

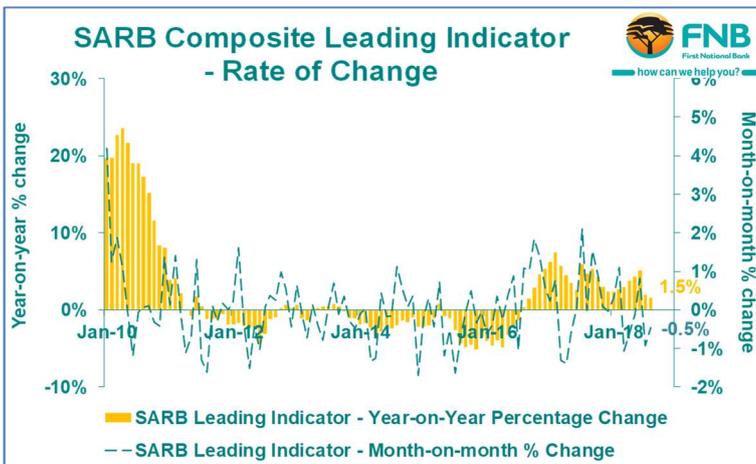
PROPERTY INSIGHTS

SARB LEADING BUSINESS CYCLE INDICATOR

Slowing year-on-year growth, and month-on-month decline, hints at near term growth slowdown for new mortgage lending

23 October 2017

The SARB Leading Business Cycle Indicator for August was released today. Its growth direction is not only useful as a leading indicator of near term economic growth direction, but also often as an indicator of where new mortgage lending is going in the near future.

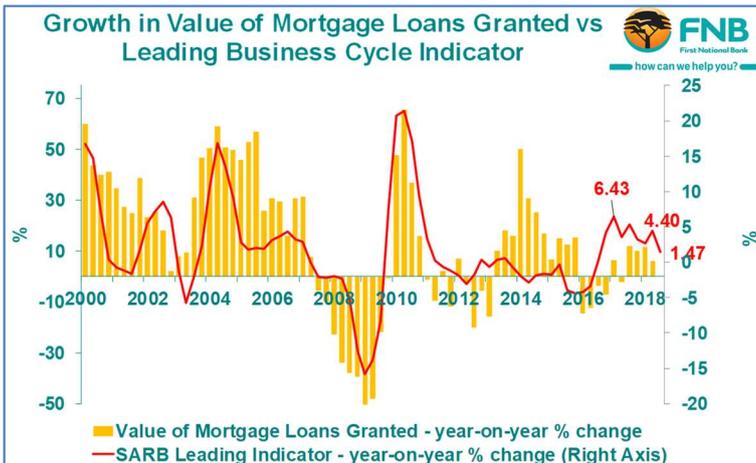


The August 2018 SARB (Reserve Bank) Leading Indicator showed a 2nd consecutive month of month-on-month decline, to the tune of -0.5%, and the 2nd consecutive month of year-on-year growth slowing, from +5.1% in June to 1.5% 2 months later.

This recent slowing comes after a year-on-year growth acceleration from late-2017 up to June 2018.

Both global and domestic economic factors were responsible for the month-on-month decline. Commodity prices of key SA exports were listed by the SARB as a negative along with the Leading

Business Cycle Indicators of SA's main trading partner countries. The indicator suggests that, while some mild growth improvement in the 3rd quarter just past cannot be ruled out, looking forward in the near term we should expect the economy to remain sluggish.



More importantly from a mortgage lender point of view, however, the direction in year-on-year growth is very often a near term leading indicator of year-on-year new mortgage lending growth.

On a quarterly year-on-year basis, the Leading indicator's growth has slowed from 4.4% in the 2nd quarter of 2018 to 1.47% for the 3rd quarter to date. This is a resumption of the broader slowing growth path after a high of 6.43% as at the 1st quarter of 2017.

The slowing growth in the Leading Indicator suggests further near term slowing in growth in

the value of new mortgage loans granted (includes Residential, Commercial and Agriculture combined). This growth in new loans granted has already slowed from 11.7% year-on-year in the 1st quarter of 2018 to 6.1% in the 2nd quarter.

The slowing growth in the 2nd quarter was driven by a Commercial Mortgage Lending growth slowdown, while the Residential component still attempted to defy “economic gravity in the 2nd quarter.

JOHN LOOS:
PROPERTY SECTOR STRATEGIST
FNB COMMERCIAL PROPERTY FINANCE
Tel: 087-312 1351
John.loos@fnb.co.za

The information in this publication is derived from sources which are regarded as accurate and reliable, is of a general nature only, does not constitute advice and may not be applicable to all circumstances. Detailed advice should be obtained in individual cases. No responsibility for any error, omission or loss sustained by any person acting or refraining from acting as a result of this publication is accepted by Firstrand Group Limited and / or the authors of the material.

First National Bank – a division of FirstRand Bank Limited. An Authorised Financial Services provider. Reg No. 1929/001225/06