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Note: The value of and growth in outstanding credit balances, especially unsecured credit, were affected by the inclusion of data related to African Bank as from April 2016. 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.

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Credit and mortgage advances

29 September 2016

Continued low growth in household credit and mortgage balances

Growth in outstanding credit balances in the South African household sector remained low at 1,4% year-on-year (y/y) up to the end of August 2016. The continued low growth in household credit balances is *inter alia* the result of data distortions related to developments regarding unsecured credit balances (see explanatory note). The value of household credit balances amounted to R1 470,3 billion at end-August.

Growth in the value of household secured credit balances, which amounted to R1 130,5 billion and 76,9% of total household credit balances at the end of August, slowed down to 2,9% y/y in the first eight months of the year (3,1% y/y up to end-July). This was the combined result of lower growth in household mortgage balances (see below) and a contraction of 0,4% y/y in growth in instalment sales balances, which are largely related to the vehicle sector. New vehicle sales volumes were down by 10,8% y/y in January to August this year, impacted by macroeconomic trends affecting household and business sector finances and confidence.

The value of household unsecured credit balances contracted by 3,1% y/y to a level of R339,8 billion (23,1% of total household credit balances) at the end of August. The component of general loans and advances (58,6% of household unsecured credit balances and mainly consisting of personal loans and micro finance) contracted by 6,3% y/y up to the end-August. This contraction is specifically related to the abovementioned data distortion (also see the explanatory note in this regard).

Growth in total private sector mortgage balances (R1 268,0 billion and 39,9% of total private sector credit balances of R3 176,2 billion at end-August), consisting of household and corporate mortgages, slowed down to 5,4% y/y in the 8-month period ending August (5,7% y/y at end-July). Corporate mortgage balances growth of 9,2% y/y was registered at end-August compared with growth of 9,4% y/y at the end of July.

Growth in household mortgage balances slowed down to 3,9% y/y, amounting to R885,4 billion at the end of August. Household mortgage balances had a share of 69,8% in total mortgage balances, 60,2% in total household credit balances and 27,9% in total private sector credit balances at end-August. 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. Due to increased levels of financial pressure, the percentage of homeowners paying the minimum only on their primary-residence mortgage loans increased from 54% in mid-2013 to 67% in mid-2016, while only 14% of homeowners were in a position to pay extra per month on their mortgage loans in mid-2016 compared with 31% in mid-2013.

Against the background of developments on the macroeconomic front, which affect the state of household finances and the level of consumer confidence, growth in household credit extension and its various components is forecast to remain subdued towards year-end and into 2017.

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
September 2015	3 006.6	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
May 2016	3 142.3	6.6	1 467.2	2.4	46.7	1 254.6	6.0	878.4	4.3	70.0	59.9
June 2016	3 154.1	7.2	1 469.0	2.1	46.6	1 260.0	6.0	879.9	4.1	69.8	59.9
July 2016	3 172.1	6.8	1 465.9	1.4	46.2	1 262.6	5.7	883.6	4.2	70.0	60.3
August 2016	3 176.2	6.2	1 470.3	1.4	46.3	1 268.0	5.4	885.4	3.9	69.8	60.2

¹End of period

²Comprising corporate and household credit

³Comprising commercial and residential mortgages

Source: SARB



