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Credit and mortgage advances

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Slowdown in growth in household credit and mortgage balances

Year-on-year growth in the value of outstanding credit balances in the South African household sector, comprising of instalment sales, leasing finance, mortgage loans, overdrafts, credit card debt, and general loans and advances (mainly personal loans and micro finance), slowed down further to 4,8% at the end of March 2014 (5,6% and 5,2% respectively at the end of January and February). All major components of household credit balances showed lower year-on-year up to the end of the first quarter of the year.

Growth in household secured credit balances, which include instalment sales, leasing finance and mortgage loans, tapered off to 4,0% year-on-year (y/y) at end-March from 4,5% y/y at end-February. Growth in instalment sales balances slowed down to 11,9% y/y by the end of March, with growth in the value of outstanding household mortgage balances also slowing down.

Outstanding household unsecured credit balances, consisting of general loans and advances, credit card debt and overdrafts, recorded a further slowdown in growth to 7,4% y/y up to end-March from 7,7% at end-February. Growth in the largest component of household unsecured credit balances, i.e. general loans and advances, with a share of 61,2% and mainly consisting of personal loans and micro finance, remained on a downward trend, reaching a level of 3,5% y/y at the end of March this year.

Total private sector mortgage balances, which include both commercial and residential mortgage loans showed growth of 2,9% y/y at the end of March. Growth in the value of outstanding household mortgage balances was down to 2,3% y/y at end-March from 2,8% y/y at end-February, which continues to reflect the state of household finances, consumer confidence, bank lending criteria and property market conditions in general.

Inflationary pressures have mounted since late last year, with headline consumer price inflation reaching a level of 6% y/y in March. Some of the main risks to the inflation outlook are food prices, transport costs and exchange rate movements. Inflation is forecast to average above 6% this year, while economic growth is forecast at just more than 2%. Interest rates are forecast to rise further during the course of the year in an attempt to contain inflation. The household sector will continue to experience financial strain on the back of expected relatively low economic and employment growth. Rising inflation will drive interest rates and debt servicing costs higher, impacting the accessibility and affordability of credit. As a result, the demand for credit, including mortgage finance, is projected to remain relatively subdued in the rest of the year.

Credit and mortgage balances¹

Month	Private sector credit balances ²		Household credit balances			Total mortgage balances ³		Household mortgage balances			
	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
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
May 2013	2 487.0	9.1	1 331.2	9.4	53.5	1 095.7	1.8	802.3	2.9	73.2	60.3
June 2013	2 506.2	8.9	1 332.3	8.7	53.2	1 097.5	1.6	802.8	2.7	73.2	60.3
July 2013	2 499.2	7.4	1 339.4	8.7	53.6	1 097.5	1.8	803.5	2.7	73.2	60.0
August 2013	2 535.9	8.0	1 342.7	8.1	52.9	1 103.6	2.0	806.1	2.6	73.0	60.0
September 2013	2 552.6	7.5	1 345.1	7.5	52.7	1 108.4	2.4	807.6	2.7	72.9	60.0
October 2013	2 552.7	7.6	1 352.5	7.2	53.0	1 112.0	2.4	809.3	2.6	72.8	59.8
November 2013	2 578.2	7.0	1 357.5	5.9	52.7	1 111.6	2.1	810.1	2.5	72.9	59.7
December 2013	2 588.8	6.2	1 362.2	5.5	52.6	1 109.7	1.9	809.9	2.4	73.0	59.5
January 2014	2 621.9	8.2	1 372.5	5.6	52.3	1 110.6	2.1	812.3	2.7	73.1	59.2
February 2014	2 655.2	8.7	1 379.9	5.2	52.0	1 118.1	2.6	817.2	2.8	73.1	59.2
March 2014	2 686.9	8.8	1 379.9	4.8	51.4	1 121.8	2.9	816.0	2.3	72.7	59.1

¹End of period

²Comprising corporate and household credit

³Comprising commercial and residential mortgages

Source: SARB

