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Note: The value of and growth in outstanding credit balances, especially unsecured credit, was affected by the inclusion of data for the new African Bank as from April 2016. As a result, year-on-year growth in household credit balances and some of its unsecured components may be distorted for a 12-month period.

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## Credit and mortgage advances

30 June 2016

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

Growth in outstanding credit balances in the South African household sector came to 2,4% year-on-year (y/y) at the end of May 2016, with growth in some components of total credit balances distorted (see explanatory note). The value of household credit balances amounted to R1 467,2 billion and end-May.

The value of household secured credit balances (R1 129,9 billion and 77% of total household credit balances) registered growth of 3,7% y/y in the five-month period up to the end of May, virtually unchanged from 3,6% y/y at end-April. This was the result of stable growth in household mortgage balances (see below) and marginally lower instalment sales growth of 1,7% y/y at end-May (1,8% y/y at end-April).

The value of household unsecured credit balances came to R337,3 billion (23% of total household credit balances) at the end of May 2016, declining by 1,8% y/y as a result of the abovementioned data distortions, especially with regard to the component of general loans and advances (mainly personal loans and micro finance), which contracted by 6,3% y/y. Growth in the value of outstanding household overdraft balances was relatively strong at 20,5% y/y at the end of May, mainly as a result of base effects a year ago.

Total private sector mortgage balances, consisting of household and corporate mortgages, showed steady growth of 6,0% y/y to a level of R1 254,6 billion (39,9% of total private sector credit balances of R3 142,3 billion) up to the end of May (6,1% y/y up to end-April). Corporate mortgage balances increased by 10,1% y/y to R376,2 billion at the end of May. Growth in household mortgage balances was unchanged at 4,3% y/y at end-May from April. Household mortgage balances amounted to R878,4 billion (70% of total mortgage balances and 28% of total private sector credit balances) at end-May. 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.

The South African economy is facing a state of stagflation, with growth in real gross domestic product forecast at a negligible 0,1% in 2016 and the headline consumer price inflation rate expected to rise to above 7% by December, averaging 6,7% for the full year. Interest rates are set to rise somewhat further, with banks' prime lending and variable mortgage interest rates projected at 10,75% per annum by year-end and 11% per annum by early next year.

Based on the abovementioned macroeconomic outlook, the household sector is to experience increased financial pressure over the next 6-12 months, with these factors to lead to continued subdued growth in household credit extension.

