Home Loans

Credit and mortgage advances

30 July 2018

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Explanatory 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 were distorted for a 12-month period from April 2016 to March 2017.

Uptick in household credit and mortgage balances growth in the first half of 2018, while home loan repayment patterns were divergent across income categories in the twelve months up to mid-2018

Outstanding credit balances in the South African household sector amounted to R1 580,3 billion at the end of June 2018, with growth that measured 4,5% year-on-year (y/y) in the first half of the year, compared with 4,2% y/y at end-May and 2,9% y/y a year ago.

The value of household secured credit balances (R1 208,6 billion and 76,5% of total household credit balances), which includes mortgage, leasing and instalment sales balances, increased by 4,8% y/y in the 6-month period up to end-June. Mortgage balances growth showed some improvement from end May (see below), with growth in instalment sales balances (R266,9 billion and 22,1% of total household secured credit balances) rising to 6,3% y/y up to end-June from 6,2% y/y at end-May and only 0,8% y/y at the end of June last year. Trends in household instalment sales balances are closely related to the vehicle sector, with new passenger car sales volumes rising by 3,9% y/y in the second quarter of the year.

Growth in the value of household unsecured credit balances (R371,7 billion and 23,5% of total household credit balances) accelerated to 5,7% y/y at the end of June from 5,3% y/y up to end-May and 4,2% y/y a year ago. General loans and advances balances (mainly personal loans and micro finance and with a share of 58,6% in unsecured balances), increased by 5,7% y/y to R217,9 billion up to the end of June. Growth in this component of household unsecured credit balances showed a rising trend since the start of the year.

Outstanding private sector mortgage balances (R1 379,3 billion and 39% of total private sector credit balances of R3 538,4 billion), which include both corporate and household mortgage balances, increased by 4,5% y/y up to the end of June this year. Corporate mortgage balances (R439,3 billion and 31,9% of total private sector mortgage balances) increased by 7,5% y/y up to end-June. Growth in outstanding household mortgage balances (R940,0 billion, with a share of 77,8% in total household secured credit balances and 68,1% in total private sector mortgage balances) increased to 3,6% y/y up to end-June from 3,3% y/y at end-May and 3,1% y/y at the end of June last year. 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.

Growth in household credit is forecast at around 4,5% for the full year, with mortgage balances growth projected at 3,5% for the year, driven by trends in and prospects for the economy, household sector finances and consumer confidence.

Homeowners' mortgage loan repayment patterns on primary residences improved in some instances in the 12-month period from mid-2017 up to the middle of this year, but divergent trends were evident across income groups over this period. The latest trends in home loan repayment patterns are presented on the last page of the report.

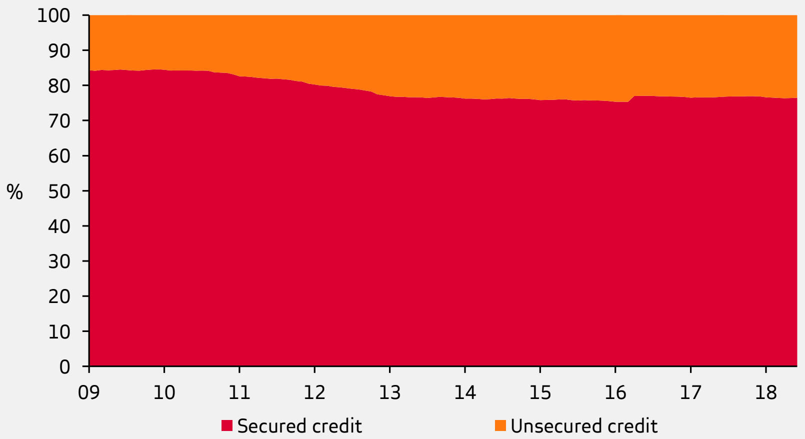
Credit and mortgage balances[1]

