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Continued low growth in mortgage advances

The total value of outstanding credit balances in the South African household sector increased by 7% year-on-year (y/y) in the first half of 2011. On a month-on-month basis households' outstanding credit balances amounted to R1 135,9 billion in June 2011, which were 0,4% higher than in May this 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 private sector mortgage balances at monetary institutions, comprising both commercial and residential mortgage loans, was 3,3% y/y in June 2011 (3,2% y/y in May). The value of total mortgage balances was about R2,8 billion, or 0,3%, higher in June compared with May this year.

The value of outstanding mortgage balances in the household sector amounted to R766,1 billion in June 2011, after rising by 3,1% compared with June last year. On a monthly basis outstanding household mortgage balances was up by around R600 million, or a negligible 0,1%, in June, after rising by 0,2% in May from April.

Year-on-year growth in mortgage advances is forecast to remain well in single-digits up to the end of 2011 and into 2012, based on various factors impacting the financial position of the household sector. These include factors such as employment, income, consumption, savings, inflation, interest rates, debt, credit records, banks' lending criteria and consumer confidence.

Consumer price inflation is on a rising trend since late last year, with the expectation of breaching the upper limit of the inflation target range of 3%-6% in the first quarter of 2012 as a result of increasing transport costs, food prices, housing operating costs and above-inflation wage hikes. Against this background interest rates are projected to remain stable until year-end, but to rise by a cumulative 200 basis points next year. This will bring banks' prime and variable mortgage rates to a level of 11% by end-2012.

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		
Jun 2010	1 022.9	3.4	743.0	4.0	72.6	4.2	10.0
Jul 2010	1 028.0	3.9	746.9	4.4	72.7	3.7	10.0
Aug 2010	1 039.3	4.8	756.6	5.5	72.8	3.5	10.0
Sep 2010	1 041.2	4.8	758.8	5.6	72.9	3.2	9.5
Oct 2010	1 043.0	4.7	760.3	5.5	72.9	3.4	9.5
Nov 2010	1 046.3	4.7	763.4	5.8	73.0	3.6	9.0
Dec 2010	1 041.8	4.0	758.3	4.6	72.8	3.5	9.0
Jan 2011	1 043.9	3.9	761.4	4.7	72.9	3.7	9.0
Feb 2011	1 047.6	3.5	764.2	4.2	73.0	3.7	9.0
Mar 2011	1 046.0	2.9	765.3	3.9	73.2	4.1	9.0
Apr 2011	1 048.1	3.0	763.6	3.4	72.9	4.2	9.0
May 2011	1 053.5	3.2	765.5	3.2	72.7	4.6	9.0
Jun 2011	1 056.3	3.3	766.1	3.1	72.5	5.0	9.0

¹Comprising commercial and residential mortgages (end of period (eop))

Sources: SARB, Stats SA