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

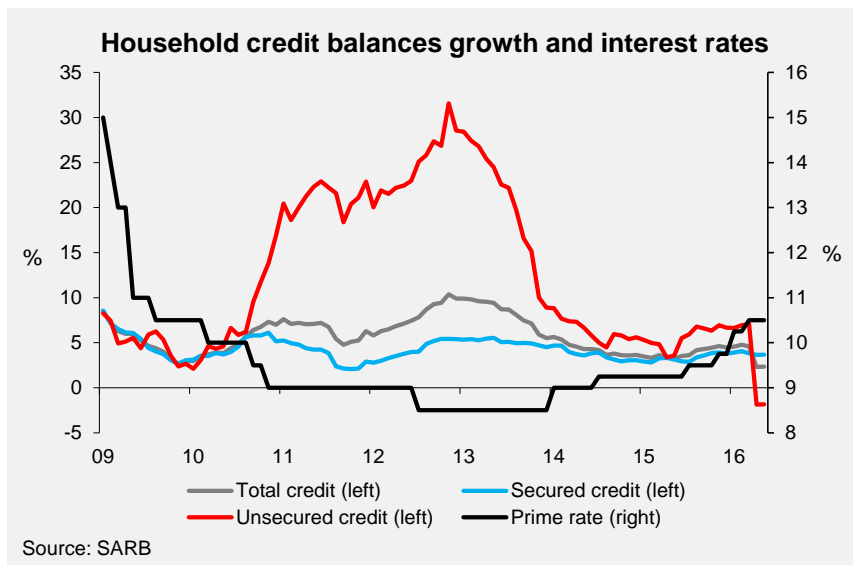
Period	Private sector credit balances <sup>2</sup>		Household credit balances			Total mortgage balances <sup>3</sup>		Household mortgage balances			
	R billion	y/y % change	R billion	y/y % change	% of private sector credit balances	R billion	y/y % change	R billion	y/y % change	% of total mortgage balances	% of total household credit balances
June 2015	2 941.5	8.0	1 438.7	3.5	48.9	1 188.5	4.8	845.0	2.8	71.1	58.7
July 2015	2 970.9	8.4	1 445.5	3.6	48.7	1 194.6	5.0	848.1	2.8	71.0	58.7
August 2015	2 992.0	8.6	1 449.7	4.2	48.5	1 202.7	5.3	852.5	3.5	70.9	58.8
September 2015	3 006.6	8.4	1 455.9	4.3	48.4	1 213.6	6.0	855.8	3.8	70.5	58.8
October 2015	3 028.6	8.9	1 463.8	4.5	48.3	1 219.1	6.0	860.5	4.3	70.6	58.8
November 2015	3 081.7	9.5	1 471.5	4.6	47.8	1 228.9	6.3	864.2	4.4	70.3	58.7
December 2015	3 094.4	10.2	1 475.1	4.5	47.7	1 229.0	6.2	864.4	4.4	70.3	58.6
January 2016	3 104.4	8.5	1 485.1	4.6	47.8	1 232.0	6.0	867.8	4.5	70.4	58.4
February 2016	3 144.2	9.0	1 495.4	4.8	47.6	1 244.0	6.3	876.0	4.7	70.4	58.6
March 2016	3 173.1	8.7	1 495.7	4.6	47.1	1 247.9	6.2	875.3	4.5	70.1	58.5
April 2016	3 139.4	7.1	1 462.9	2.3	46.6	1 252.0	6.1	875.5	4.3	69.9	59.8
May 2016	3 142.3	6.6	1 467.2	2.4	46.7	1 254.6	6.0	878.4	4.3	70.0	59.9

<sup>1</sup>End of period

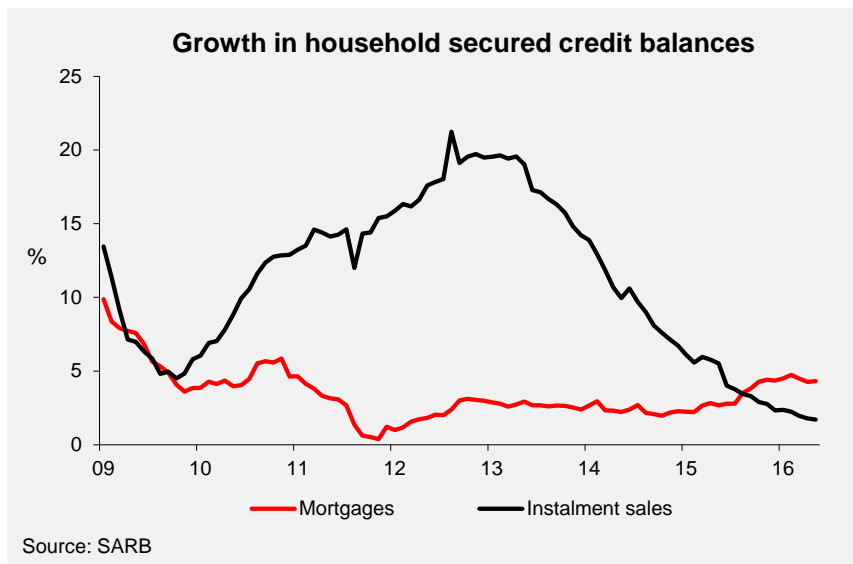
<sup>2</sup>Comprising corporate and household credit

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

Source: SARB



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