



Compiled by
Jacques du Toit
Property Analyst
Absa Home Loans

45 Mooi Street
Johannesburg | 2001

PO Box 7735
Johannesburg | 2000
South Africa

Tel +27 (0)11 350 7246
jacques@absa.co.za
www.absa.co.za

The information in this publication is derived from sources which are regarded as accurate and reliable, is of a general nature only, does not constitute advice and may not be applicable to all circumstances. Detailed advice should be obtained in individual cases. No responsibility for any error, omission or loss sustained by any person acting or refraining from acting as a result of this publication is accepted by Absa Bank Limited and/or the authors of the material.

Credit and mortgage advances

30 September 2014

Growth in household credit and mortgage balances slows down further

The total value of outstanding credit balances in the South African household sector came to R1 391,6 billion at the end of August 2014, which was R2,9 billion down on total credit balances of R1 394,5 billion at end-July. This was mainly the result of lower unsecured credit balances up to August, while mortgage balances were also down from July, which could be related to rising financial strain experienced by the household sector against the background of inflationary pressures, declining real income growth and higher interest rates. Household credit balances, showing growth of 3,6% year-on-year (y/y) at end-August, which was the lowest growth since March 2010, 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 063,1 billion and 76,4% of total household credit balances) recorded growth of 3,4% y/y at end-August, down from 3,8% y/y at end-July, with growth at its lowest level since April 2012. Secured credit includes instalment sales, leasing finance and mortgage loans to households.

Growth in household unsecured credit balances (totaling R328,5 billion and 23,6% of total household credit balances) came to 4,5% y/y at the end of August (5% y/y at end-July). All three components of unsecured credit showed lower balances at end-August, which resulted in total unsecured balances being down by R3,2 billion compared with end-July. Unsecured credit consists of general loans and advances, credit card debt and overdrafts.

Private sector mortgage balances, which include both commercial and residential mortgage loans, continued to show subdued growth, coming in at 3,5% y/y up to the end of August this year (3,7% y/y at end-July). Growth in outstanding household mortgage balances (R823,6 billion) slowed down further to 2,2% y/y at end-August from 2,6% y/y at end-July. The value of household mortgage balances was R700 million lower at the end of August compared with the end of July. Mortgage balances take into account all property transactions related to mortgage loans, additional capital amounts paid into mortgage accounts and extra monthly payments above normal mortgage repayments.

Macroeconomic factors, such as economic growth, employment, inflation and interest rates impact household finances and the level of consumer confidence, and eventually the demand for property as well as the affordability and accessibility of mortgage finance. A significant number of credit-active consumers have impaired credit records, which are having a negative effect on their credit-risk profiles, impacting banks' risk appetite and lending criteria. Against this background and the prospect of higher interest rates towards the end-2014 and in 2015, growth in household credit, including mortgage advances, is expected to remain relatively low over the next twelve to eighteen months.

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
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
August 2014	2 760.0	8.8	1 391.6	3.6	50.4	1 141.8	3.5	823.6	2.2	72.1	59.2

¹End of period

²Comprising corporate and household credit

³Comprising commercial and residential mortgages

Source: SARB