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
Jul 2017	3 353.4	5.7	1 514.8	3.3	45.2	1 322.4	4.7	910.3	3.0	68.8	60.1
Aug 2017	3 366.2	6.0	1 520.2	3.4	45.2	1 328.0	4.7	913.1	3.1	68.8	60.1
Sep 2017	3 399.8	5.5	1 522.6	3.3	44.8	1 334.3	4.4	914.2	3.0	68.5	60.0
Oct 2017	3 394.5	5.4	1 529.9	3.5	45.1	1 340.2	4.3	918.9	3.3	68.6	60.1
Nov 2017	3 432.5	6.5	1 538.4	3.8	44.8	1 346.6	4.4	922.4	3.6	68.5	60.0
Dec 2017	3 470.6	6.7	1 542.8	3.8	44.5	1 348.1	4.2	923.2	3.5	68.5	59.8
Jan 2018	3 457.8	5.6	1 549.5	3.7	44.8	1 353.0	4.6	925.1	3.5	68.4	59.7
Feb 2018	3 501.0	5.8	1 560.6	3.9	44.6	1 361.1	4.7	929.9	3.3	68.3	59.6
Mar 2018	3 530.0	6.0	1 564.6	3.9	44.3	1 364.6	4.6	929.9	3.1	68.1	59.4
Apr 2018	3 492.6	5.1	1 566.8	4.1	44.9	1 368.7	4.8	932.1	3.3	68.1	59.5
May 2018	3 503.9	4.5	1 574.0	4.2	44.9	1 374.4	4.7	935.5	3.3	68.1	59.4
Jun 2018	3 538.4	5.7	1 580.3	4.5	44.7	1 379.3	4.8	940.0	3.6	68.1	59.5

[1]End of period
[2]Comprising corporate and household credit
[3]Comprising commercial and residential mortgages
Source: SARB

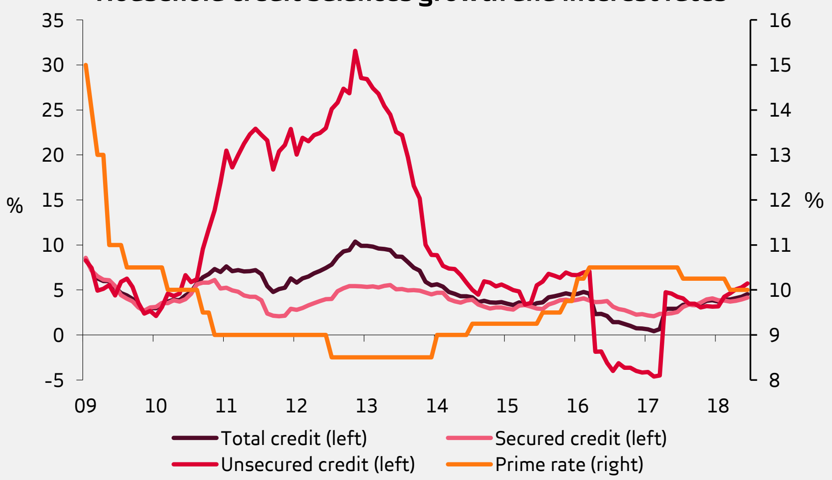
Household secured and unsecured credit balances

