

JULY MORTGAGE AND HOUSEHOLD CREDIT

Household credit growth still slow, and any further rise may not be a good thing at present

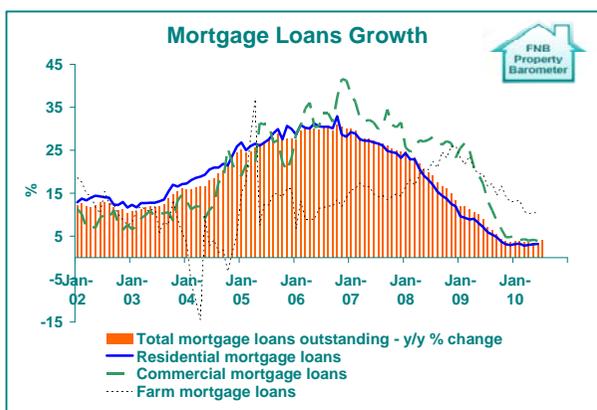
31 August 2010



July SARB credit data, released today, continued to show pedestrian growth rates for both total mortgage advances as well as for overall household sector credit, although there has been some mild acceleration in recent months. The total value of mortgage advances outstanding rose 4% year-on-year, up from a 3.4% growth rate in June.

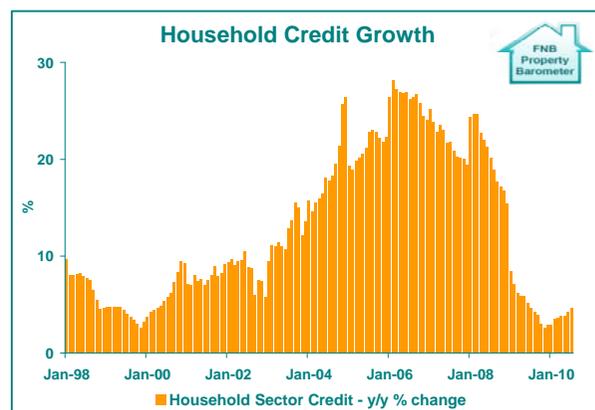
The slight rise in mortgage advances growth in recent months has been largely due to the 2009/early-2010 mini-recovery in the residential property sector, which started to drive the residential mortgage book growth slightly higher. Commercial property mortgage value growth, on the other hand, has still been slowing mildly in recent months, which should be expected given the commercial sector's tendency to lag the residential sector.

Growth in total household sector credit outstanding is slightly higher than mortgage growth, driven more by the consumption-related instalment sales credit as well as "other loans and advances". As at July, total household sector credit growth measured 4.6% year-on-year, up from a previous month's rate of 4.3%.



Given signs of the start of a renewed slowdown in the residential market in recent months, which is expected to see new mortgage borrowing growth dropping off in the near term, we do not believe that the mildly rising trend in growth in mortgage advances outstanding is sustainable yet.

We therefore don't foresee residential mortgage loans growth posing any significant upside threat to SA's currently high household debt-to-disposable income ratio in the foreseeable future.



COMMENT

We view the pedestrian growth in household sector credit in a positive light at present, due to SA's currently high household debt-to-disposable income ratio, which keeps the household sector vulnerable to any external shocks. We believe a significantly lower debt ratio is required, given a very high risk of a global double-dip recession, and the resultant threat that such unwanted economic events can pose to household cash flows.

The current growth rate in household sector credit probably remains slow enough to allow for further decline in the debt-to-disposable income ratio (78.4% in Q1 of 2010) for the time being, given some recent recovery in nominal disposable income growth. But any slide in economic growth in the near term (and GDP growth has indeed begun to slow) would probably stall the declining trend in the debt ratio, keeping the household sector and the residential property in their fragile state.

