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## Credit and mortgage advances

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### Continued subdued growth in household credit and mortgage balances

2015 started off with continued low growth in the total value of outstanding credit balances in the South African household sector, with year-on-year (y/y) growth below the 4% level for the sixth consecutive month in January. Growth in household unsecured credit balances was lower compared with December last year, while growth in secured credit balances was at its lowest level since January 2012.

Household secured credit balances, with a value of (R1 076,6 billion at end-January and 75,8% of total household credit balances, recorded growth of 2,9% y/y at the end of January, virtually unchanged from October last year. Secured credit includes instalment sales, leasing finance and mortgage loans.

Growth in household unsecured credit balances, amounting to R343,6 billion at end-January and 24,2% of total household credit balances, came in at 5,3% y/y at the end of January (5,6% y/y at end-December 2014). Unsecured credit consists of general loans and advances, credit card debt and overdrafts.

The value of total outstanding private sector mortgage balances, including both commercial and residential mortgage loans, registered growth of 4,7% y/y at end-January, continuing on a steady upward growth trend since a recent low of 3,3% y/y at end-September last year. This was the net result of a further acceleration in year-on-year growth in corporate mortgage balances into double digits, whereas growth in household mortgage balances remained very much subdued at just above 2% y/y.

Growth in outstanding household mortgage balances was virtually flat at 2,2% y/y at end-January from 2,3% y/y at end-December. The value of outstanding mortgage balances is the net result of all property transactions related to mortgage loans, including additional capital amounts paid into mortgage accounts and extra monthly payments above normal mortgage repayments.

A number of macroeconomic factors, such as economic growth, employment, inflation and interest rates impact household finances and the level of consumer confidence, which eventually affect the demand for property, as well as the affordability and accessibility of mortgage finance. A relatively large number of credit-active consumers had impaired credit records towards late last year, negatively affecting credit-risk profiles, which impact banks' risk appetite and lending criteria. Consumer price inflation dropped to 4,4% y/y in January on the back of significantly lower oil and fuel prices. However, inflation is forecast to rebound in coming months, which is expected to lead to higher interest rates by September this year and in 2016. Against this background, growth in household credit, including mortgage advances, is expected to remain in single digits in the next two years.

### Credit and mortgage balances<sup>1</sup>

Period	Private sector credit balances <sup>2</sup>		Household credit balances			Total mortgage balances <sup>3</sup>		Household mortgage balances			
	R billion	y/y % change	R billion	y/y % change	% of private sector credit balances	R billion	y/y % change	R billion	y/y % change	% of total mortgage balances	% of total household credit balances
January 2014	2 623.1	8.2	1 372.5	5.6	52.3	1 110.6	2.1	812.3	2.7	73.1	59.2
February 2014	2 656.6	8.7	1 381.5	5.4	52.0	1 120.2	2.8	818.3	2.9	73.0	59.2
March 2014	2 685.4	8.7	1 379.9	4.8	51.4	1 121.8	2.9	816.0	2.3	72.7	59.1
April 2014	2 683.2	8.3	1 383.6	4.6	51.6	1 124.6	3.0	816.7	2.3	72.6	59.0
May 2014	2 695.8	8.3	1 388.5	4.3	51.5	1 129.6	3.1	820.2	2.2	72.6	59.1
June 2014	2 724.0	8.6	1 389.6	4.3	51.0	1 134.5	3.4	822.0	2.4	72.5	59.2
July 2014	2 744.9	9.8	1 394.5	4.1	50.8	1 138.2	3.7	824.3	2.6	72.4	59.1
August 2014	2 760.0	8.8	1 391.6	3.6	50.4	1 141.8	3.5	823.6	2.2	72.1	59.2
September 2014	2 777.3	8.7	1 396.0	3.8	50.3	1 144.7	3.3	824.3	2.1	72.0	59.0
October 2014	2 785.5	9.1	1 401.4	3.6	50.3	1 150.3	3.4	825.2	2.0	71.7	58.9
November 2014	2 815.3	9.1	1 406.3	3.6	50.0	1 155.7	4.0	827.8	2.2	71.6	58.9
December 2014	2 810.2	8.5	1 411.9	3.6	50.2	1 157.7	4.3	828.3	2.3	71.5	58.7
January 2015	2 863.3	9.2	1 420.1	3.5	49.6	1 162.6	4.7	830.4	2.2	71.4	58.5

<sup>1</sup>End of period

<sup>2</sup>Comprising corporate and household credit

<sup>3</sup>Comprising commercial and residential mortgages

Source: SARB

