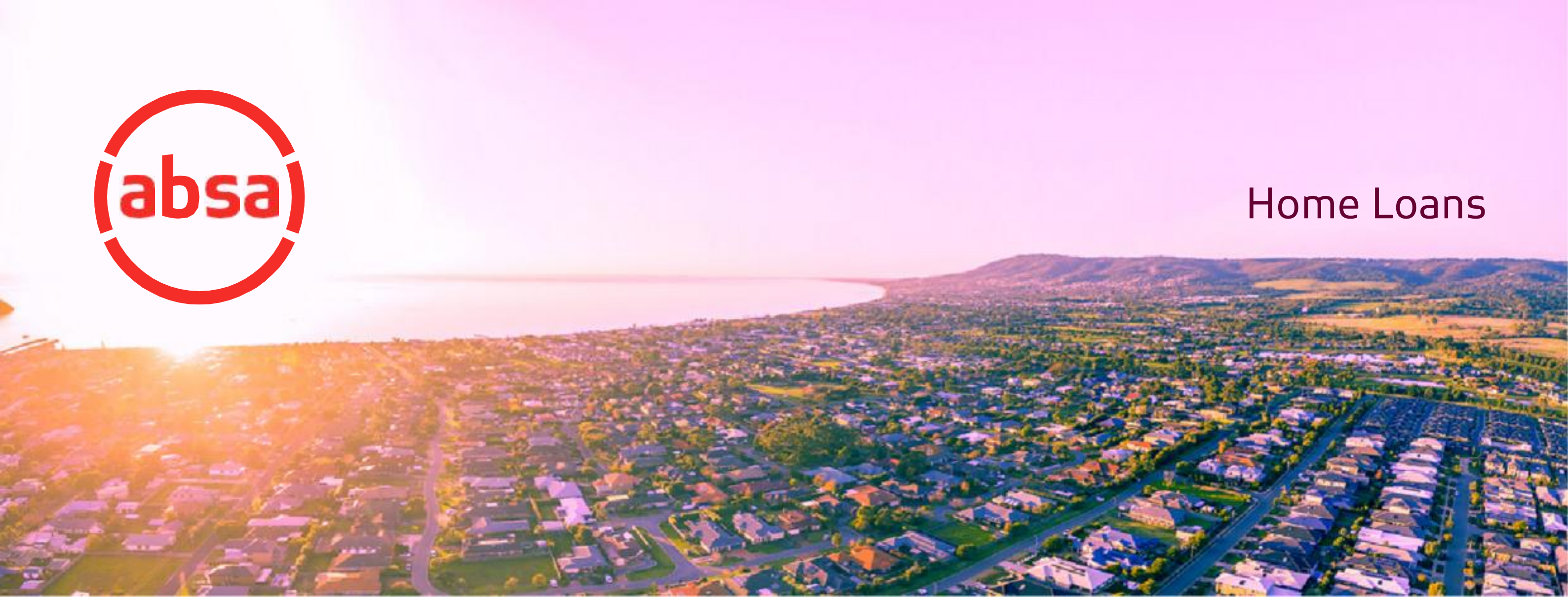

Credit and mortgage advances

29 July 2019

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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.

Relatively stable growth in household credit and mortgage balances in the first half of 2019, with divergent home loan repayment patterns evident across household income categories up to mid-2019

The value of outstanding credit balances in the South African household sector (R1 677,1 billion) showed growth of 6,2% year-on-year (y/y) to the end of June 2019, marginally up from 6,1% y/y at the end-May when the outstanding balances were R1 669,3 billion.

Household secured credit balances (R1 266,6 billion and 75,5% of total household credit balances), which includes mortgage, leasing and instalment sales balances, increased at a rate of 4,8% y/y in the 6-month period up to end-June, which was marginally down from 5% y/y at end-April and 4,9% y/y at end-May. Mortgage balances growth was also slightly lower at end-June from end-May (see below). Growth in instalment sales balances (R286,2 billion and 22,6% of total household secured credit balances) tapered off to 7,3% y/y at end-June from 7,5% y/y at end-May and 8,3% y/y at end-April.

