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## Slow pace of growth in mortgage advances continues

Year-on-year growth in the total value of outstanding credit balances in South Africa's household sector remained unchanged at 6,9% in May from April this year. On a monthly basis households' outstanding credit balances amounted to R1 131 billion in May 2011, which were 0,5% higher than in the preceding month. Household credit comprises instalment sales agreements, leasing finance, mortgage advances, overdrafts, credit card debt, and general loans and advances.

The value of outstanding mortgage balances at monetary institutions, comprising both commercial and residential mortgage loans, increased by 3,1% year-on-year (y/y) in May 2011 (3% y/y in April). Total mortgage balances were up by R5,4 billion, or 0,5%, in May from April.

In the household sector, outstanding mortgage balances amounted to R765,5 billion in May 2011, with year-on-year growth marginally lower at 3,2% from 3,3% in April. On a month-on-month basis, the level of outstanding household mortgage balances was up by R1,9 billion, or 0,2%, in May, after declining by 0,2% in April from March. Mortgage finance remains the largest component of total credit extended the household sector, with a share of 67,7% in May this year.

In the 1<sup>st</sup> quarter of 2011 the ratio of outstanding household mortgage balances to disposable income was lower at about 45,7% from almost 47% in the 4<sup>th</sup> quarter of 2010. This was the net result of household mortgage balances growing by 0,3% quarter-on-quarter (q/q) in the 1<sup>st</sup> quarter of the year, while nominal disposable income increased by 3,1% q/q. In view of this, as well as the fact that the average mortgage interest rate was slightly lower at 9% in the 1<sup>st</sup> quarter of 2011 compared with 9,2% in the final quarter of 2010, the cost of servicing household mortgage debt as a percentage of disposable income tapered off to 4,1% in the 1<sup>st</sup> quarter (4,3% in the preceding quarter).

Based on the state of household finances (income, saving, debt, credit records, etc) and the expectation of rising interest rates in 2012 on the back of inflationary pressures, the year-on-year growth in mortgage advances is forecast to remain in single-digits in the rest of 2011 and into 2012.

Mortgage Advances, Inflation and Interest Rates								
Period	Total mortgage advances <sup>1</sup>		Mortgage advances to households, end of period			CPI inflation %	Mortgage rate % eop	
	R billion	y/y % ch	R billion	y/y % ch	% of total			
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	
May 2011	1 053.5	3.1	765.5	3.2	72.7	4.6	9.0	

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

