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Credit and mortgage advances

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Continued low growth in household credit and mortgage balances

Year-on-year growth in the total value of R1 394,5 billion in outstanding credit balances in the South African household sector slowed down further to 4,1% at the end of July 2014 from 4,3% at end-June. Household credit balances comprise of instalment sales, leasing finance, mortgage loans, overdrafts, credit card debt, and general loans and advances (mainly personal loans and micro finance).

Household secured credit balances (amounting to R1 062,8 billion and 76,2% of total household credit balances) showed growth of 3,8% year-on-year (y/y) at end-July, unchanged from end-June. Secured credit includes instalment sales, leasing finance and mortgage loans.

Growth in outstanding balances with regard to household unsecured credit (totaling R331,7 billion and 23,8% of total household credit balances) was recorded at 5% y/y at the end of July, down from 5,8% y/y at end-June. Unsecured credit consists of general loans and advances, credit card debt and overdrafts. Growth in general loans and advances (60,7% of total household unsecured credit balances) slowed down further to a negligible 0,2% y/y at the end of July. There is a real prospect of this component of household unsecured credit contracting on a year-on-year basis in coming months, which will be the first contraction since mid-2003.

Total private sector mortgage balances, which include both commercial and residential mortgage loans, showed growth of 3,7% y/y up to the end of July this year (3,4% y/y at end-June), largely driven growth of 6,8% y/y in commercial mortgage in the first seven months of the year. Growth in the value of R824,3 billion in outstanding household mortgage balances remained relatively low at 2,6% y/y at end-July.

The general state of household finances impacts the demand for property, which is to a large extent affected by the affordability and accessibility of mortgage finance. The financial strain experienced by many consumers is currently driven by low employment growth, rising living costs, declining real income growth, low savings, an upward trend in interest rates and a significant level of impaired credit records, with these factors contributing to low consumer confidence. These trends are eventually reflected in property market conditions, such as market activity, buying patterns, building activity, property prices, demand for mortgage finance and transaction volumes.

In view of these developments, growth in household credit, including mortgage advances, is expected to remain subdued up to the end of the year and in 2015.

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
August 2013	2 537.3	8.0	1 342.7	8.1	52.9	1 103.6	2.0	806.1	2.6	73.0	60.0
September 2013	2 554.1	7.5	1 345.1	7.5	52.7	1 108.4	2.4	807.6	2.7	72.9	60.0
October 2013	2 554.2	7.6	1 352.5	7.2	53.0	1 112.0	2.4	809.3	2.6	72.8	59.8
November 2013	2 579.7	7.0	1 357.5	5.9	52.6	1 111.6	2.1	810.1	2.5	72.9	59.7
December 2013	2 589.0	6.1	1 362.2	5.5	52.6	1 109.7	1.9	809.9	2.4	73.0	59.5
January 2014	2 623.1	8.2	1 372.5	5.6	52.3	1 110.6	2.1	812.3	2.7	73.1	59.2
February 2014	2 656.6	8.7	1 381.5	5.4	52.0	1 120.2	2.8	818.3	2.9	73.0	59.2
March 2014	2 685.4	8.7	1 379.9	4.8	51.4	1 121.8	2.9	816.0	2.3	72.7	59.1
April 2014	2 683.2	8.3	1 383.6	4.6	51.6	1 124.6	3.0	816.7	2.3	72.6	59.0
May 2014	2 695.8	8.3	1 388.5	4.3	51.5	1 129.6	3.1	820.2	2.2	72.6	59.1
June 2014	2 724.0	8.6	1 389.6	4.3	51.0	1 134.5	3.4	822.0	2.4	72.5	59.2
July 2014	2 744.9	9.8	1 394.5	4.1	50.8	1 138.2	3.7	824.3	2.6	72.4	59.1

¹End of period

²Comprising corporate and household credit

³Comprising commercial and residential mortgages

Source: SARB

