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## Credit and mortgage advances

29 April 2016

### Relatively stable growth in household credit and mortgage balances

Growth in outstanding credit balances in the South African household sector was relatively stable at a level of 4,6% year-on-year (y/y) at the end of the first quarter of 2016. The value of these credit balances came to R1 495,7 billion at the end of March, which was only marginally higher compared with end-February. Year-on-year growth in secured credit balances was down at end-March, whereas growth in unsecured credit balances was somewhat higher over the same period.

Growth in the value of household secured credit balances (R1 126,6 billion and 75,3% of total household credit balances) came to 3,8% y/y at end-March, down from 4,1% y/y at end-February. Growth in household unsecured credit balances (R369,1 billion and 24,7% of total household credit balances) was recorded at 7,1% y/y at the end of March, up from 6,9% y/y at end-February.

The value of total outstanding mortgage balances, which consist of household and corporate mortgages, increased by 6,2 % y/y to a level of R1 247,9 billion (39,3% of total private sector credit balances of R3 179 billion) at end-March 2016. Corporate mortgage balances increased by 10,5% y/y to R372,6 billion at the end of March. Outstanding household mortgage balances showed growth of 4,5% y/y to R875,3 billion (70,1% of total mortgage balances and 27,5 % of total private sector credit balances) at end-March. 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.

The outlook is for the South African economy to grow at a much subdued 0,6% in 2016, which will be the slowest growth on record since the economy emerged from the 2009 recession. Headline consumer price inflation is forecast to average just below the 7% level this year (4,6% in 2015), driven by factors such the exchange rate, food prices, fuel prices and electricity tariffs. Banks' prime lending and variable mortgage interest rates, currently at 10,5% per annum, are projected to rise further to 11% per annum by the end of the year on the back of inflationary pressures.

Against this background consumers are to experience increased financial strain, which will impact their credit-risk profiles, financial vulnerability and levels of confidence. These trends, together with credit providers' continued focus on risk appetite and lending criteria, will cause growth in household credit extension to remain relatively low, with the risk of growth slowing down further from current levels.

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

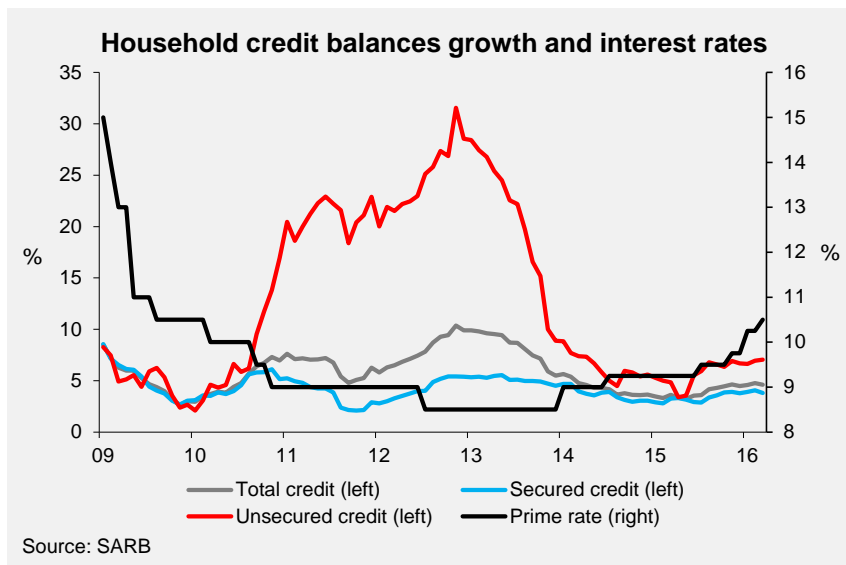
Period	Private sector credit balances <sup>2</sup>		Household credit balances			Total mortgage balances <sup>3</sup>		Household mortgage balances			
	R billion	y/y % change	R billion	y/y % change	% of private sector credit balances	R billion	y/y % change	R billion	y/y % change	% of total mortgage balances	% of total household credit balances
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
September 2015	3 007.2	8.4	1 455.9	4.3	48.4	1 213.6	6.0	855.8	3.8	70.5	58.8
October 2015	3 028.6	8.9	1 463.8	4.5	48.3	1 219.1	6.0	860.5	4.3	70.6	58.8
November 2015	3 081.7	9.5	1 471.5	4.6	47.8	1 228.9	6.3	864.2	4.4	70.3	58.7
December 2015	3 094.7	10.2	1 475.1	4.5	47.7	1 229.0	6.2	864.4	4.4	70.3	58.6
January 2016	3 104.6	8.5	1 485.1	4.6	47.8	1 232.0	6.0	867.8	4.5	70.4	58.4
February 2016	3 144.5	9.0	1 495.4	4.8	47.6	1 244.0	6.3	876.0	4.7	70.4	58.6
March 2016	3 179.0	8.9	1 495.7	4.6	47.0	1 247.9	6.2	875.3	4.5	70.1	58.5

<sup>1</sup>End of period

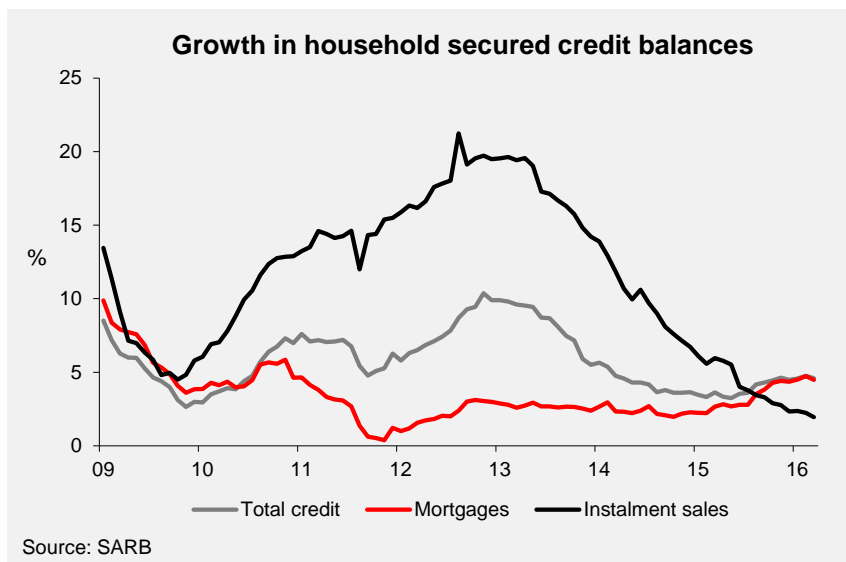
<sup>2</sup>Comprising corporate and household credit

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

Source: SARB



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