



Mortgage Advances

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Slow growth in mortgage advances continues

In January 2011 growth in household credit extension, comprising instalment sales agreements, leasing finance, mortgage advances, overdrafts, credit card debt and other loans and advances, was 7.5% on a year-on-year (y/y) basis. (6,9% y/y in December 2010). This is according to data released by the South African Reserve Bank on domestic credit extension.

The growth in the total value of outstanding mortgage balances at monetary institutions, comprising both commercial and residential mortgage loans, was lower for the second consecutive month at 3,8% y/y in January this year, down from 4% y/y in December and 4,8% y/y in November last year.

The outstanding balance of mortgage finance extended to the household sector was up by 4,6% y/y in the first month of the year, unchanged from December 2010. On a monthly basis household mortgage balances were up by R2,7 billion, or 0,4%, in January compared with December.

The South African economy is forecast to expand by just below 4% in real terms in 2011, after growing by 2,7% in 2010. The higher level of growth expected this year will be the result of global economic growth, increased domestic demand and continued low interest rates. However, household sector finances will be impacted by consumer price inflation, set to increase further from its current level as a result of rising transport costs amongst other factors.

Against the background of these expectations, mortgage advances growth is forecast to remain in single digits in 2011. Interest rates are expected to remain stable during the course of the year, positively impacting the cost of servicing household debt. However, the ratio of debt to disposable income is projected to remain relatively high at just below 79% in 2011. Household debt, together with many consumers still having impaired credit records, will impact their financial ability to take up credit against the background of the National Credit Act and banks' lending criteria.

Mortgage Advances, Inflation and Interest Rates

Period	Total mortgage advances ¹		Mortgage advances to households, end of period			CPI inflation %	Mortgage rate %, eop
	R billion	y/y % ch	R billion	y/y % ch	% of total		
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
Oct 2010	1 043.5	4.7	760.7	5.6	72.9	3.4	9.5
Nov 2010	1 046.8	4.8	763.9	5.8	73.0	3.6	9.0
Dec 2010	1 042.1	4.0	758.7	4.6	72.8	3.5	9.0
Jan 2011	1 043.9	3.8	761.4	4.6	72.9	3.7	9.0

¹Comprising commercial and residential mortgages (end of period (eop))

Sources: SARB, Stats SA

