



Mortgage Advances

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Mortgage advances growth remains sluggish

According to the South African Reserve Bank, the total value of outstanding credit balances in the country's household sector increased by 7,4% year-on-year (y/y) and 0,8% month-on-month (m/m) to a level of R1 127,8 billion in March 2011. Year-on-year growth of 7% was recorded in February this year. Total household credit comprises instalment sales agreements, leasing finance, mortgage advances, overdrafts, credit card debt, and general loans and advances.

Growth in the total value of outstanding mortgage balances at monetary institutions, comprising both commercial and residential mortgage loans, tapered off to 2,9% y/y in March 2011, which was the lowest year-on-year growth on record since 1966. On a monthly basis total mortgage balances were down by R1,6 billion, or 0,2%. With outstanding mortgage balances in the corporate sector having a share of 26,5% in the March total of R1 046 billion, a decline of 0,7% y/y (-2,1% on a monthly basis) in this component of mortgage finance contributed to the abovementioned record-low growth of 2,9% y/y in March this year.

Outstanding mortgage balances in the household sector, largely related to residential property, recorded growth of 4,3% y/y in March 2011 (4,1% y/y in February), increasing by R4,5 billion, or 0,6%, from February.

Despite the lowest domestic interest rates in more than 35 years, the housing market is experiencing relatively tough conditions, mainly driven by various factors impacting many consumers' ability to afford housing and qualify for mortgage finance (high levels of debt in relation to disposable income; a large percentage of consumers still having impaired credit records; rising transport costs and food prices; the National Credit Act and banks' lending criteria). As a result, the mortgage advances component of household credit is forecast to continue to record single-digit growth in the rest of 2011.

Mortgage Advances, Inflation and Interest Rates							
Period	Total mortgage advances ¹		Mortgage advances to households, end of period			CPI inflation %	Mortgage rate % eop
	R billion	y/y % ch	R billion	y/y % ch	% of total		
Mar 2010	1 016.6	3.6	737.2	4.1	72.5	5.1	10.0
Apr 2010	1 017.9	3.6	739.2	4.4	72.6	4.8	10.0
May 2010	1 021.4	3.4	742.1	4.0	72.7	4.6	10.0
Jun 2010	1 023.4	3.4	743.4	4.0	72.6	4.2	10.0
Jul 2010	1 028.5	4.0	747.3	4.5	72.7	3.7	10.0
Aug 2010	1 039.8	4.8	757.0	5.5	72.8	3.5	10.0
Sep 2010	1 041.8	4.8	759.2	5.7	72.9	3.2	9.5
Oct 2010	1 043.5	4.7	760.7	5.6	72.9	3.4	9.5
Nov 2010	1 046.8	4.8	763.9	5.8	73.0	3.6	9.0
Dec 2010	1 042.4	4.0	758.7	4.6	72.8	3.5	9.0
Jan 2011	1 043.9	3.8	761.4	4.6	72.9	3.7	9.0
Feb 2011	1 047.6	3.4	764.2	4.1	73.0	3.7	9.0
Mar 2011	1 046.0	2.9	768.7	4.3	73.5	4.1	9.0

¹Comprising commercial and residential mortgages (end of period (eop))
Sources: SARB, Stats SA

