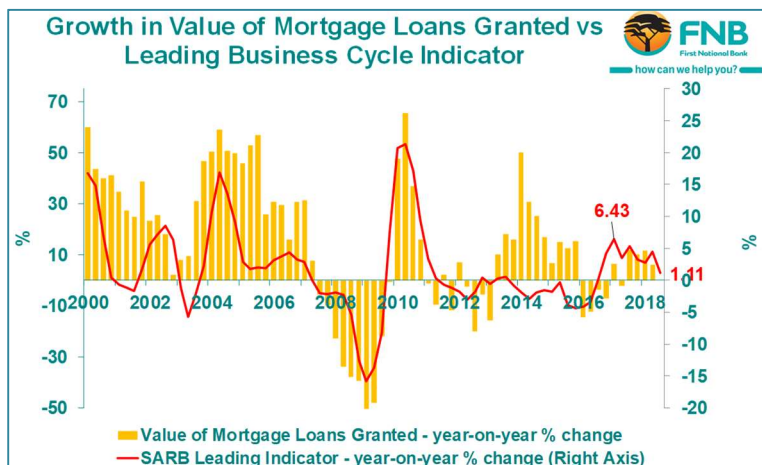
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We track the SARB Leading Indicator because it is often an indication of what to expect in terms of the direction (but not magnitude) not only of near term economic growth but also for new mortgage lending growth.

And recent slowing year-on-year growth in the Leading Indicator points to the possibility of further slowing of growth in the value of new mortgage lending to come



On a quarterly basis, the year-on-year rate of change in the Leading Indicator was still positive at +1.1%, but has slowed from a high of 6.43% as at the 1st quarter of 2017. More recently, SARB data for the value of new mortgage loans granted (Total Residential, Commercial and Agricultural Mortgages Granted) has seen its growth broadly slow from an 11.9% year-on-year high in the 3rd quarter of 2017 to 6.1% by the 2nd quarter of 2018.

The most recent direction in growth in the Leading Indicator suggests the possibility of further slowing in new mortgage lending growth to come in the near term.