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Mortgage advances

30 January 2013

Low mortgage advances growth recorded ending 2012

The value of outstanding credit balances in the South African household sector recorded growth of 9,9% year-on-year (y/y) at the end of 2012, up from 6,3% y/y as at the end of 2011. The growth of almost 10% in household credit balances ending 2012 was largely driven by the components of instalment sales and unsecured credit, with mortgage balances growth that remained subdued. Growth in instalment sales balances (15,3% share in total household credit balances) came to 19,5% y/y at the end of December last year, with growth in unsecured credit balances (22,8% share) at 28,6% y/y.

Total private sector mortgage balances, which include both commercial and residential mortgage loans, recorded growth of 1,9% y/y up to the end of December 2012, compared with 2,5% y/y a year ago. Commercial mortgage balances contracted by 0,9% in 2012 after growth of 6% in 2011. The value of outstanding household mortgage balances increased by 3% in 2012 from growth of 1,2% in the previous year. The share of outstanding household mortgage balances in total household credit balances continued its downward trend, ending 2012 at a level of 61,3%. The ongoing decline in the share of household mortgage balances is the result of still relatively low growth in this component of total credit balances, while strong growth in instalment sales and unsecured credit balances caused the share of these components to rise during last year.

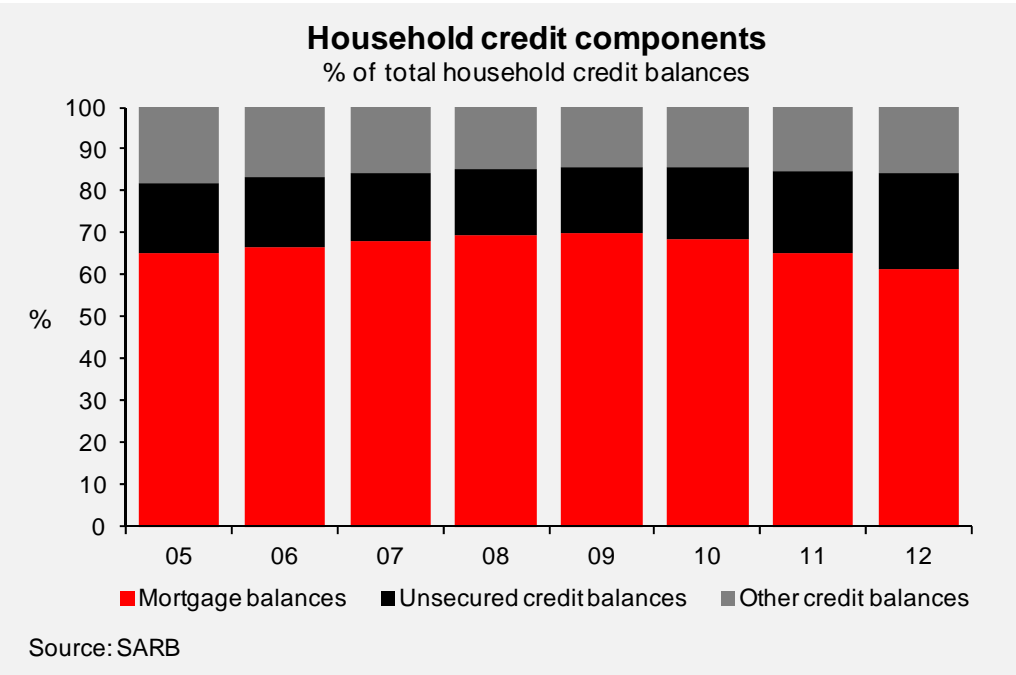
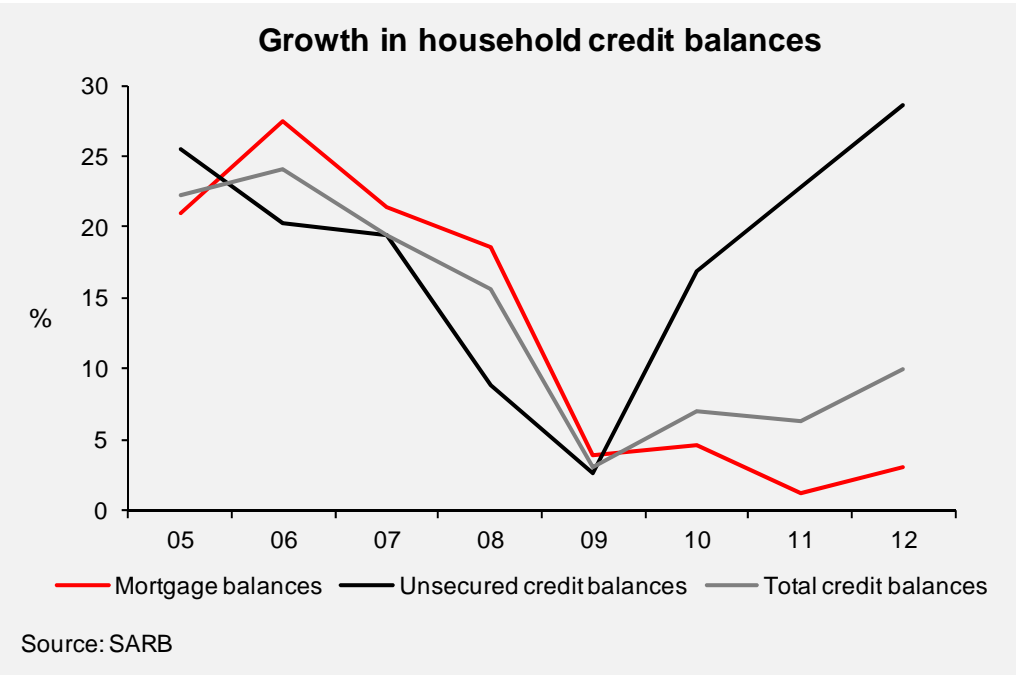
In view of trends in and the outlook for the economy, household finances and consumer confidence, growth in mortgage balances is forecast to remain in single digits in 2013. Although consumer price inflation is expected to rise to above 6% this year, interest rates are projected to remain at current levels before rising around mid-2014. Low interest rates will continue to support the property market and the affordability of mortgage finance.

