



# Mortgage Advances

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## Noticeable slowdown in growth in mortgage advances and total household credit

Based on data released by the South African Reserve Bank, growth in credit extended to the domestic household sector came to 5,2% year-on-year (y/y) in August 2011 (6,6% y/y in July). On a month-on-month basis the amount of household credit was down by R361 million, or a marginal 0,03%, to R1 137,8 billion in August.

The abovementioned trends in household credit growth up to August this year were the net result of some components (instalment sales and leasing finance) declining from July to August, while mortgage advances showed only marginal growth from its July level (see below). Mortgage advances (67,4% of household credit) and instalment sales credit (13,4% of the total) are the largest components of household credit, followed by general loans and advances (mainly personal and micro loans) with a share of 11,2% in August. The component of general loans and advances is growing at a pace of well above 30% y/y since the beginning of 2011.

Growth in the value of outstanding private sector mortgage balances at monetary institutions, comprising both commercial and residential mortgage loans, slowed down to only 1,9% y/y in August (2,9% y/y in July). The value of total mortgage balances was R1,3 billion, or 0,1%, higher in August compared with July this year.

The value of outstanding mortgage balances in the household sector amounted to R767,3 billion in August 2011, rising by only 1,4% y/y. On a monthly basis, outstanding balances with regard to household mortgages were up by a negligible R80 million, or just 0,01%, in August from July.

Factors such as low economic growth; tight labour market conditions; a rising trend in inflation, negatively impacting consumers' purchasing power; low but stable interest rates since November 2010; a low level of consumer confidence; many consumers still having damaged credit records (46,7% of a total of 18,8 million credit-active consumers in the 2<sup>nd</sup> quarter 2011); and the effect of the National Credit Act and banks' lending criteria, are affecting consumers' demand for credit. Year-on-year growth in household credit extension, including mortgage finance, is forecast to remain relatively low towards the end of the year and into 2012.

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### 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		
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	1 048.2	3.0	763.7	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
Jun 2011	1 057.3	3.3	766.4	3.1	72.5	5.0	9.0
Jul 2011	1 058.4	2.9	767.2	2.7	72.5	5.3	9.0
Aug 2011	1 059.7	1.9	767.3	1.4	72.4	5.3	9.0

<sup>1</sup>Comprising commercial and residential mortgages (end of period (eop))

Sources: SARB, Stats SA

