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Credit and mortgage advances

30 May 2013

Stable growth in household credit and mortgage balances

Year-on-year (y/y) growth in credit balances in the South African private sector (households and the corporate sector) came to 9,1% at the end of April 2013, which brought the value of outstanding private sector credit balances to R2 477 billion. Growth in private sector credit balances was 7,8% y/y at the end of March.

Outstanding credit balances in the household sector, comprising instalment sales, leasing finance, mortgage loans, overdrafts, credit card debt, and general loans and advances (mainly personal loans and micro finance) showed growth of 9,5% y/y at the end of April from 9,6% y/y at the end of March.

Growth in the component of household unsecured credit (comprising general loans and advances, credit card debt and overdrafts), slowed down further to 25,4% y/y up to the end of April this year, from 26,8% y/y at the end of March and a recent high of 31,6% y/y at the end of November last year.

Outstanding private sector mortgage balances, which include both commercial and residential mortgage loans, showed continued low growth of only 1,8% y/y in April, up from 1,6% y/y in March. This low growth was affected by a further contraction of 0,8% y/y in commercial mortgage balances up to end-April, whereas growth in household mortgage balances was only marginally higher during this period. Growth in the value of outstanding household mortgage balances was recorded at 2,7% y/y at the end of April from 2,6% y/y at end-March. As a result of the ongoing very low growth in household mortgage balances compared with some other components of household credit, its share of total household credit balances declined further to 60,3% in April.

Growth in outstanding household credit balances is still forecast to remain in single digits up to the end of 2013, based on current trends in and the outlook for the economy, which are set to impact household finances and the demand for credit. Real annualised quarter-on-quarter growth in the country's gross domestic product (GDP) slowed down to 0,9% in the first quarter of the year, well below market consensus of 1,9% and a level of 2,1% recorded in the fourth quarter of 2012. Real value added in the manufacturing sector (12,6% of total GDP) contracted by an annualised 7,9% in the first quarter of the year, after growth of 5% in the preceding quarter. The subdued economic growth of the first quarter has caused the forecast for full-year growth to be downscaled to 2,2% from 2,7%. Real GDP growth of 2,5% was registered in 2012.

In line with expectations regarding growth in total household credit balances, outstanding household mortgage balances growth is forecast to remain relatively low against the background of conditions in and prospects for the economy, the residential property market and household finances. Growth in instalment sales balances is set to slow down towards year-end from its April level of 19,6% y/y, impacted by expected lower growth in vehicle sales this year compared with 2012. If sustained, the downward trend in growth in household unsecured credit balances may have a subdued effect on growth in total household credit balances in the near term.

Credit and mortgage balances

Month	Private sector credit balances ¹ , end of period		Household credit balances end of period			Total mortgage balances ² , end of period		Household mortgage balances end of period			
	R billion	y/y % change	R billion	y/y % change	% of private sector credit balances	R billion	y/y % change	R billion	y/y % change	% of total mortgage balances	% of total household credit balances
May 2012	2 280.5	8.3	1 216.4	7.1	53.3	1 076.5	2.2	779.5	1.8	72.4	64.1
June 2012	2 301.0	8.7	1 225.6	7.4	53.3	1 080.3	2.2	781.9	2.0	72.4	63.8
July 2012	2 326.6	8.3	1 232.5	7.8	53.0	1 078.4	1.9	782.5	2.0	72.6	63.5
August 2012	2 347.5	7.9	1 242.2	8.7	52.9	1 081.9	2.1	785.6	2.4	72.6	63.2
September 2012	2 375.5	9.1	1 251.6	9.3	52.7	1 082.5	1.7	786.7	3.0	72.7	62.9
October 2012	2 372.0	8.4	1 262.2	9.4	53.2	1 085.8	1.9	788.5	3.1	72.6	62.5
November 2012	2 410.1	9.6	1 281.9	10.4	53.2	1 088.6	2.0	790.1	3.0	72.6	61.6
December 2012	2 438.2	10.1	1 291.1	9.9	53.0	1 089.0	1.9	790.9	3.0	72.6	61.3
January 2013	2 424.1	8.6	1 299.2	9.9	53.6	1 088.1	1.8	791.2	2.9	72.7	60.9
February 2013	2 443.3	7.9	1 311.0	9.8	53.7	1 089.6	1.6	794.8	2.8	72.9	60.6
March 2013	2 468.6	7.8	1 317.2	9.6	53.4	1 090.5	1.6	797.4	2.6	73.1	60.5
April 2013	2 477.0	9.1	1 323.0	9.5	53.4	1 092.1	1.8	798.2	2.7	73.1	60.3

¹Comprising corporate and household credit

²Comprising commercial and residential mortgages

Source: SARB