Growth in household unsecured credit balances (R410,4 billion and 24,5% of total household credit balances) accelerated further to 10,4% y/y at end-June from 9,7% y/y at end-May. Growth in general loans and advances growth accelerated to 11% y/y, with credit card balances rising to 11,3% y/y, whereas overdraft balances growth was down to 5,4% y/y at the end of June from 7,6% y/y at end-May.

Outstanding private sector mortgage balances (R1 447,1 billion and 38,3% of total private sector credit balances of R3 782,6 billion), which include both corporate and household mortgage balances, showed growth of 4,9% y/y up to end-June. Growth in the value of outstanding household mortgage balances (R979,7 billion and 77,3% of total household secured credit balances and 67,6% of total private sector mortgage balances) came to 4,1% y/y at end-June. The value of 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 5,9 % for the full year, with mortgage balances growth projected at 4,3%, driven by trends in and prospects for the economy, household sector finances and consumer confidence. Lending rates were cut by 25 basis point in July, with prime and variable mortgage interest rates currently at 10% per annum. The lower mortgage rate will support the residential property sector and mortgage market in terms of lower monthly loan repayments. These factors will also affect home loan repayment patterns, with the trends during the past few years presented on the last page of the report.

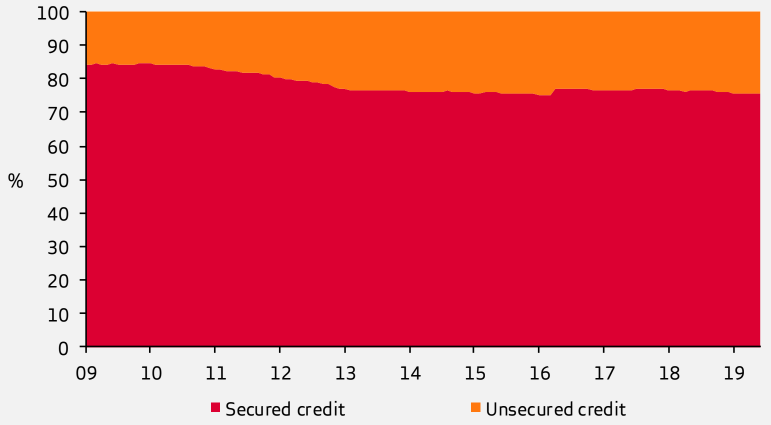
Credit and mortgage balances[1]

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 2018	3 533.8	5.4	1 587.1	4.8	44.9	1 384.8	4.7	944.2	3.7	68.2	59.5
Aug 2018	3 593.0	6.7	1 592.9	4.8	44.3	1 385.9	4.4	946.7	3.7	68.3	59.4
Sep 2018	3 613.3	6.3	1 599.6	5.1	44.3	1 393.1	4.4	949.6	3.9	68.2	59.4
Oct 2018	3 592.0	5.8	1 609.9	5.2	44.8	1 398.6	4.4	953.4	3.8	68.2	59.2
Nov 2018	3 623.3	5.6	1 622.9	5.5	44.8	1 407.4	4.5	958.8	3.9	68.1	59.1
Dec 2018	3 649.2	5.1	1 630.0	5.6	44.7	1 411.7	4.7	960.0	4.0	68.0	58.9
Jan 2019	3 683.5	6.5	1 641.2	5.9	44.6	1 414.8	4.6	962.6	4.1	68.0	58.7
Feb 2019	3 712.5	6.0	1 652.6	5.9	44.5	1 424.1	4.6	968.1	4.1	68.0	58.6
Mar 2019	3 743.6	6.0	1 657.4	5.9	44.3	1 427.3	4.6	968.3	4.1	67.8	58.4
Apr 2019	3 771.0	8.0	1 660.6	6.0	44.0	1 431.2	4.6	969.7	4.0	67.8	58.4
May 2019	3 772.3	7.7	1 669.3	6.1	44.3	1 439.3	4.7	974.9	4.2	67.7	58.4
Jun 2019	3 782.6	6.9	1 677.1	6.2	44.3	1 447.1	4.9	978.7	4.1	67.6	58.4