% of total household credit balances



Source: SARB

Household credit balances growth and interest rates



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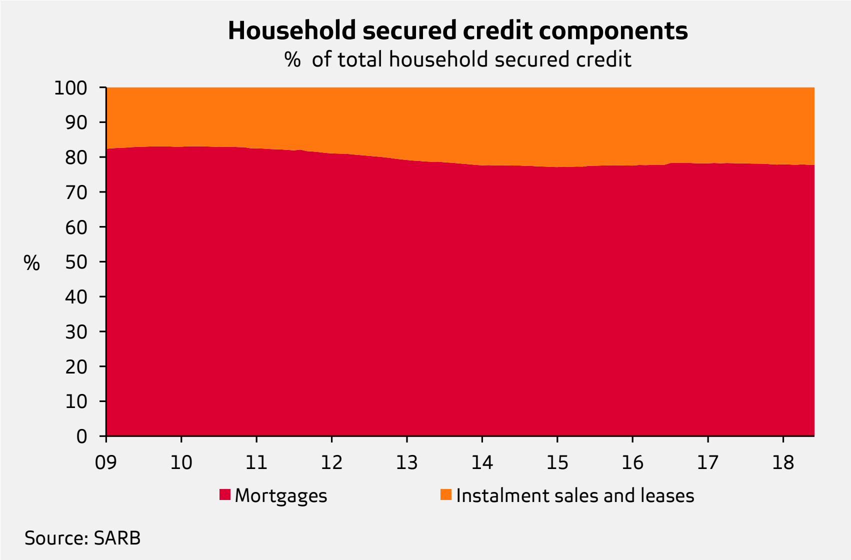
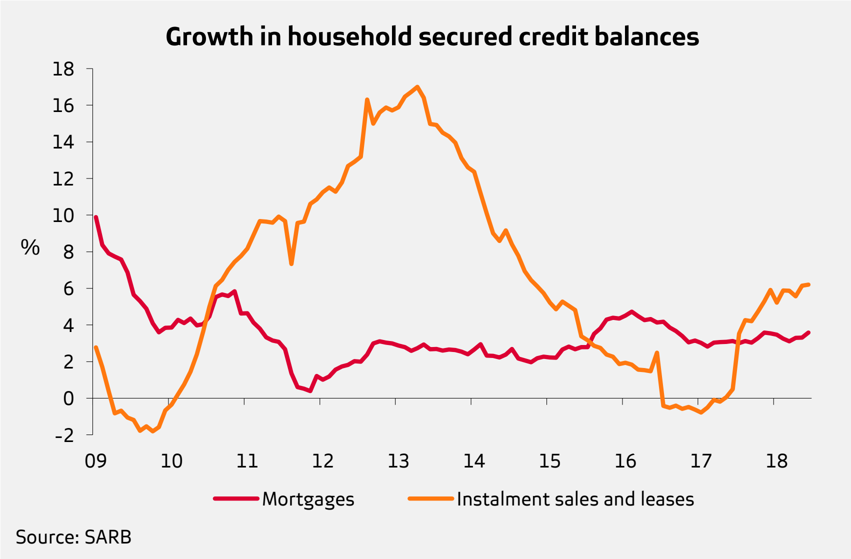
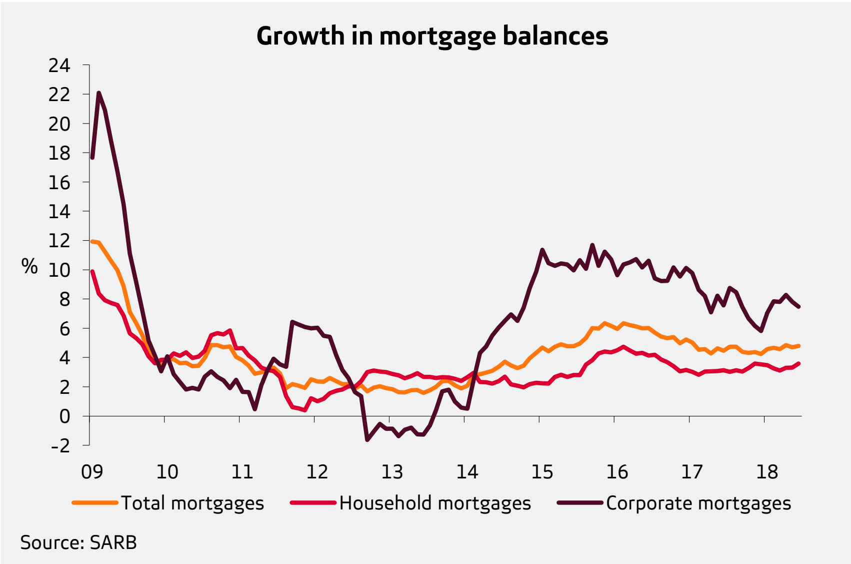
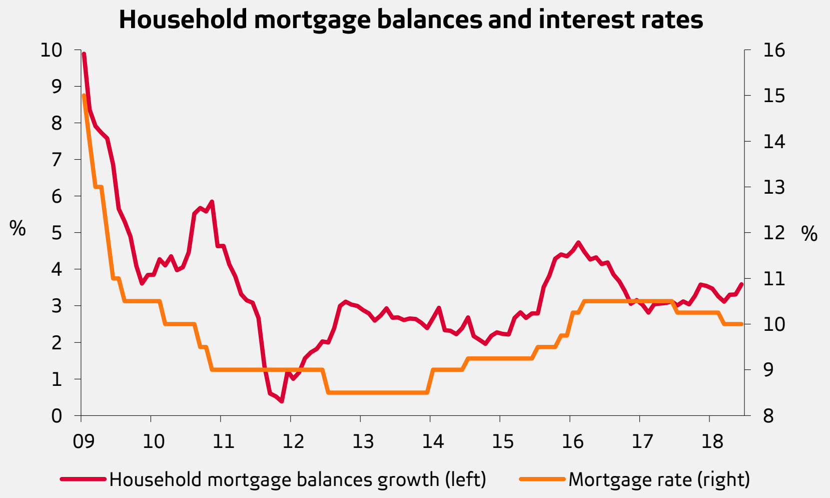
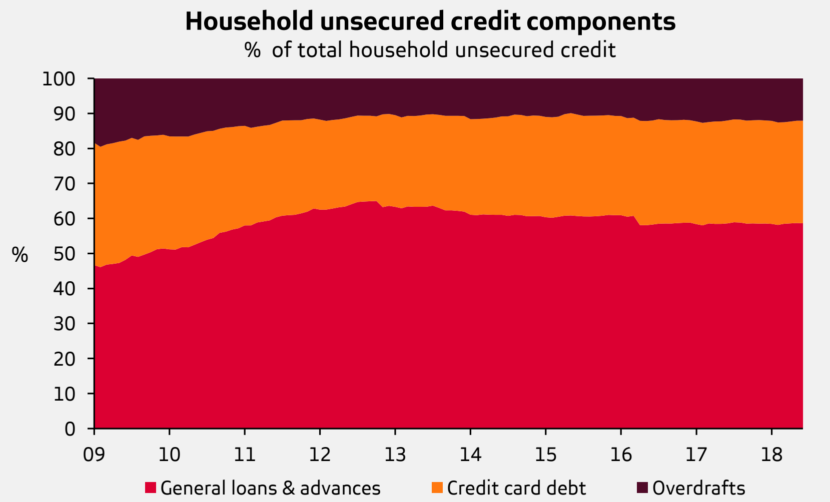

