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Subdued growth in mortgage advances continues

The value of outstanding credit balances in the South African household sector increased by 6,6% year-on-year (y/y), to a level of R1 197,8 billion in February 2012. The month-on-month increase in household credit balances was R11,6 billion, or 1%, in February.

The total amount of outstanding private sector mortgage balances, which includes both commercial and residential mortgage loans, increased by 2,3% y/y to R1 072,2 billion in February 2012. This resulted in a monthly rise of R3,6 billion, or 0,3%, in February from January.

In the household sector the value of outstanding mortgage balances, mainly related to residential property, was up by 1,6% y/y in January to an amount of R777,5 billion, which came to a share of 64,9% of total household credit balances. Month-on-month growth of R4 billion, or 0,5%, was recorded in household mortgage balances in February compared with January.

The residential property market is in 2012 expected to be influenced by the following macroeconomic and household sector related factors:

- Growth in real gross domestic product (GDP), forecast at 2,7% (3,1% in 2011), which will impact levels of employment in the economy.
- Average consumer price inflation of 6,3% (5% in 2011), affecting spending power.
- Interest rates, forecast to remain unchanged until late this year before being hiked on the back of inflationary pressures.
- Household finances (income growth, savings, debt and the cost of servicing debt).
- Consumers' risk profile, inter alia reflected by the number of credit-active consumers having impaired credit records.
- The affordability of property and the accessibility of mortgage finance.
- Consumer confidence, impacted by expectations regarding the economy, household finances and the buying of durable goods by households.

Against the background of these factors, nominal house price growth of around 2% is forecast for 2012, with mortgage advances growth projected to remain relatively low.

Mortgage Balances, Inflation and Interest Rates

| Period | Total mortgage balances, eop ¹ | | Household sector mortgage balances, end of period | | | CPI inflation % | Mortgage rate % eop |
|----------|---|----------|---|----------|------------|-----------------|---------------------|
| | R billion | y/y % ch | R billion | y/y % ch | % of total | | |
| 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 |
| Jan 2012 | 1 068.6 | 2.4 | 773.5 | 1.6 | 72.4 | 6.3 | 9.0 |
| Feb 2012 | 1 072.2 | 2.3 | 777.5 | 1.7 | 72.5 | 6.1 | 9.0 |

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

Sources: SARB, Stats SA

