

JUNE MORTGAGE AND HOUSEHOLD CREDIT

Household credit growth remains pedestrian, but ticking up slowly

29 July 2010



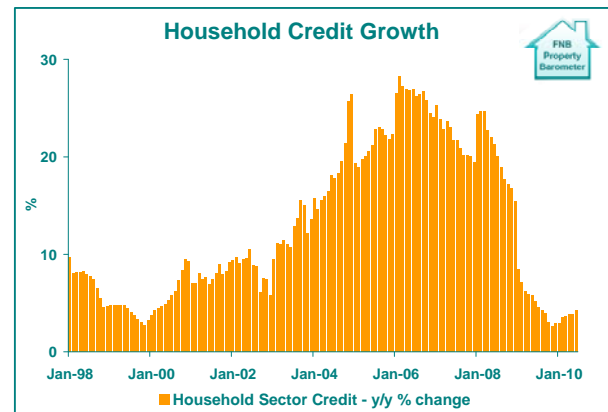
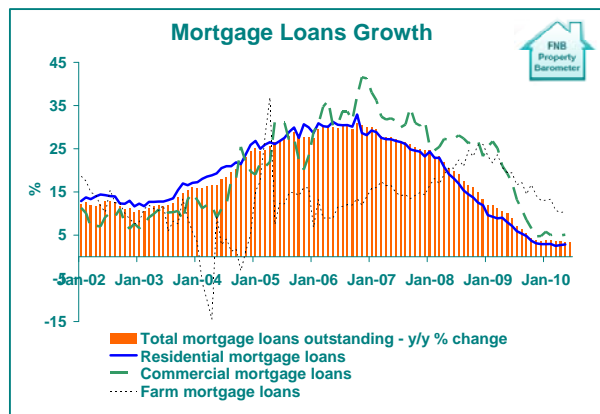
June SARB credit data, released today, showed pedestrian growth rates for both total mortgage advances growth as well as for overall household sector credit growth. The total value of mortgage advances outstanding rose 3.4% year-on-year in June, which was unchanged from the previous month's growth rate.

While the broken down data runs a month behind, it is safe to assume that the slow-but-stabilising growth trend is predominantly residential-driven, with that segment accounting for near 80% of the total mortgage market. In May, the value of residential mortgages outstanding rose by 2.8%, while commercial mortgages rose by a slightly better 5.1%.

The best performing mortgage sector is that of farm mortgages (although very small), which grew by 10.2% year-on-year in May.

improvement on the rapid fall in payouts through 2009.

Overall household sector credit growth continued its very gradual recovery, growing year-on-year by 4.3% in July, compared to 3.8% in the previous month, with noticeable increases in the growth rates of household sector installment sales and "other loans and advances" in recent times.



Growth in mortgage advances outstanding has flattened out in the first half of 2010, after a long decline. This is due largely to significant growth in the value of new residential loans early in 2010. The value of new loans granted for the residential market reached +73.9% by March (the most recent numbers available), while commercial grants by comparison still languished in the doldrums, declining year-on-year by -40.8%. The net result has been a return to positive growth in new total mortgage loan payouts, as at March increasing by +9.5%, a marked

COMMENT

The growth rate in household sector credit probably remains slow enough to accommodate further decline in SA's very high household sector debt-to-disposable income ratio (78.4% in Q1 of 2010) for the time being, given some recovery in nominal household sector disposable income growth.

Further decline in the debt-to-disposable income ratio is crucial (necessitating a period of slow household credit growth), prior to the next interest rate hiking cycle, because SA's debt-service ratio (the cost of servicing the household debt burden, interest+capital, as a percentage of disposable income), at an estimated 12.7%, is still too high for comfort. Any unexpected interest rate hiking in the near future would still be painful for a household sector, given the currently high debt ratio.

