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Credit and mortgage advances

30 June 2015

Growth in household credit and mortgage balances remained low in a narrow range for some time

Subdued growth in the value of outstanding credit balances in the South African household sector continued up to May 2015, with year-on-year (y/y) growth that remained in a relatively narrow band for the past ten months. Growth of 3,2% y/y was recorded in the first five months of the year, which was the net result of a slight uptick in growth in household unsecured credit balances and marginally lower growth in secured credit balances compared with the period January to April this year.

Growth in the value of household secured credit balances (R1 089,9 billion at end-May and 76% of total household credit balances) came to 3,2% y/y at the end of May, much in line with growth of 3,3% y/y at end-April. Secured credit balances growth up to end-May was mainly determined by growth in mortgage balances (77,3% of household secured balances) and growth in instalment sales balances (22,4% of household secured balances), which slowed down further to 5,5% y/y from 5,8% y/y and 5,9% y/y at the end of April and March respectively.

Household unsecured credit balances (R343,7 billion and a share of 24% in total household credit balances at end-May, showed growth of 3,5% y/y at the end of the first five months of the year. This was the result of somewhat higher growth in the general loans and advances component (60,8% of household unsecured balances) to 3,2% y/y from 2,9% y/y at end-April, whereas overdraft balances (9,9% share) contracted by 8,2% y/y in the period January to May. Credit card balances, with a 29,2% share, increased by 8,9 y/y at end-May.

Outstanding private sector mortgage balances, comprising commercial and residential mortgage loans, saw growth of 4,8% y/y at end-May, marginally down from 4,9% y/y at end-April. Growth in private sector mortgage balances growth was the combined effect of continued double-digit growth in corporate mortgage balances (28,9% of total private sector mortgage balances), whereas growth in household mortgage balances (71,1% of total mortgage balances) was somewhat lower at the end of May from end-April.

The outstanding value of household mortgage balances increased by an amount of R2,4 billion from end-April to a total of R842,1 billion at the end of May, with growth of 2,7% y/y recorded over the five-month period. Year-on-year growth in this component of household credit balances has been in a narrow range below the 3% level since January 2013. The value of outstanding mortgage balances is the net result of all property transactions related to mortgage loans, including additional capital amounts paid into mortgage accounts and extra monthly payments above normal mortgage repayments.

Based on trends in and the outlook for a range of macroeconomic and household sector-related factors and variables, growth in the demand for credit by households and the value of outstanding credit balances is expected to remain subdued in the rest of the year.

Credit and mortgage balances¹

| Period | Private sector credit balances ² | | Household credit balances | | | Total mortgage balances ³ | | Household mortgage balances | | | |
|----------------|---|--------------|---------------------------|--------------|-------------------------------------|--------------------------------------|--------------|-----------------------------|--------------|------------------------------|--------------------------------------|
| | R billion | y/y % change | R billion | y/y % change | % of private sector credit balances | R billion | y/y % change | R billion | y/y % change | % of total mortgage balances | % of total household credit balances |
| January 2014 | 2 623.1 | 8.2 | 1 372.5 | 5.6 | 52.3 | 1 110.6 | 2.1 | 812.3 | 2.7 | 73.1 | 59.2 |
| February 2014 | 2 656.6 | 8.7 | 1 381.5 | 5.4 | 52.0 | 1 120.2 | 2.8 | 818.3 | 2.9 | 73.0 | 59.2 |
| March 2014 | 2 685.4 | 8.7 | 1 379.9 | 4.8 | 51.4 | 1 121.8 | 2.9 | 816.0 | 2.3 | 72.7 | 59.1 |
| April 2014 | 2 683.2 | 8.3 | 1 383.6 | 4.6 | 51.6 | 1 124.6 | 3.0 | 816.7 | 2.3 | 72.6 | 59.0 |
| May 2014 | 2 695.8 | 8.3 | 1 388.5 | 4.3 | 51.5 | 1 129.6 | 3.1 | 820.2 | 2.2 | 72.6 | 59.1 |
| June 2014 | 2 722.5 | 8.6 | 1 389.6 | 4.3 | 51.0 | 1 134.5 | 3.4 | 822.0 | 2.4 | 72.5 | 59.2 |
| July 2014 | 2 743.1 | 9.7 | 1 394.5 | 4.1 | 50.8 | 1 138.2 | 3.7 | 824.3 | 2.6 | 72.4 | 59.1 |
| August 2014 | 2 758.1 | 8.7 | 1 391.6 | 3.6 | 50.5 | 1 141.8 | 3.5 | 823.6 | 2.2 | 72.1 | 59.2 |
| September 2014 | 2 776.8 | 8.7 | 1 396.0 | 3.8 | 50.3 | 1 144.7 | 3.3 | 824.3 | 2.1 | 72.0 | 59.0 |
| October 2014 | 2 784.6 | 9.0 | 1 401.4 | 3.6 | 50.3 | 1 150.3 | 3.4 | 825.2 | 2.0 | 71.7 | 58.9 |
| November 2014 | 2 815.3 | 9.1 | 1 406.3 | 3.6 | 50.0 | 1 155.7 | 4.0 | 827.8 | 2.2 | 71.6 | 58.9 |
| December 2014 | 2 810.2 | 8.5 | 1 411.9 | 3.6 | 50.2 | 1 157.7 | 4.3 | 828.3 | 2.3 | 71.5 | 58.7 |
| January 2015 | 2 862.3 | 9.1 | 1 420.1 | 3.5 | 49.6 | 1 162.6 | 4.7 | 830.4 | 2.2 | 71.4 | 58.5 |
| February 2015 | 2 886.2 | 8.6 | 1 427.4 | 3.3 | 49.5 | 1 169.9 | 4.4 | 836.4 | 2.2 | 71.5 | 58.6 |
| March 2015 | 2 920.0 | 8.7 | 1 430.0 | 3.6 | 49.0 | 1 174.9 | 4.7 | 837.8 | 2.7 | 71.3 | 58.6 |
| April 2015 | 2 934.1 | 9.3 | 1 429.7 | 3.3 | 48.7 | 1 179.7 | 4.9 | 839.7 | 2.8 | 71.2 | 58.7 |
| May 2015 | 2 952.7 | 9.5 | 1 433.5 | 3.2 | 48.5 | 1 183.6 | 4.8 | 842.1 | 2.7 | 71.1 | 58.7 |

¹End of period

²Comprising corporate and household credit

³Comprising commercial and residential mortgages

Source: SARB

