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Credit and mortgage advances

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Household credit and mortgage balances growth remains low

The total value of outstanding credit balances in the South African household sector increased by 3,7% year-on-year (y/y) to R1 395,3 billion at the end of September 2014. This was R3,7 billion up on the value of outstanding balances at end-August, when year-on-year growth was 3,6%. Growth in household secured credit balances slowed down further on the back of lower growth in mortgage balances, whereas growth in household unsecured credit balances improved from its recent low at the end of August.

Household secured credit balances (unchanged at R1 063,1 billion from end-August and 76,2% of total household credit balances) recorded growth of 3% y/y at the end of September, down from 3,4% y/y at end-August and at a level last seen in February 2012. Secured credit includes instalment sales, leasing finance and mortgage loans to households.

Growth in household unsecured credit balances (amounting to R332,2 billion and 23,8% of total household credit balances) increased to 6,2% y/y at the end of September from 4,5% y/y at the end of August. The largest component of unsecured credit balances with a share of 61%, i.e. general loans and advances (largely personal loans and micro finance), posted growth of 4% y/y at end-September this year, up from 1,2% y/y at the end of August. Unsecured credit consists of general loans and advances, credit card debt and overdrafts.

Growth in private sector mortgage balances, which include both commercial and residential mortgage loans, was marginally lower at 3,3% y/y at end-September from 3,5% y/y at the end of the preceding month. Growth in outstanding household mortgage balances slowed down further to 1,9% y/y at end-September from 2,2% y/y at end-August. This was the second month in a row that the value of household mortgage balances dropped, coming to R822,9 billion at the end of the third quarter of the year. The value of outstanding mortgage balances is the net result of all property transactions related to mortgage loans, additional capital amounts paid into mortgage accounts and extra monthly payments above normal mortgage repayments.

Various factors continue to impact the domestic economy, leading to a forecast of relatively subdued real economic growth of 1,5% for this year and some improvement in growth to a level of 2,7% in 2015. The household sector is expected to continue to experience a fair amount of financial strain as interest rates are forecast to rise further during the course of next year in an attempt to keep inflation under control. In view of these expectations, growth in household credit, including mortgage advances, is forecast to remain well in single digits in the remainder 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
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
September 2014	2 777.2	8.7	1 395.3	3.7	50.2	1 144.7	3.3	822.9	1.9	71.9	59.0

¹End of period

²Comprising corporate and household credit

³Comprising commercial and residential mortgages

Source: SARB