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

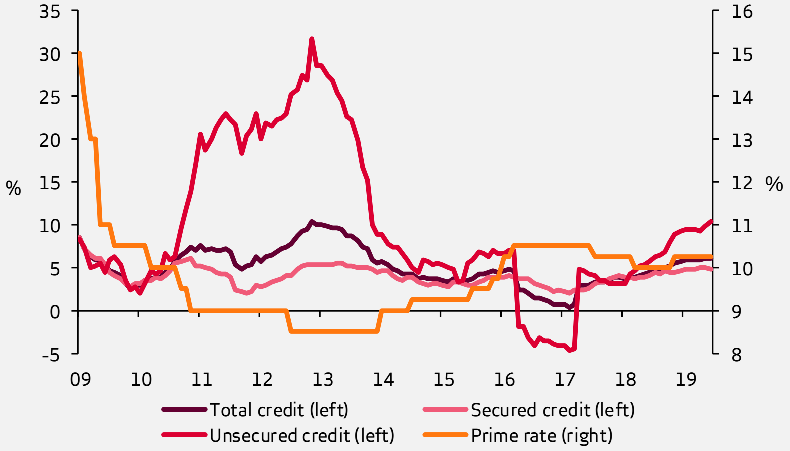
Household secured and unsecured credit balances