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Mortgage Market Summary

END OF PERIOD	2005	2006	2007	2008	2009	Q2-2009	Q3-2009	Q4-2009	Q1-2010	Mar-10	Apr-10	May-10	Jun-10	Jul-10
Total Mortgage Market (R'm)														
Total Mortgage Advances (R'm)	526 647	684 593	853 819	966 921	1 001 946	993 696	1 001 946	1 016 617	1 023 395	1 016 617	1 017 851	1 021 373	1 023 395	1 028 514
<i>y/y % change</i>	27.6	30.0	24.7	13.2	3.6	5.5	3.6	3.6	3.4	3.6	3.6	3.4	3.4	4.0
Banking Sector - New mortgage loans and re-advances granted per property type (R'm)														
Residential dwellings	248 800	338 327	364 575	271 276	170 669	46 576	53 028	57 202	-	24 097	-	-	-	-
<i>y/y % change</i>	38.7	36.0	7.8	-25.6	-37.1	-22.2	-7.6	61.8	-	73.9	-	-	-	-
<i>Of which: Residential re-advances</i>														
Commercial premises and other	82 171	79 491	73 207	23 518	18 177	4 422	4 796	3 700	-	1 392	-	-	-	-
<i>y/y % change</i>	65.4	-3.3	-7.9	-67.9	-22.7	-17.0	26.6	-22.4	-	-40.8	-	-	-	-
Farms	4 373	5 125	3 626	3 794	2 374	569	750	488	-	190	-	-	-	-
<i>y/y % change</i>	34.5	17.2	-29.2	4.6	-37.4	-45.0	-13.4	-12.5	-	-15.9	-	-	-	-
Total	335 348	422 941	441 410	298 583	191 222	51 567	58 575	61 389	-	25 679	-	-	-	-
<i>y/y % change</i>	44.4	26.1	4.4	-32.4	-36.0	-22.1	-5.6	50.9	-	56.2	-	-	-	-
Banking Sector - New mortgage loans granted per application (R'm)														
Construction of buildings	32 445	30 941	28 574	29 927	15 908	4 096	3 870	3 038	-	1 044	-	-	-	-
<i>y/y % change</i>	17.7	-4.6	-7.7	4.7	-46.8	-43.4	-16.9	-19.1	-	-44.3	-	-	-	-
Existing Buildings	277 697	357 851	384 052	256 608	171 548	46 743	53 621	57 183	-	24 154	-	-	-	-
<i>y/y % change</i>	46.6	28.9	7.3	-33.2	-33.1	-17.2	-3.7	59.2	-	70.0	-	-	-	-
Vacant Land	25 206	34 149	28 784	12 049	3 765	728	1 084	1 168	-	480	-	-	-	-
<i>y/y % change</i>	65.2	35.5	-15.7	-58.1	-68.8	-71.3	-36.8	16.8	-	36.0	-	-	-	-
Banking Sector - Payouts and Capital Repayments (R'm)														
Total loans paid out per period	313 886	399 295	461 727	276 211	116 277	28 175	29 861	29 701	-	11 989	-	-	-	-
<i>y/y % change</i>	42.5	27.2	15.6	-40.2	-57.9	-54.6	-41.7	-0.5	-	9.5	-	-	-	-
Capital repayments per period	183 527	250 359	297 877	156 110	91 485	26 022	23 195	17 168	-	8 619	-	-	-	-
<i>y/y % change</i>	25.2	36.4	19.0	-47.6	-41.4	-9.2	-5.1	5.4	-	71.1	-	-	-	-
Total Banking Sector Mortgages Outstanding (R'm)														
Farm Mortgages	4 126	4 700	5 372	6 771	7652	7 344	7 652	7 901	8058	7 901	7 889	8 016	8 058	-
<i>y/y % change</i>	15.9	13.9	14.3	26.0	13.0	14.4	13.0	10.8	10.4	10.8	10.2	10.5	10.4	-
Housing Advances: Total	426 205	546 197	672 989	753 122	775062	772 098	775 062	787 885	792976	787 885	789 487	791 450	792 976	-
<i>y/y % change</i>	30.0	28.2	23.2	11.9	2.9	4.8	2.9	2.8	3.2	2.8	2.9	3.1	3.2	-
Commercial Property Advances: Total	91 644	129 488	170 252	209 882	219950	214 892	219 950	221 120	222486	221 120	221 275	222 273	222 486	-
<i>y/y % change</i>	23.3	41.3	31.5	23.3	4.8	8.5	4.8	4.3	3.9	4.3	4.0	4.1	3.9	-
Total Banking Sector Mortgage Loans Outstanding	521 974	680 384	852 639	969 775	1002663	994334	1002663	1016905	-	1 016 905	-	-	-	-
<i>y/y % change</i>	28.6	30.3	25.3	13.7	3.4	5.6	3.4	3.2	-	3.2	-	-	-	-
Household-Related Debt and Deposits (R'm)														
Household Debt	585 541	726 270	867 635	1 002 020	1 031 277	1 025 610	1 031 277	1 050 359	1 061 577	1 050 359	1 053 502	1 057 902	1 061 577	1 067 762
<i>y/y % change</i>	22.3	24.0	19.5	15.5	2.9	3.9	2.9	3.6	4.3	3.6	3.8	3.8	4.3	4.6
Household Deposits held by banks	319 095	363 113	423 700	501 878	516419.0	511 282	516 419	512 332	-	512 332	-	-	-	-
<i>y/y % change</i>	12.5	13.8	16.7	18.5	2.9	6.0	2.9	0.8	-	0.8	-	-	-	-