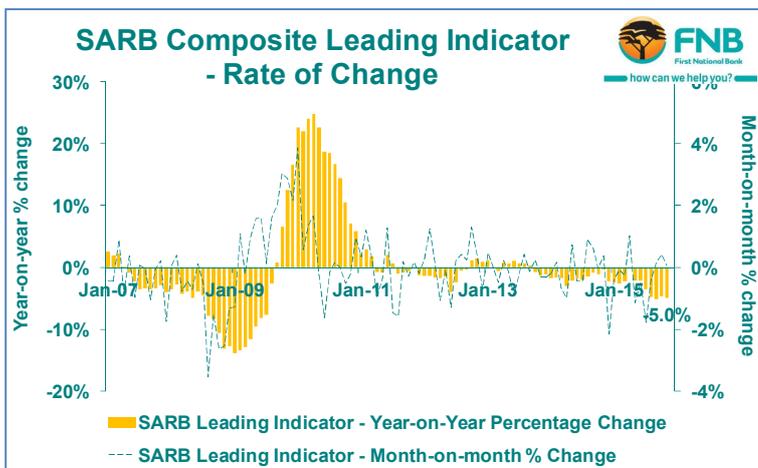


PROPERTY BAROMETER – SARB LEADING INDICATOR

November 2015 SARB Business Cycle Indicators continue to point to a broadly deteriorating economic environment, with the Leading Indicator recording its 26th consecutive month of year-on-year decline.

26 January 2016

The release of the SARB (South African Reserve Bank) November 2015 Leading Business Cycle Indicator showed no surprises, as the broad picture of economic stagnation continues. It continues to point to likely near term slowing not only in the economy, but also in new Household Sector Mortgage Credit growth, to come.



On a month-on-month basis, the Leading Indicator did rise slightly, by 0.1%, slower than the 0.4% in the previous month. However, month-on-month fluctuations are of limited significance, as they are always volatile.

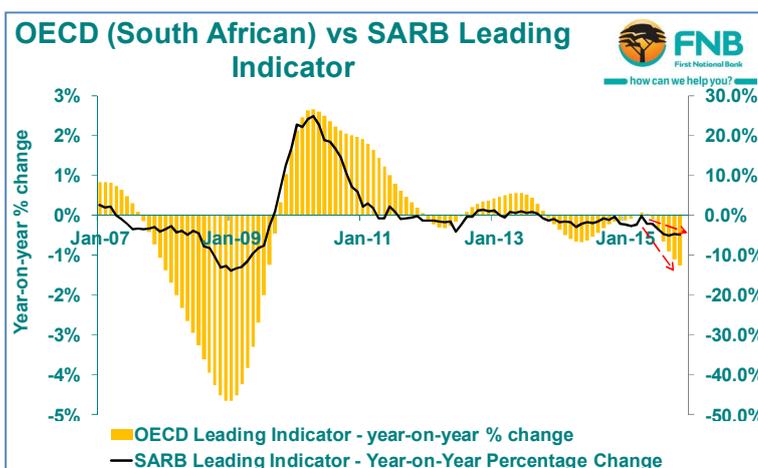
It is the year-on-year rate of change that shows the broader trend, and November brought about the 26th consecutive month of year-on-year decline in the indicator, to the tune of -5%. This represents a downward acceleration on the previous month's -4.7%.

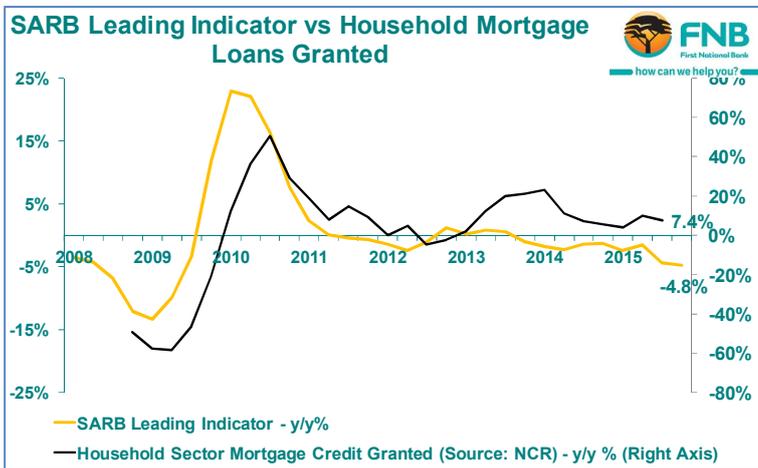
The global economy remains a strongly negative contributor to the indicator. In the November number, the SARB includes in the

list of "negative contributors", the Commodity Price Index for SA's main export commodities, along with the Leading Indicator for South Africa's Major Trading Partner Countries. But it isn't only global factors. The residential market features as a negative contributor in that the Number of Residential Building Plans Passed, for flats and townhouses, and houses larger than 80 square metres, is on the list of negative contributors too. Furthermore, the negatives include general business confidence, with the BER Business Confidence Index on the list.

We say that the indicator provides no surprises, because it very much points to what the OECD Leading Indicator for South Africa, whose November data point has already been released, has been telling us, i.e. an acceleration in the pace of year-on-year decline.

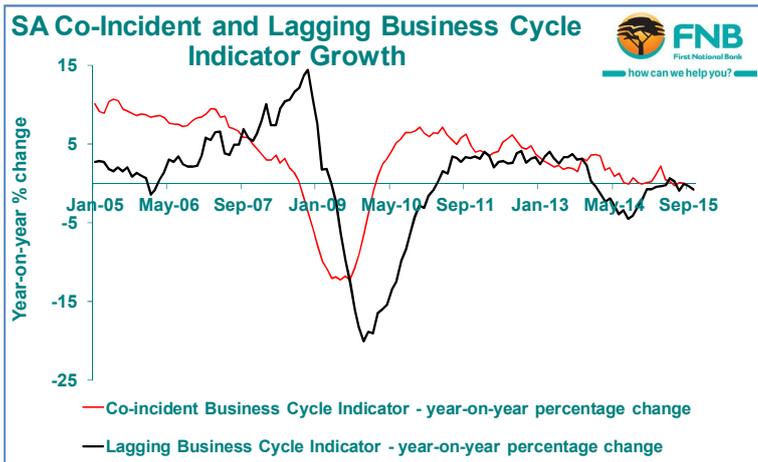
The most recent broad acceleration in the pace of year-on-year decline began around mid-2015, and points to a further slide in economic growth going into 2016. Given a mere 1% year-on-year real GDP (Gross Domestic Product) growth as at the 3rd quarter of last year, this suggests that the risk of recession in 2016 is high.





The acceleration in the pace of year-on-year decline in the Leading Indicator (-4.8% year-on-year for the 4th quarter 2015 to date), in the latter half of 2015, points not only to likely economic slowing in the near term, but also to further slowing in growth in the value of Household Sector Mortgage Credit granted.

Typically, with something of a lag, the growth direction of new mortgage lending should follow the Leading Indicator. In the 3^d quarter of 2015, therefore, we started to see slowing growth in New Household Sector Mortgage Credit Granted, from a previous quarter's 10% to 7.4% year-on-year. We would expect more such slowing in the near term.



Confirming the sliding economic trend were the Co-Incident and Lagging Business Cycle Indicators of the SARB for October, which both saw their year-on-year rates of decline accelerate. The Co-Incident Business Cycle Indicator declined by -0.9% year-on-year, down from a -0.4% decline in the prior month, while the Lagging Indicator declined by -0.7%, down from -0.3% for the same months.

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