Household secured credit components
% of total household secured credit
100
90
80
70
60
50
40
30
20
10
0
%
09
10
11
12
13
14
15
16
17
18
Mortgages
Instalment sales and leases
Source: SARB


Growth in household secured credit balances
18
16
14
12
10
8
6
4
2
0
-2
%
09
10
11
12
13
14
15
16
17
18
Mortgages
Instalment sales and leases
Source: SARB


Growth in mortgage balances
24
22
20
18
16
14
12
10
8
6
4
2
0
-2
%
09
10
11
12
13
14
15
16
17
18
Total mortgages
Household mortgages
Corporate mortgages
Source: SARB



Source: SARB



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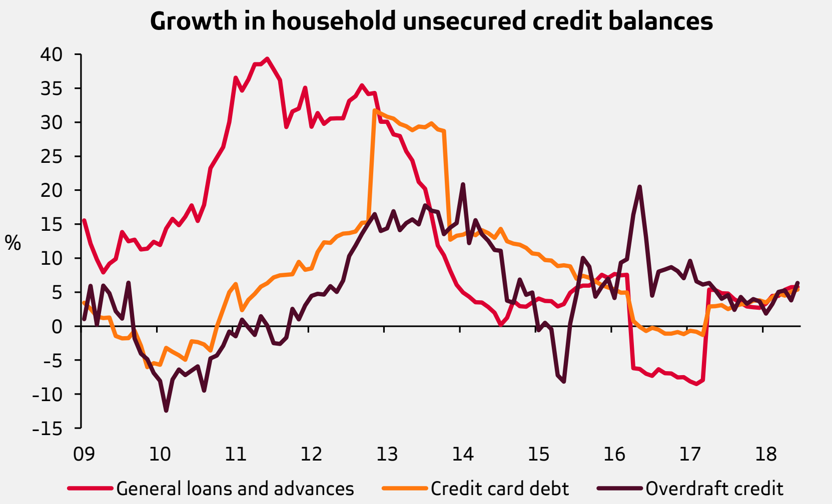