FNB PROPERTY MARKET ANALYTICS

JOHN LOOS: FNB HOME LOANS STRATEGIST
011-6490125
John.loos@fnb.co.za

EWALD KELLERMAN: PROPERTY MARKET ANALYST
011-6320021
ekellerman@fnb.co.za

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Mortgage Market Summary

END OF PERIOD	2005	2006	2007	2008	2009	Q2-2009	Q3-2009	Q4-2009	Q1-2010	Feb-10	Mar-10	Apr-10	May-10	Jun-10
Total Mortgage Market (R'm)														
Total Mortgage Advances (R'm)	526 647	684 593	853 819	966 921	1 001 946	989 462	993 696	1 001 946	1 016 617	1 012 749	1 016 617	1 017 851	1 021 373	1 023 395
y/y % change	27.6	30.0	24.7	13.2	3.6	8.9	5.5	3.6	3.6	3.9	3.6	3.6	3.4	3.4
Banking Sector - New mortgage loans and re-advances granted per property type (R'm)														
Residential dwellings	248 800	338 327	364 575	271 276	170 669	35 718	46 576	53 028	57 202	19 690	24 097			
y/y % change	38.7	36.0	7.8	-25.6	-37.1	-49.6	-22.2	-7.6	61.8	57.0	73.9			
Of which: Residential re-advances									14 401	5 077	6 004			
Commercial premises and other	82 171	79 491	73 207	23 518	18 177	4 192	4 422	4 796	3 700	1 135	1 392			
y/y % change	65.4	-3.3	-7.9	-67.9	-22.7	-38.1	-17.0	26.6	-22.4	-3.1	-40.8			
Farms	4 373	5 125	3 626	3 794	2 374	497	569	750	488	183	190			
y/y % change	34.5	17.2	-29.2	4.6	-37.4	-52.7	-45.0	-13.4	-12.5	-8.5	-15.9			
Total	335 348	422 941	441 410	298 583	191 222	40 406	51 567	58 575	61 389	21 007	25 679			
y/y % change	44.4	26.1	4.4	-32.4	-36.0	-48.7	-22.1	-5.6	50.9	51.0	56.2			
Banking Sector - New mortgage loans granted per application (R'm)														
Construction of buildings	32 445	30 941	28 574	29 927	15 908	4 185	4 096	3 870	3 038	973	1 044			
y/y % change	17.7	-4.6	-7.7	4.7	-46.8	-50.9	-43.4	-16.9	-19.1	6.8	-44.3			
Existing Buildings	277 697	357 851	384 052	256 608	171 548	35 268	46 743	53 621	57 183	19 616	24 154			
y/y % change	46.6	28.9	7.3	-33.2	-33.1	-47.1	-17.2	-3.7	59.2	54.5	70.0			
Vacant Land	25 206	34 149	28 784	12 049	3 765	953	728	1 084	1 168	419	480			
y/y % change	65.2	35.5	-15.7	-58.1	-68.8	-73.3	-71.3	-36.8	16.8	36.0	36.0			
Banking Sector - Payouts and Capital Repayments (R'm)														
Total loans paid out per period	313 886	399 295	461 727	276 211	116 277	28 396	28 175	29 861	29 701	9 810	11 989			
y/y % change	42.5	27.2	15.6	-40.2	-57.9	-61.7	-54.6	-41.7	-0.5	-3.7	9.5			
Capital repayments per period	183 527	250 359	297 877	156 110	91 485	25 974	26 022	23 195	17 168	3 595	8 619			
y/y % change	25.2	36.4	19.0	-47.6	-41.4	-33.1	-9.2	-5.1	5.4	21.3	71.1			
Total Banking Sector Mortgages Outstanding (R'm)														
Farm Mortgages	4 126	4 700	5 372	6 771	7 652	7 297	7 344	7 652	7 901	7 902	7 901	7 889	8 016	
y/y % change	15.9	13.9	14.3	26.0	13.0	19.4	14.4	13.0	10.8	13.3	10.8	10.2	10.5	
Housing Advances: Total	426 205	546 197	672 989	753 122	775 062	768 660	772 098	775 062	785 891	783 320	785 891	787 443	789 353	
y/y % change	30.0	28.2	23.2	11.9	2.9	7.1	4.8	2.9	2.5	3.0	2.5	2.7	2.8	
Commercial Property Advances: Total	91 644	129 488	170 252	209 882	219 950	214 162	214 892	219 950	223 113	221 790	223 113	223 319	224 370	
y/y % change	23.3	41.3	31.5	23.3	4.8	17.2	8.5	4.8	5.2	5.0	5.2	4.9	5.1	
Total Banking Sector Mortgage Loans Outstanding	521 974	680 384	852 639	969 775	1 002 663	990 119	994 334	1 002 663	1 016 905	1 013 012	1 016 905			
y/y % change	28.6	30.3	25.3	13.7	3.4	9.3	5.6	3.4	3.2	3.5	3.2			
Household-Related Debt and Deposits (R'm)														
Household Debt	585 541	726 270	867 635	1 002 020	1 031 277	1 018 191	1 025 610	1 031 277	1 050 363	1 047 560	1 050 363	1 053 510	1 057 914	1 061 677
y/y % change	22.3	24.0	19.5	15.5	2.9	5.2	3.9	2.9	3.6	3.5	3.6	3.8	3.8	4.3
Household Deposits held by banks	319 095	363 113	423 700	501 878	516 419.0	511 718	511 282	516 419	512 332.00	510 980	512 332			
y/y % change	12.5	13.8	16.7	18.5	2.9	9.4	6.0	2.9	0.8	1.7	0.8			