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Credit and mortgage advances

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Growth in household credit and mortgage balances remained low in the first half of 2014

Year-on-year growth of 4,3% was recorded in the value of outstanding credit balances in the South African household sector up to the end of June 2014, unchanged from end-May. Household credit balances comprise of instalment sales, leasing finance, mortgage loans, overdrafts, credit card debt, and general loans and advances (mainly personal loans and micro finance).

Growth in household secured credit balances (amounting to R1 059,6 billion and 76,2% of total household credit balances at the end of June), which include instalment sales, leasing finance and mortgage loans, came to 3,8% year-on-year (y/y) at end-June, slightly up from 3,6% y/y at end-May.

Outstanding household unsecured credit balances (totaling R330,3 billion and 23,8% of total household credit balances at end-June), which consist of general loans and advances, credit card debt and overdrafts, recorded growth of 5,9% y/y up to the end of June this year, down from 6,7 % y/y at the end of May. Growth in the largest component of household unsecured credit balances, i.e. general loans and advances, with a share of 61% and mainly consisting of personal loans and micro finance, slowed down to only 1,9% y/y at the end of June, its lowest level in the past 12½ years.

Growth in total private sector mortgage balances, which include both commercial and residential mortgage loans, was recorded at 3,4% y/y at the end of June 2014, underpinned by a further acceleration in growth in commercial mortgage balances to 6,1% y/y in the first six months of the year. Growth in the value of outstanding household mortgage balances was marginally up at 2,4% y/y at end-June from 2,2% y/y at end-May.

Interest rates were further hiked by 25 basis points earlier in July, which brought commercial banks' prime lending and variable mortgage base rates to a level of 9,25% per annum. In view of a continued upward trend expected in interest rates towards the end of 2014 and through 2015, household credit and mortgage balances growth is forecast to remain in single digits over this period. Many consumers are expected to continue to experience financial strain on the back of low employment growth, rising inflation and interest rates, while consumer confidence will most likely remain relatively low. The combined effect of these factors is set to adversely impact credit affordability, accessibility and demand, which will lead to a subdued residential property market performance.

Credit and mortgage balances¹

Month	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 2013	2 499.2	7.4	1 339.4	8.7	53.6	1 097.5	1.8	803.5	2.7	73.2	60.0
August 2013	2 535.9	8.0	1 342.7	8.1	52.9	1 103.6	2.0	806.1	2.6	73.0	60.0
September 2013	2 554.1	7.5	1 345.1	7.5	52.7	1 108.4	2.4	807.6	2.7	72.9	60.0
October 2013	2 554.2	7.7	1 352.5	7.2	53.0	1 112.0	2.4	809.3	2.6	72.8	59.8
November 2013	2 579.7	7.0	1 357.5	5.9	52.6	1 111.6	2.1	810.1	2.5	72.9	59.7
December 2013	2 589.0	6.2	1 362.2	5.5	52.6	1 109.7	1.9	809.9	2.4	73.0	59.5
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	1 380.5	5.3	52.0	1 118.1	2.6	817.2	2.8	73.1	59.2
March 2014	2 685.4	8.8	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	8.4	1 388.5	4.3	51.5	1 129.6	3.1	820.2	2.2	72.6	59.1
June 2014	2 725.5	8.8	1 389.9	4.3	51.0	1 134.5	3.4	822.0	2.4	72.5	59.1

¹End of period

²Comprising corporate and household credit

³Comprising commercial and residential mortgages

Source: SARB

