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Credit and mortgage advances

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Further uptick in household credit and mortgage balances growth

The value of outstanding credit balances in the South African household sector showed growth of 4,8% year-on-year (y/y) to R1 495,4 billion at the end of February 2016. Growth in both secured and unsecured credit balances was somewhat higher at end-February compared with the preceding month.

Growth in the value of household secured credit balances (R1 126,8 billion and 75,4% of total household credit balances) increased to 4,1% y/y at end-February from 3,9% y/y at the end of January. Growth in mortgage balances showed a further improvement, whereas growth instalment sales balances (22% of secured balances and mainly related to vehicle finance), slowed down to 2,2% y/y at end-February, which was the lowest year-on-year growth on record since mid-2007. The downward trend in growth in instalment sales balances is in line with declining new vehicle sales volumes.

Growth in household unsecured credit balances (R368,6 billion and 24,6% of total household credit balances) came to 6,9% y/y at the end of February, up from 6,6% y/y at end-January.

The value of total outstanding mortgage balances, comprising household and corporate mortgages, increased by 6,3% y/y to a level of R1 244 billion (39,6% of total private sector credit balances of R3 144,5 billion) at end-February 2016. Corporate mortgage balances showed growth of 10,4% y/y to R368 billion at the end of February (9,6% y/y at end-January). Outstanding household mortgage balances increased by 4,7% y/y to R876 billion (70,4% of total mortgage balances and 27,9% of total private sector credit balances) at end-February. The base effect of low year-on-year growth of 2,2% twelve months ago as well as increased financial pressure on homeowners who are paying extra funds into their mortgage accounts, were the main drivers of the further uptick in growth in household mortgage balances. 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.

Economic growth is forecast to slow down further to 0,6% this year from 1,3% in 2015, with continued upward pressure on consumer price inflation, driven by factors such as a weak exchange rate and rising food, fuel and electricity prices. Interest rates are expected to be hiked further towards year-end in an attempt to control inflation, while there is a risk of a country credit downgrade later in the year, which may have an adverse effect on capital flows, the exchange rate, inflation and interest rates. Against this background and expected continued low levels of consumer confidence, growth in household credit balances and the various secured and unsecured credit components is forecast to remain in single digits 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 |
| 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 | 3 094.7 | 10.2 | 1 475.1 | 4.5 | 47.7 | 1 229.0 | 6.2 | 864.4 | 4.4 | 70.3 | 58.6 |
| January 2016 | 3 104.6 | 8.5 | 1 485.1 | 4.6 | 47.8 | 1 232.0 | 6.0 | 867.8 | 4.5 | 70.4 | 58.4 |
| February 2016 | 3 144.5 | 9.0 | 1 495.4 | 4.8 | 47.6 | 1 244.0 | 6.3 | 876.0 | 4.7 | 70.4 | 58.6 |

¹End of period

²Comprising corporate and household credit

³Comprising commercial and residential mortgages

Source: SARB



