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Growth in mortgage advances at a low

Based on the latest data released by the South African Reserve Bank, the total value of outstanding credit balances in the country's household sector increased by 6,9% year-on-year (y/y) and 0,1% month-on-month (m/m) to a level of R1 126 billion in April 2011. In March this year, household credit growth of 7% was recorded compared with the same month last year. Household credit comprises instalment sales agreements, leasing finance, mortgage advances, overdrafts, credit card debt, and general loans and advances.

Growth in the value of outstanding mortgage balances at monetary institutions, comprising both commercial and residential mortgage loans, was virtually unchanged at 3% y/y in April from 2,9% y/y in March. These two months represent the lowest year-on-year growth on record in total mortgage advances since the mid-1960s. Total mortgage balances were up by R2,1 billion, or 0,2%, in April from March.

In the household sector, outstanding mortgage balances amounted to R763,6 billion in April 2011, with growth that slowed down to 3,3% y/y. Growth in this component of household credit is on a declining trend since December 2010, after reaching a recent peak of 5,8% y/y in November last year. The April 2011 year-on-year growth was below the lower turning point of 3,6% in November 2009. On a month-on-month basis, the level of outstanding household mortgage balances was down by R1,7 billion, or 0,2%, in April compared with March this year.

The recent trends in household credit and mortgage balances are believed to be evident of the state of household finances, and the resultant demand for, as well as the affordability and availability of mortgage finance against the background of factors such as the National Credit Act, consumer credit records and banks' lending criteria.

In view of these developments and trends, year-on-year mortgage advances growth is forecast to remain well in single-digit territory up to the end 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		
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		765.3	3.8	73.2	4.1	9.0
Apr 2011	1 048.1	3.0		763.6	3.3	72.9	4.2	9.0

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

