



Compiled by
Jacques du Toit
Property Analyst
Absa Home Loans

15 Troye Street
Johannesburg | 2001

PO Box 7735
Johannesburg | 2000
South Africa

Tel +27 (0)11 350 7246
jacques@absa.co.za
www.absa.co.za

Note: The value of and growth in outstanding credit balances, especially unsecured credit, were affected by the inclusion of data related to 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.

The information in this publication is derived from sources which are regarded as accurate and reliable, is of a general nature only, does not constitute advice and may not be applicable to all circumstances. Detailed advice should be obtained in individual cases. No responsibility for any error, omission or loss sustained by any person acting or refraining from acting as a result of this publication is accepted by Absa Bank Limited and/or the authors of the material.

Credit and mortgage advances

31 January 2017

Low growth in household credit and mortgage balances in 2016

The value of outstanding credit balances in the South African household sector increased by a negligible 0,7% to R1 485,7 billion in 2016, down from growth of 4,5% in 2015. This was the result of growth in secured credit balances slowing down, whereas unsecured credit balances contracted compared with 2015.

Growth in the value of household secured credit balances (R1 139,6 billion and 76,7% of total household credit balances) dropped to 2,3% year-on-year (y/y) at the end of December last year compared with growth of 3,8% y/y at end-December 2015. The slowdown in growth in secured balances in 2016 came on the back of lower growth in household mortgage balances (see below), whereas instalment sales balances (21,5% of household secured balances), largely related to vehicle finance, contracted by 0,8% last year from 2015. The contraction in instalment sales balances commenced around mid-2016 and is in line with a downward trend in new vehicle sales volumes, which dropped by 11,4% in 2016.

Household unsecured credit balances (R346,1 billion and 23,3% of total household credit balances) contracted by 4,2% y/y at end-December 2016 compared with growth of 6,7% y/y at end-2015. The contraction in general loans and advances balances is mainly the result of data distortions during last year (see the explanatory note in this regard), with the component of general loans and advances (largely personal loans and micro finance) the main factor behind this contraction. However, outstanding credit card balances also contracted in 2016, by 1,2 %, which contributed to the contraction in overall household unsecured credit balances last year.

The value of outstanding household mortgage balances increased by 3,2% to R891,7 billion in the 12-month period up to end-December last year, compared with growth of 4,4% y/y at the end of 2015. The lower mortgage balances growth in 2016 was related to the state of household finances and a declining trend in consumer confidence during the year. 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.

Against the background of the South African economy forecast to grow by only 1% in 2017, projected stable interest rates, expected higher personal taxes, consumer price inflation to average between 5,5% and 6%, household finances and consumer confidence will remain under pressure. In view of these expectations, growth in household credit balances, including mortgage balances, is forecast to remain relatively low in 2017.

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
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	3 173.2	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	3 154.1	7.2	1 469.0	2.1	46.6	1 260.0	6.0	879.9	4.1	69.8	59.9
July 2016	3 172.1	6.8	1 465.9	1.4	46.2	1 262.6	5.7	883.6	4.2	70.0	60.3
August 2016	3 176.2	6.2	1 470.3	1.4	46.3	1 268.0	5.4	885.4	3.9	69.8	60.2
September 2016	3 222.6	7.2	1 473.5	1.2	45.7	1 278.1	5.3	887.2	3.7	69.4	60.2
October 2016	3 219.7	6.3	1 478.6	1.0	45.9	1 284.7	5.4	889.8	3.4	69.3	60.2
November 2016	3 223.5	4.6	1 482.4	0.7	46.0	1 290.1	5.0	890.6	3.1	69.0	60.1
December 2016	3 252.4	5.1	1 485.7	0.7	45.7	1 293.3	5.2	891.7	3.2	69.0	60.0

¹End of period

²Comprising corporate and household credit

³Comprising commercial and residential mortgages

Source: SARB

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
2007	1 743.9	21.5	867.6	19.5	49.8	853.8	24.7	589.0	21.4	69.0	67.9
2008	1 981.9	13.6	1 003.4	15.6	50.6	966.9	13.2	698.3	18.6	72.2	69.6
2009	1 979.5	-0.1	1 033.4	3.0	52.2	1 001.9	3.6	725.1	3.8	72.4	70.2
2010	2 087.9	5.5	1 105.5	7.0	52.9	1 042.4	4.0	758.7	4.6	72.8	68.6
2011	2 216.7	6.2	1 174.8	6.3	53.0	1 068.6	2.5	768.0	1.2	71.9	65.4
2012	2 439.5	10.1	1 291.1	9.9	52.9	1 089.0	1.9	790.9	3.0	72.6	61.3
2013	2 589.0	6.1	1 362.2	5.5	52.6	1 109.7	1.9	809.9	2.4	73.0	59.5
2014	2 808.7	8.5	1 411.9	3.6	50.3	1 157.7	4.3	828.3	2.3	71.5	58.7
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
2016	3 104.4	0.3	1 485.7	0.7	47.9	1 293.3	5.2	891.7	3.2	69.0	60.0

¹End of period

²Comprising corporate and household credit

³Comprising commercial and residential mortgages

Source: SARB





