

Compiled by:  
Jacques du Toit  
Senior Property Analyst  
Absa Home Loans  
Absa Group Limited  
(Reg No 1986/003934/06)

45 Mooi Street  
Johannesburg  
2001

PO Box 7735  
Johannesburg  
2000  
South Africa

Tel: +27 (0) 11 350 7246  
E-mail: jacques@absa.co.za  
Website: <http://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 Group Limited and/or the authors of the material.

## Mortgage advances continue to grow at a slow pace

Data on domestic credit extension released by the South African Reserve Bank indicated that the total value of outstanding mortgage balances at monetary institutions, comprising commercial and residential mortgage loans, increased by 4,8% year-on-year (y/y) in September 2010, unchanged from August. On a month-on-month basis outstanding mortgage balances were up by 0,2% in September, after growing by 1,1% in August.

The outstanding balance of mortgage finance extended to the household sector increased by 5,7% y/y in September from 5,5% y/y in August. Month-on-month growth slowed down to 0,3% from 1,3% in August. Household mortgage advances are the largest component of total credit extended to the household sector, with a share of 69,7% in September this year.

Growth in total credit extended to the household sector, comprising instalment sales agreements, leasing finance, mortgage advances, overdrafts, credit card debt and other loans and advances, came in at 6,3% y/y in September from 5,6% y/y in August. The September growth was driven by mortgage advances (5,7% y/y) and instalment sales (12,4% y/y on the back of strong vehicle sales in the first nine months of 2010).

The latest trends in household credit extension, including mortgage advances, are a reflection of the state of household finances and the consequent demand for credit, despite the fact that banks' lending rates are at a 30-year low. Labour market statistics published by Statistics South Africa indicated that employment dropped further in the 3<sup>rd</sup> quarter of the year, bringing the total number of job losses to 275 000 for the three quarters up to September. According to the National Credit Regulator, 47% of the 18,3 million credit-active consumers in South Africa had impaired credit records in the 2<sup>nd</sup> quarter of 2010, compared with 36,4% in the 2<sup>nd</sup> quarter of 2007. Consumers' ability and willingness to spend and take up credit will be influenced by economic growth; employment trends; income growth; interest rates; the level of debt; the National Credit Act; the state of their credit records; and banks' lending criteria.

Against the background of the abovementioned developments and factors, year-on-year growth in total credit extended to the household sector, including mortgage advances, is forecast to remain in single digits towards the end of the year and into 2011.

Mortgage Advances, Inflation and Interest Rates							
Period	Total mortgage advances <sup>1</sup>		Mortgage advances to households, end of period			CPI inflation %	Mortgage rate % eop
	R billion	y/y % ch	R billion	y/y % ch	% of total		
Sep 2009	993.7	5.5	718.5	4.9	72.3	6.1	10.5
Oct 2009	996.6	4.4	720.5	4.1	72.3	5.9	10.5
Nov 2009	999.4	3.7	721.7	3.6	72.2	5.8	10.5
Dec 2009	1 001.9	3.6	725.1	3.8	72.4	6.3	10.5
Jan 2010	1 005.5	3.9	727.7	3.9	72.4	6.2	10.5
Feb 2010	1 012.7	3.9	733.9	4.3	72.5	5.7	10.5
Mar 2010	1 016.6	3.6	737.2	4.1	72.5	5.1	10.0
Apr 2010	1 017.9	3.6	739.2	4.4	72.6	4.8	10.0
May 2010	1 021.4	3.4	742.1	4.0	72.7	4.6	10.0
Jun 2010	1 023.4	3.4	743.4	4.0	72.6	4.2	10.0
Jul 2010	1 028.5	4.0	747.3	4.5	72.7	3.7	10.0
Aug 2010	1 039.8	4.8	757.0	5.5	72.8	3.5	10.0
Sep 2010	1 041.8	4.8	759.2	5.7	72.9	3.2	9.5

<sup>1</sup>Comprising commercial and residential mortgages (end of period (eop))  
Sources: SARB, Stats SA