Mortgage balances, inflation and interest rates

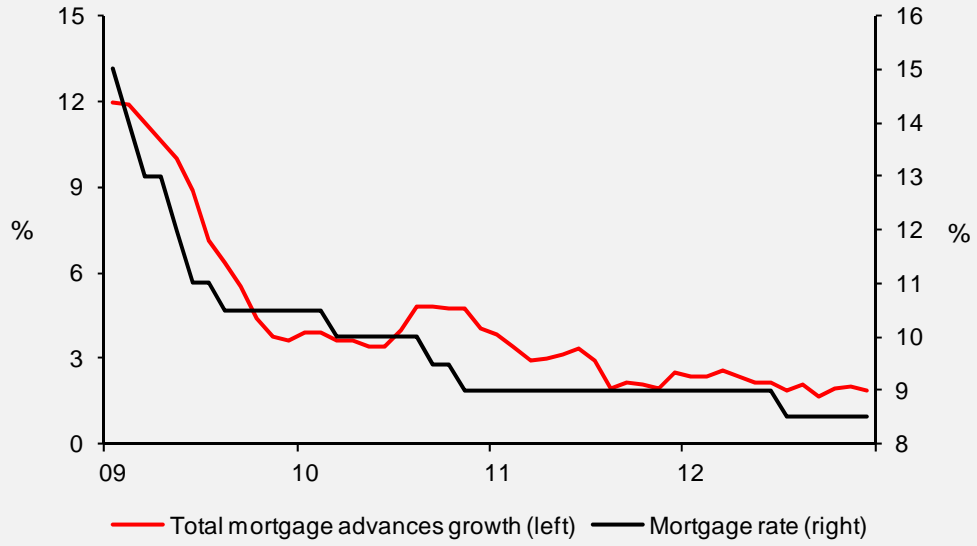
Month	Total mortgage balances ¹ , end of period		Household mortgage balances, end of period		CPI inflation %	Mortgage rate %, eop
	R billion	y/y % change	R billion	y/y % change		
January 2012	1 068.6	2.4	769.1	1.0	6.3	9.0
February 2012	1 072.2	2.3	773.3	1.2	6.1	9.0
March 2012	1 073.2	2.6	777.2	1.6	6.0	9.0
April 2012	1 073.2	2.4	776.9	1.7	6.1	9.0
May 2012	1 076.5	2.2	779.5	1.8	5.7	9.0
June 2012	1 080.3	2.2	781.9	2.0	5.5	9.0
July 2012	1 078.4	1.9	782.5	2.0	4.9	8.5
August 2012	1 081.9	2.1	785.6	2.4	5.0	8.5
September 2012	1 082.5	1.7	786.7	3.0	5.5	8.5
October 2012	1 085.8	1.9	788.5	3.1	5.6	8.5
November 2012	1 088.6	2.0	790.1	3.0	5.6	8.5
December 2012	1 089.0	1.9	790.9	3.0	5.7	8.5

¹Comprising commercial and residential mortgages

Sources: SARB, Stats SA

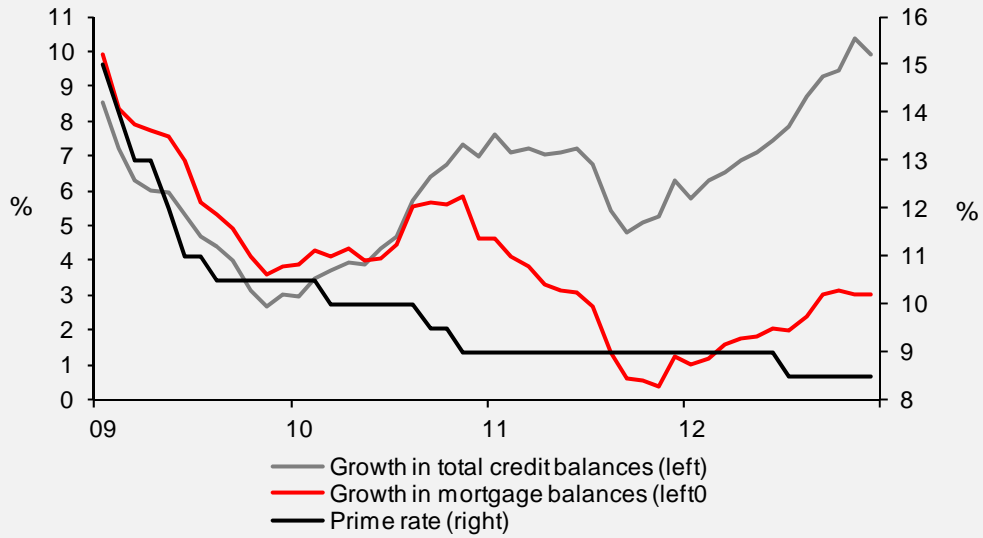


Total mortgage advances and interest rates



Source: SARB

Household credit balances, mortgage balances and interest rates



Source: SARB