% of total household credit balances

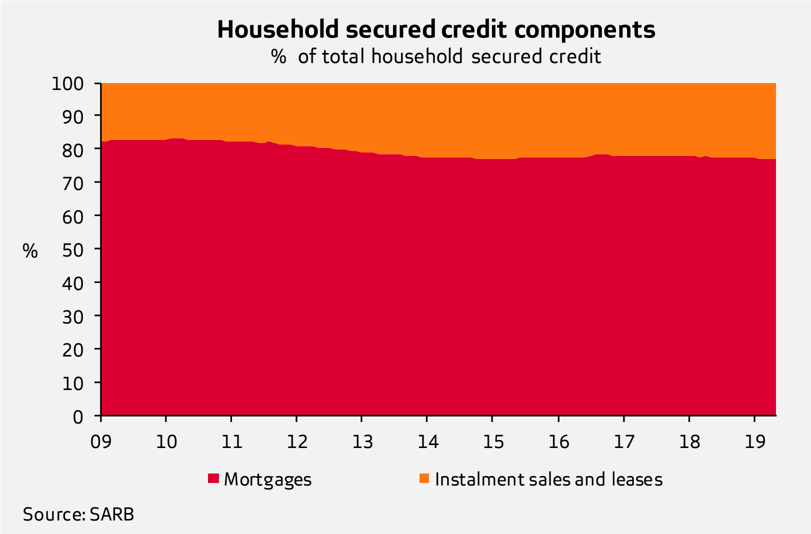


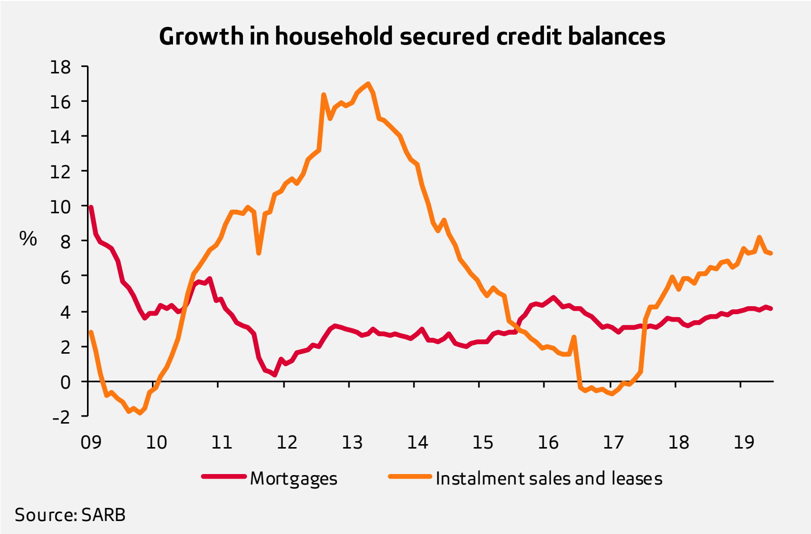
Source: SARB

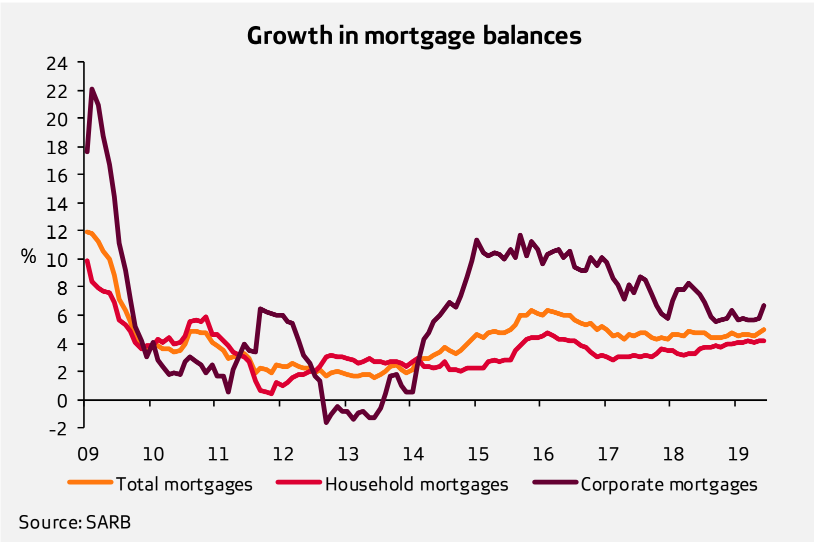
Household credit balances growth and interest rates



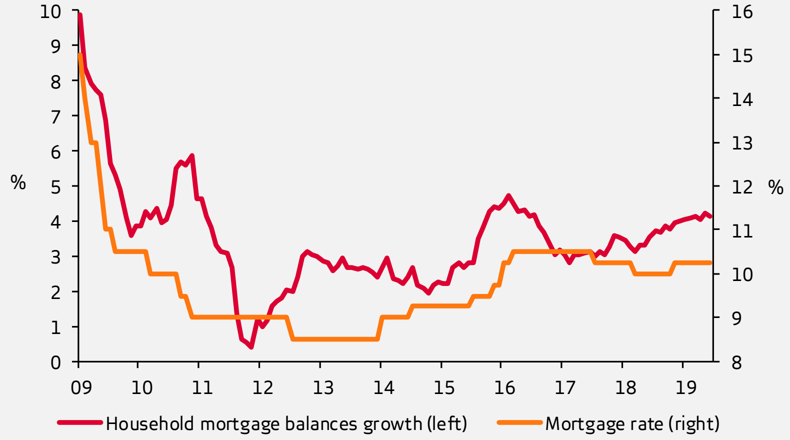
Source: SARB


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
19
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
19
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
19
Total mortgages
Household mortgages
Corporate mortgages
Source: SARB

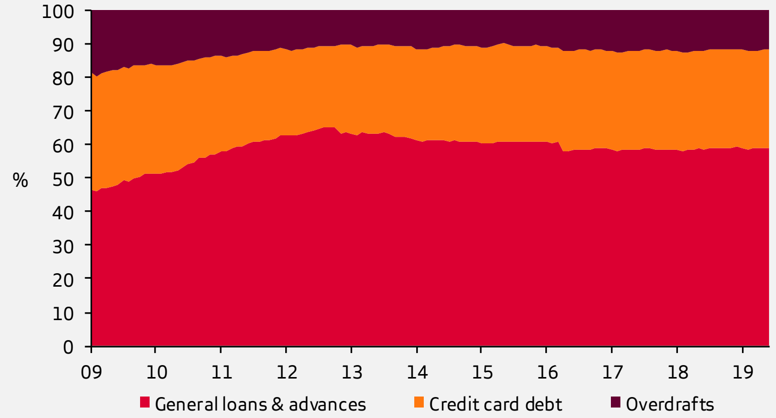
Household mortgage balances and interest rates



