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## Credit and mortgage advances

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### Continued subdued growth in household credit and mortgage balances

Year-on-year growth in the total value of outstanding credit balances in the South African household sector continued along its relatively subdued level in the first quarter of 2015, although growth was marginally up to 3,6% at end-March compared with 3,3% at end-February. This uptick in growth in credit balances came on the back of somewhat higher growth in household mortgage balances, which supported growth in household secured credit balances, whereas growth in unsecured balances tapered off further.

Household secured credit balances (R1 085,2 billion at end-March and 75,9% of total household credit balances) registered growth of 3,2% year-on-year (y/y) at the end of March, up from 2,8% y/y at end-February. Secured credit includes instalment sales, leasing finance and mortgage loans, which have a share of 77,2% in household secured balances.

Growth in household unsecured credit balances, with a value of R344,8 billion and having a share of 24,1% in total household credit balances at end-March, came to 4,8% y/y at the end of the first quarter of 2015 (5% y/y at end-February). Unsecured credit consists of general loans and advances, credit card debt and overdrafts.

Outstanding private sector mortgage balances, comprising of commercial and residential mortgage loans, saw growth of 4,7% y/y at end-March, up from 4,4% y/y at end-February. The somewhat higher growth in private sector mortgage balances was the combined effect of still double-digit growth in corporate mortgage balances (28,7% of total private sector mortgage balances) and an uptick in growth in household mortgage balances (71,3% of total mortgage balances).

Growth in the outstanding value of household mortgage balances (R837,8 billion at end-March) was up to 2,7% y/y at the end of the first quarter from 2,2% y/y at end-February, largely impacted by the base effect of a drop in the value of mortgage balances in March last year from February. The value of outstanding mortgage balances is the net result of all property transactions related to mortgage loans, including additional capital amounts paid into mortgage accounts and extra monthly payments above normal mortgage repayments.

Trends in the economy, household finances and consumer confidence will remain key driving factors of the demand for and the accessibility and cost of mortgage finance and household credit in general. Headline consumer price inflation is forecast to rise to a level of around 7% by end-2015, averaging 5,4% this year and 6,6% next year. A hike in interest rates is expected later this year, with further hikes forecast for 2016 to keep a lid on inflation. Rising inflation and interest rates will negatively affect household finances against the background of the higher cost of obtaining credit and servicing existing household debt. As a result, growth in household credit balances, including mortgage balances, is forecast to remain relatively low in the rest of the year.

### Credit and mortgage balances<sup>1</sup>

Period	Private sector credit balances <sup>2</sup>		Household credit balances			Total mortgage balances <sup>3</sup>		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
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	2 777.3	8.7	1 396.0	3.8	50.3	1 144.7	3.3	824.3	2.1	72.0	59.0
October 2014	2 785.5	9.1	1 401.4	3.6	50.3	1 150.3	3.4	825.2	2.0	71.7	58.9
November 2014	2 815.3	9.1	1 406.3	3.6	50.0	1 155.7	4.0	827.8	2.2	71.6	58.9
December 2014	2 810.2	8.5	1 411.9	3.6	50.2	1 157.7	4.3	828.3	2.3	71.5	58.7
January 2015	2 863.3	9.2	1 420.1	3.5	49.6	1 162.6	4.7	830.4	2.2	71.4	58.5
February 2015	2 887.1	8.7	1 427.4	3.3	49.4	1 169.9	4.4	836.4	2.2	71.5	58.6
March 2015	2 923.9	8.9	1 430.0	3.6	48.9	1 174.9	4.7	837.8	2.7	71.3	58.6

<sup>1</sup>End of period

<sup>2</sup>Comprising corporate and household credit

<sup>3</sup>Comprising commercial and residential mortgages

Source: SARB

