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Subdued mortgage advances growth in 2011

In 2011 the value of outstanding credit balances in the South African household sector came to R1 175,7 billion, which was 6,7% higher than in 2010 when growth of 6,9% was recorded. On a monthly basis household credit was up by R15,8 billion, or 1,4%, in December from November.

The value of outstanding private sector mortgage balances at monetary institutions, which includes both commercial and residential mortgage loans, increased by 2,5% last year (4% in 2010). The value of total mortgage balances was up by R1,6 billion, or 0,1%, in December from November.

The value of outstanding household mortgage balances increased by 1,8% in 2011 to a to an amount of R772,4 billion at the end of the year, which was 65,7% of total household credit. Month-on-month growth of R1 billion, or 0,1%, was recorded in household mortgage balances in December compared with November.

Developments on the economic and household sector front impacted the residential property market and growth in mortgage advances during the course of 2011. Real economic growth of 2,8% is forecast for 2012, set to be affected by global economic trends. Consumer price inflation is projected to remain above the 6% level throughout this year, continued to be driven by upward pressure on food prices, transport costs and property running costs. In view of the outlook for the economy and inflation, which will impact consumers, interest rates are forecast to remain stable until late this year before being hiked.

With many households still experiencing some financial strain against the backdrop of relatively high levels of debt, tight labour market conditions, rising inflation, low savings and damaged credit records, growth in household credit, including mortgage finance, is forecast to remain well in single digits in 2012. The level of consumer confidence is relatively low, and if sustained, will impact household consumption and the demand for credit. These trends are expected to be reflected in subdued growth in the residential property market in 2012.

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		
Dec 2010	1 042.4	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
Feb 2011	1 047.6	3.4	764.2	4.1	73.0	3.7	9.0
Mar 2011	1 046.0	2.9	765.3	3.8	73.2	4.1	9.0
Apr 2011	1 048.2	3.0	763.7	3.3	72.9	4.2	9.0
May 2011	1 053.5	3.1	765.5	3.2	72.7	4.6	9.0
Jun 2011	1 057.3	3.3	766.4	3.1	72.5	5.0	9.0
Jul 2011	1 058.4	2.9	767.2	2.7	72.5	5.3	9.0
Aug 2011	1 059.7	1.9	767.3	1.4	72.4	5.3	9.0
Sep 2011	1 064.5	2.2	768.6	1.2	72.2	5.7	9.0
Oct 2011	1 065.2	2.1	769.4	1.1	72.2	6.0	9.0
Nov 2011	1 067.0	1.9	771.4	1.0	72.3	6.1	9.0
Dec 2011	1 068.6	2.5	772.4	1.8	72.3	6.1	9.0

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

Sources: SARB, Stats SA

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