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## Credit and mortgage advances

29 January 2016

### Low growth in household credit and mortgage balances in 2015

The value of outstanding credit balances in the South African household sector increased by 4,5% to R1 475,3 billion in 2015, up from growth of 3,6% in 2014. Growth in both secured and unsecured credit balances saw a gradual uptick on a year-on-year basis in the last few months of 2015, which was to an extent the result of the base effect of somewhat slower growth during the corresponding months a year ago.

Growth in the value of household secured credit balances (R1 114,2 billion and 75,5% of total household credit balances) came to 3,8% year-on-year (y/y) at the end of December last year compared with growth of 3% y/y at end-December 2014. The somewhat higher growth in secured balances in 2015 was the result an improvement in household mortgage balances growth (see below), whereas growth in instalment sales balances (22,2% of household secured balances), mainly related to vehicle finance, dropped to a level of 2,3% y/y at the end of last year, which was the lowest growth on record since mid-2007. The downward trend in instalment sales balances growth commenced around mid-2013 and is in line with slowing new vehicle sales volumes since then, which contracted by 0,8% in 2014 and a further 4,1% in 2015.

Household unsecured credit balances (R361,1 billion and 24,5% of total household credit balances) recorded growth of 6,7% y/y at end-December 2015 compared with growth of 5,6% y/y at end-2014. The higher growth in unsecured credit balances was due to faster growth in the components of general loans and advances (7,1% y/y at end-2015 versus 3,5% y/y at end-2014) and overdrafts (7% y/y at end-2015 versus 4,9% y/y at end-2014), whereas growth in credit card debt dropped from 10,7% y/y at end-2014 to 5,7% y/y at end-2015.

The value of outstanding household mortgage balances increased to R864,6 billion in the 12-month period up to end-December last year, recording growth of 4,4% y/y over this period compared with growth of 2,3% y/y at the end of 2014. The higher mortgage balances growth in 2015 was to some extent related to the base effect of low year-on-year growth in the last few months of 2014, as well as evidence of a declining percentage of homeowners who are paying extra funds into their mortgage accounts on the back of rising financial strain. 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.

The South African Reserve Bank's (SARB) Monetary Policy Committee (MPC) raised the key monetary policy interest rate – the repurchase, or repo rate – by 50 basis points from 6,25% to 6,75% per annum at their meeting on 28 January 2016. As a result, commercial banks increased their prime lending and variable mortgage interest rates from 9,75% to 10,25% per annum, effective from 29 January 2016. Lending rates have risen by a cumulative 175 basis points since the start of 2014, with further rate hikes expected during the course of the year on the back of rising inflationary pressures. These developments and expectations will contribute to further financial strain experienced by consumers, with the view that growth in household credit balances, including mortgages, is to remain well in single-digits this year.

### Credit and mortgage balances<sup>1</sup>

Period	Private sector credit balances <sup>2</sup>		Household credit balances			Total mortgage balances <sup>3</sup>		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 2015	2 860.3	9.0	1 420.1	3.5	49.6	1 162.6	4.7	830.4	2.2	71.4	58.5
February 2015	2 884.3	8.6	1 427.4	3.3	49.5	1 169.9	4.4	836.4	2.2	71.5	58.6
March 2015	2 918.1	8.7	1 430.0	3.6	49.0	1 174.9	4.7	837.8	2.7	71.3	58.6
April 2015	2 932.3	9.3	1 429.7	3.3	48.8	1 179.7	4.9	839.7	2.8	71.2	58.7
May 2015	2 947.8	9.3	1 433.5	3.2	48.6	1 183.6	4.8	842.1	2.7	71.1	58.7
June 2015	2 941.5	8.0	1 438.7	3.5	48.9	1 188.5	4.8	845.0	2.8	71.1	58.7
July 2015	2 970.9	8.4	1 445.5	3.6	48.7	1 194.6	5.0	848.1	2.8	71.0	58.7
August 2015	2 992.0	8.6	1 449.7	4.2	48.5	1 202.7	5.3	852.5	3.5	70.9	58.8
September 2015	3 007.2	8.4	1 455.9	4.3	48.4	1 213.6	6.0	855.8	3.8	70.5	58.8
October 2015	3 028.6	8.9	1 463.8	4.5	48.3	1 219.1	6.0	860.5	4.3	70.6	58.8
November 2015	3 081.7	9.5	1 471.5	4.6	47.8	1 228.9	6.3	864.2	4.4	70.3	58.7
December 2015	3 097.6	10.3	1 475.3	4.5	47.6	1 229.2	6.2	864.6	4.4	70.3	58.6

<sup>1</sup>End of period

<sup>2</sup>Comprising corporate and household credit

<sup>3</sup>Comprising commercial and residential mortgages

Source: SARB

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Period	Private sector credit balances <sup>2</sup>		Household credit balances			Total mortgage balances <sup>3</sup>		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
2006	1 434.9	25.8	726.3	24.0	50.6	684.6	30.0	485.0	27.4	70.9	66.8
2007	1 743.9	21.5	867.6	19.5	49.8	853.8	24.7	589.0	21.4	69.0	67.9
2008	1 981.9	13.6	1 003.4	15.6	50.6	966.9	13.2	698.3	18.6	72.2	69.6
2009	1 979.5	-0.1	1 033.4	3.0	52.2	1 001.9	3.6	725.1	3.8	72.4	70.2
2010	2 087.9	5.5	1 105.5	7.0	52.9	1 042.4	4.0	758.7	4.6	72.8	68.6
2011	2 216.7	6.2	1 174.8	6.3	53.0	1 068.6	2.5	768.0	1.2	71.9	65.4
2012	2 439.5	10.1	1 291.1	9.9	52.9	1 089.0	1.9	790.9	3.0	72.6	61.3
2013	2 589.0	6.1	1 362.2	5.5	52.6	1 109.7	1.9	809.9	2.4	73.0	59.5
2014	2 808.7	8.5	1 411.9	3.6	50.3	1 157.7	4.3	828.3	2.3	71.5	58.7
2015	3 097.6	10.3	1 475.3	4.5	47.6	1 229.2	6.2	864.6	4.4	70.3	58.6

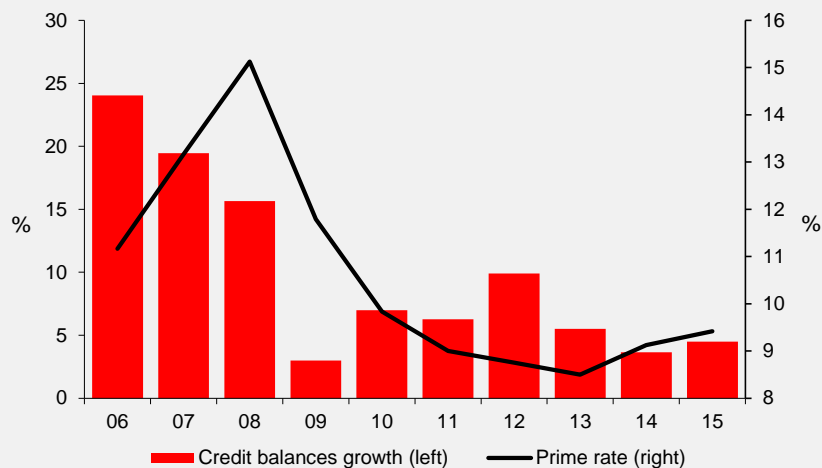
<sup>1</sup>End of period

<sup>2</sup>Comprising corporate and household credit

<sup>3</sup>Comprising commercial and residential mortgages

Source: SARB

### Household credit balances and interest rates



Source: SARB