Source: SARB

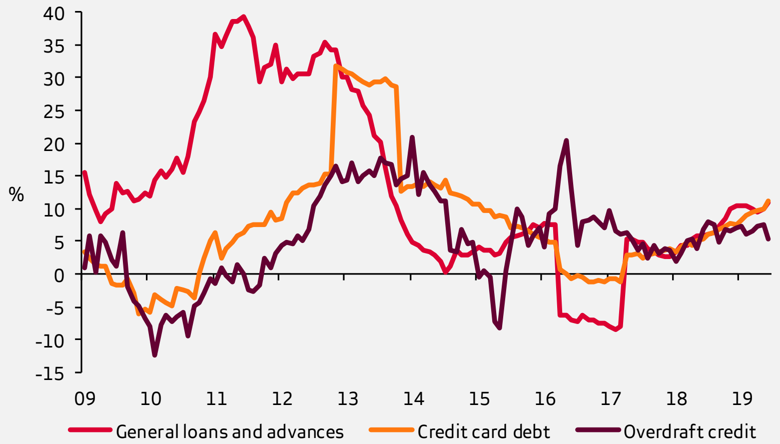
Household unsecured credit components

% of total household unsecured credit



Source: SARB

Growth in household unsecured credit balances



Source: SARB

Trends in home loan repayment patterns serve as an indication of the general state of and shifts in households' financial position, based on key factors such as employment, disposable income, consumption expenditure, savings, taxes, living costs, interest rates, debt levels and debt-service costs. The impact on household finances of trends in these factors are eventually reflected in consumers' credit risk profiles, the extent of their financial vulnerability and banks' credit risk appetites and lending criteria, which affect consumers' ability to service existing debt and the accessibility and affordability of new credit, including mortgage finance.

Based on information published by Old Mutual in the July 2019 edition of the *Savings and Investment Monitor*, home loan repayment patterns on primary residences have changed over the past number of years up to the middle of 2019.

The percentage of homeowners paying the contractual minimum amount only on their mortgage loans declined from a high of 77% in mid-2017 to 71% last year and 66% by mid-2019, which was much in line with the mid-2014 to mid-2016 minimum repayment trends. The percentage of homeowners paying extra monthly on their mortgage loans was somewhat lower at 20% by mid-2019 from 23% by mid-2018, but it was still higher than in the period of mid-2015 to mid-2017 when it was trending lower to a level of only 12%. However, the percentage of homeowners paying extra lump sums into their mortgage accounts increased to 5% by the middle of this year after being on a steady downward trend from 9% in mid-2015 to only 3% by mid-2018. These high-level trends in home loan repayment patterns were largely related to developments regarding repayment patterns across the various household income categories (see relevant table below).

Although it is not surprising that homeowners in the lower income categories had little, if any, extra lump sum funds available to pay into their mortgage accounts, the percentage of higher-income homeowners that could afford this type of payment showed a marked decline since mid-2015, with only a marginal increase by mid-2019 from mid-2018. The range of factors mentioned above that largely drive household finances most likely also affected the ability of higher-income homeowners to make extra lump sum payments into their mortgage accounts over the past five years.

Home loan repayment patterns on primary residences

% of homeowners, mid-year

Repayments	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Minimum only	59	59	62	54	63	65	67	77	71	66
Extra every month	16	24	24	31	28	18	14	12	23	20
Extra lump sums	3	11	9	8	5	9	7	4	3	5

Source: Old Mutual

Home loan repayment patterns on primary residences by category of household income

% of homeowners, mid-year

Repayments	Household income categories									
	R6 000 - R13 999 per month					R14 000 - R19 999 per month				
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019
Minimum only	78	77	88	91	65	80	77	79	85	85
Extra every month	14	8	6	9	11	4	12	7	8	10
Extra lump sums	0	0	0	0	0	4	4	0	0	0
	R20 000 - R39 999 per month					R40 000 and more per month				
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019
Minimum only	67	68	82	69	75	51	58	67	65	61
Extra every month	11	12	13	27	15	33	21	15	27	25
Extra lump sums	12	6	2	2	4	13	12	9	6	7

Source: Old Mutual