



Compiled by  
Jacques du Toit  
Property Analyst  
Absa Home Loans

15 Troye Street  
Johannesburg | 2001

PO Box 7735  
Johannesburg | 2000  
South Africa

Tel +27 (0)11 350 7246  
jacques@absa.co.za  
www.absa.co.za

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.

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

28 February 2017

### Declining growth in household credit and mortgage balances in early-2017

The first month of 2017 saw the value of outstanding credit balances in the South African household sector rising by a much subdued 0,6% year-on-year (y/y) to R1 494,2 billion, after growth of 0,7% y/y at end-2016. This continued low growth in credit balances, which came to its lowest level since the start of 2002, occurred against the background of slowing growth in secured credit balances, whereas unsecured credit balances contracted further in January. Unsecured credit balances continued to be affected by certain data distortions (see the explanatory note in this regard).

The value of household secured credit balances (R1 143,0 billion and 76,5% of total household credit balances in January) showed growth of 2,2% y/y at the end of the first month of the year (2,3% y/y at the end of December last year). The further slowdown in growth in secured balances was the result of lower growth in household mortgage balances (see below), whereas instalment sales balances (21,5% of total household secured balances), contracted by 0,9% y/y up to end-January. This was the seventh consecutive month that instalment sales balances contracted on a year-on-year basis, which came on the back of depressed new vehicle sales volumes in recent times.

Household unsecured credit balances (R351,2 billion and 23,5% of total household credit balances in January) contracted by 4,1% y/y up the end of the first month of the year, with these credit balances declining on a year-on-year basis since April last year. General loans and advances balances (58,4% of total household unsecured credit balances and mainly consisting of personal loans and micro finance) contracted by 8,1% y/y at end-January, which was the result of data distortions related to African Bank (see the explanatory note).

Growth in the value of outstanding household mortgage balances (R894,1 billion and 78,2% of total household secured credit balances at end-January) slowed down further to 3,0% y/y up to the end of January (4,5% y/y at end-January 2016). The declining mortgage balances growth came on the back of pressure on household finances and a downward trend in consumer confidence. 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 growth in household credit balances, including mortgage balances, to remain largely subdued in 2017. This will be the result of expected continued relatively low economic and employment growth, increased pressure on levels of disposable income in view of tax changes announced in the 2017 Budget, headline consumer price inflation projected to average around 5,5% this year, interest rates forecast to remain at current levels throughout the year and a resultant low level of consumer confidence. These developments will be reflected in banks' risk appetites and lending criteria against the background of trends in households' credit risk profiles.

### 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
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
September 2016	3 222.6	7.2	1 473.5	1.2	45.7	1 278.1	5.3	887.2	3.7	69.4	60.2
October 2016	3 219.7	6.3	1 478.6	1.0	45.9	1 284.7	5.4	889.8	3.4	69.3	60.2
November 2016	3 223.5	4.6	1 482.4	0.7	46.0	1 290.1	5.0	890.6	3.1	69.0	60.1
December 2016	3 252.3	5.1	1 485.6	0.7	45.7	1 293.1	5.2	891.7	3.2	69.0	60.0
January 2017	3 276.9	5.6	1 494.2	0.6	45.6	1 295.2	5.1	894.1	3.0	69.0	59.8

<sup>1</sup>End of period

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

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

Source: SARB



