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Note: The value of and growth in outstanding credit balances, especially unsecured credit, were 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

29 July 2016

Growth in household mortgage balances slowing down further

Growth in outstanding credit balances in the South African household sector was recorded at 2,1% year-on-year (y/y) at the end of June 2016, with this low growth to some extent the result of data distortions in respect of especially certain unsecured credit balances (see explanatory note). The value of household credit balances amounted to R1 469 billion at end-June.

The value of household secured credit balances (R1 129,9 billion and 77% of total household credit balances) showed relatively stable growth since March, with growth in June registered at 3,8% y/y. This was the combined result of growth in household mortgage balances (see below) as well as instalment sales balances growth of 2,7% y/y at the end of June.

The value of household unsecured credit balances was unchanged at R337,3 billion (23% of total household credit balances) at the end of June this year compared with May, resulting in a year-on-year decline of 3,1% y/y on the back of the abovementioned data distortions. Growth in general loans and advances (mainly personal loans and micro finance) contracted by 7% y/y up to June. However, growth in the value of outstanding household overdraft balances came in at 13,1% y/y at the end of June, mainly as a result of the base effect of extremely low growth of only 0,4% y/y a year ago.

Growth in total private sector mortgage balances (R1 260 billion and 39,9% of total private sector credit balances of R3 156,3 billion), comprising both household and corporate mortgages, was unchanged at 6,0% y/y at end-June from end-May. Corporate mortgage balances increased by 10,6% y/y to R380 billion at the end of June. Growth in household mortgage balances continued its declining trend up to end-June, with growth recorded at 4,1% y/y after a recent peak of 4,9% y/y at the end of January this year. Household mortgage balances amounted to R879,9 billion at the end of June this year, which came to 69,8% of total mortgage balances, 59,9% of total household credit balances and 27,9% of total private sector credit balances. 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 forecast to contract by a marginal 0,2% in 2016, with inflationary pressures to persist in the rest of the year. The headline inflation rate is expected to rise to above 7% by December this year, which will contribute to a projected full-year inflation rate of 6,5%. Interest rates are forecast to be hiked by a further 25 basis points late this year, with banks' prime lending and variable mortgage interest rates to end the year at 10,75% per annum.

The household sector is expected to continue experiencing a fair amount of financial strain over the next 6-12 months, which will contribute to continued subdued growth in household credit extension.

Credit and mortgage balances¹

| Period | Private sector credit balances ² | | Household credit balances | | | Total mortgage balances ³ | | 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 |
| 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 | 871.1 | 4.9 | 70.7 | 58.7 |
| 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 |
| June 2016 | 3 156.3 | 7.3 | 1 469.0 | 2.1 | 46.5 | 1 260.0 | 6.0 | 879.9 | 4.1 | 69.8 | 59.9 |

¹End of period

²Comprising corporate and household credit

³Comprising commercial and residential mortgages

Source: SARB



