



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

31 May 2016

Household credit balances impacted by data distortions in April

The value of and growth in outstanding credit balances, especially unsecured credit, in the South African household sector was in April 2016 impacted by the inclusion of data for the new African Bank as from that month. As a result, year-on-year growth in household credit balances and some of its unsecured components may be distorted for a 12-month period as from April this year.

Growth in outstanding household credit balances was recorded at 2,3% year-on-year (y/y) at the end of April, with the value of these credit balances amounting to R1 462,9 billion.

The value of household secured credit balances (R1 126,2 billion and 77% of total household credit balances) showed growth of 3,6% y/y in the four months up to the end of April this year. This was down from growth of 3,8% y/y up to end-March, which was the result of lower growth in both the secured components of household mortgages (see below) and instalment sales (1,8% y/y at end-April).

The value of household unsecured credit balances came to R336,8 billion (23% of total household credit balances) at the end of April 2016, declining by 1,9% y/y on the back of the inclusion of the new African Bank data. This development had a significant effect on the unsecured component of general loans and advances (mainly personal loans and micro finance), which showed a contraction of 6,2% y/y to a value of R195,7 billion. Outstanding household credit card balances recorded strong growth of 16,4% y/y in April. This was, however, mainly the result of the base effect of a noticeable lower value in these balances a year ago, whereas credit card balances was on a gradual declining trend in March and April this year.

Total outstanding mortgage balances, consisting of household and corporate mortgages, increased by 6,1% y/y to a level of R1 252,0 billion (39,9% of total private sector credit balances of R3 139,4 billion) at end-April 2016. Corporate mortgage balances increased by 10,7% y/y to R376,5 billion at the end of April. Growth in household mortgage balances slowed down to 4,3% y/y to R875,5 billion (69,9% of total mortgage balances and 27,9% of total private sector credit balances) at end-April. 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 household sector is facing increased financial strain in the rest of the year against the background of a stagnating economy, expectations of rising inflation and upward pressure on interest rates. These developments have the potential to negatively impact consumer credit-risk profiles, increase financial vulnerability and drive the level of confidence lower. These factors, together with credit providers' risk appetites and lending criteria, will cause growth in household credit extension to remain low, with an increasing risk of credit growth declining further from current levels.

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
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	3 094.4	10.2	1 475.1	4.5	47.7	1 229.0	6.2	864.4	4.4	70.3	58.6
January 2016	3 104.4	8.5	1 485.1	4.6	47.8	1 232.0	6.0	867.8	4.5	70.4	58.4
February 2016	3 144.2	9.0	1 495.4	4.8	47.6	1 244.0	6.3	876.0	4.7	70.4	58.6
March 2016	3 173.2	8.7	1 495.7	4.6	47.1	1 247.9	6.2	875.3	4.5	70.1	58.5
April 2016	3 139.4	7.1	1 462.9	2.3	46.6	1 252.0	6.1	875.5	4.3	69.9	59.8

¹End of period

²Comprising corporate and household credit

³Comprising commercial and residential mortgages

Source: SARB