Source: SARB

Based on information published by Old Mutual in the July 2018 edition of the *Savings and Investment Monitor*, home loan repayment patterns on primary residences have improved up to the middle of the year from mid-2017. The percentage of homeowners paying the minimum only on their mortgage loans declined from 77% last year to 71% in mid-2018, which was historically still relatively high compared with previous years since mid-2010. The percentage of homeowners paying extra into their mortgage loan accounts on a monthly basis almost doubled from 12% in mid-2017 to 23% by mid-2018, which was the highest percentage since mid-2014 when it was at a level of 28%. The percentage of homeowners paying extra lump sums into their mortgage loan accounts remained on a steady declining trend from 9% in mid-2015 to only 3% by mid-2018, which was the same as back in mid-2010.

Home loan repayment patterns were in certain instances divergent across the various income categories over the past year up to mid-2018 (see relevant table below). Low- to middle-income homeowners, i.e. those in the income categories of R6 000-R13 000 per month and R14 000-R19 999 per month, were increasingly paying the minimum only on their mortgage loans since 2016, with less than 10% of homeowners in these income categories that were in a position to pay extra per month in the past three years. None of these homeowners were in a position to pay any extra lump sums into their mortgage accounts in 2017 and 2018.

Mortgage loan repayment patterns in respect of high-income homeowners improved from mid-2017 up to mid-2018, with the percentage of these homeowners paying the minimum only declining over the 12-month period in both the two top income categories. The percentage of high-income homeowners paying extra into their mortgage loans on a monthly basis showed a significant increase from last year up to the middle of this year. However, the percentage of homeowners in the R20 000-R39 999 per month income category that were able to pay lump sums into their mortgage accounts remained low, while declining markedly from 12% in mid-2016 to only 6% in mid-2018 in the R40 000 plus per month income category.

The abovementioned trends in home loan repayment patterns are regarded as an indication of the general state of and shifts in homeowners' financial positions across the household sector, based on various factors such as taxes, living costs, interest rates, employment, disposable income growth, savings, debt levels and debt-service costs, which all impacted consumers financially over the years. Trends regarding these factors were reflected in consumers' credit risk profiles and the extent of financial vulnerability, which affected the ability to service existing debt and the accessibility and affordability of new credit. Against this background, the growth in household credit extension and mortgage advances remained largely subdued up to mid-2018.

Home loan repayment patterns

% of homeowners

Loan repayments on primary residence	July 2010	July 2011	July 2012	July 2013	July 2014	July 2015	July 2016	July 2017	July 2018
Pay minimum only	59	59	62	54	63	65	67	77	71
Pay extra every month	16	24	24	31	28	18	14	12	23
Pay extra lump sums	3	11	9	8	5	9	7	4	3

Source: Old Mutual

Home loan repayment patterns by income category

% of homeowners

Loan repayments on primary residence	Income categories					
	R6 000 - R13 999 per month			R14 000 - R19 999 per month		
	July 2016	July 2017	July 2018	July 2016	July 2017	July 2018
Pay minimum only	77	88	91	77	79	85
Pay extra every month	8	6	9	12	7	8
Pay extra lump sums	0	0	0	4	0	0
	R20 000 - R39 999 per month			R40 000 and more per month		
	July 2016	July 2017	July 2018	July 2016	July 2017	July 2018
Pay minimum only	68	82	69	58	67	65
Pay extra every month	12	13	27	21	15	27
Pay extra lump sums	6	2	2	12	9	6

Source: Old Mutual