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Credit and mortgage advances

30 September 2015

Household credit and mortgage balances growth up on base effects

The value of outstanding credit balances in the South African household sector increased by 4,2% year-on-year (y/y) up to the end of August 2015, with growth rising above the 4% level for the first time since July last year. This was the result of faster growth in the components of mortgage balances, overdrafts and general loans and advances, whereas growth in instalment sales balances dropped to its lowest level since May 2010.

Growth in the value of household secured credit balances (R1 098,9 billion and 75,8% of total household credit balances) was up to 3,4% y/y at end-August from 2,9% y/y at the end of July, supported by an uptick in mortgage balances growth. However, growth in instalment sales balances, 22,2% of household secured balances and largely related to vehicle finance, continued to slow down to a level of only 2,9% y/y in the eight-month period up to the end of August. The downward trend in instalment sales balances growth is in line with new vehicle sales contracting by 3,3% y/y in the first eight months of the year.

Household unsecured credit balances (R350,8 billion and 24,2% of total household credit balances) recorded growth of 6,8% y/y at end-August, up from 5,9% y/y the end of July. The acceleration in growth in unsecured balances was largely the result of some base effects from a year ago in some components. Growth in general loans and advances (60,6% of unsecured balances and mainly comprising personal loans and micro finance) increased to 6,0% y/y at end-August from 5,6% y/y at end-July. Growth in overdraft balances, with a share of 10,7% in unsecured balances, increased from 0,4% y/y at the end of June to 4,7% y/y at end-July and 10,0% y/y at the end of August, mainly driven by base effects.

Private sector mortgage balances, consisting of both commercial and residential mortgages, saw growth of 5,3% y/y up to the end of August this year. The value of outstanding household mortgage balances increased to R852,5 billion in the first eight months of the year, showing growth of 3,5% y/y over this period. The jump in year-on-year growth from 2,8% at the end of July came against the background of the base effect of a drop in the outstanding balance in August last year from July. 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 and prospects regarding the economy, household finances and consumer confidence will remain important in the demand for and growth in household credit and its various components. Lending rates are forecast to rise again before year-end and in 2016, which will affect the affordability of credit and consumer finances over a wide front. Against this background, growth in household credit balances, including mortgage balances, is forecast to remain well in single digits in the rest of the year and through next year.

Credit and mortgage balances¹

Period	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 2014	2 755.1	8.6	1 391.6	3.6	50.5	1 141.8	3.5	823.6	2.2	72.1	59.2
September 2014	2 774.4	8.6	1 396.0	3.8	50.3	1 144.7	3.3	824.3	2.1	72.0	59.0
October 2014	2 781.9	8.9	1 401.4	3.6	50.4	1 150.3	3.4	825.2	2.0	71.7	58.9
November 2014	2 813.5	9.1	1 406.3	3.6	50.0	1 155.7	4.0	827.8	2.2	71.6	58.9
December 2014	2 808.7	8.5	1 411.9	3.6	50.3	1 157.7	4.3	828.3	2.3	71.5	58.7
January 2015	2 860.3	9.0	1 420.1	3.5	49.6	1 162.6	4.7	830.4	2.2	71.4	58.5
February 2015	2 884.3	8.6	1 427.4	3.3	49.5	1 169.9	4.4	836.4	2.2	71.5	58.6
March 2015	2 918.1	8.7	1 430.0	3.6	49.0	1 174.9	4.7	837.8	2.7	71.3	58.6
April 2015	2 932.3	9.3	1 429.7	3.3	48.8	1 179.7	4.9	839.7	2.8	71.2	58.7
May 2015	2 947.8	9.3	1 433.5	3.2	48.6	1 183.6	4.8	842.1	2.7	71.1	58.7
June 2015	2 941.5	8.0	1 438.7	3.5	48.9	1 188.5	4.8	845.0	2.8	71.1	58.7
July 2015	2 970.9	8.4	1 445.5	3.6	48.7	1 194.6	5.0	848.1	2.8	71.0	58.7
August 2015	2 992.0	8.6	1 449.7	4.2	48.5	1 202.7	5.3	852.5	3.5	70.9	58.8

¹End of period

²Comprising corporate and household credit

³Comprising commercial and residential mortgages

Source: SARB

