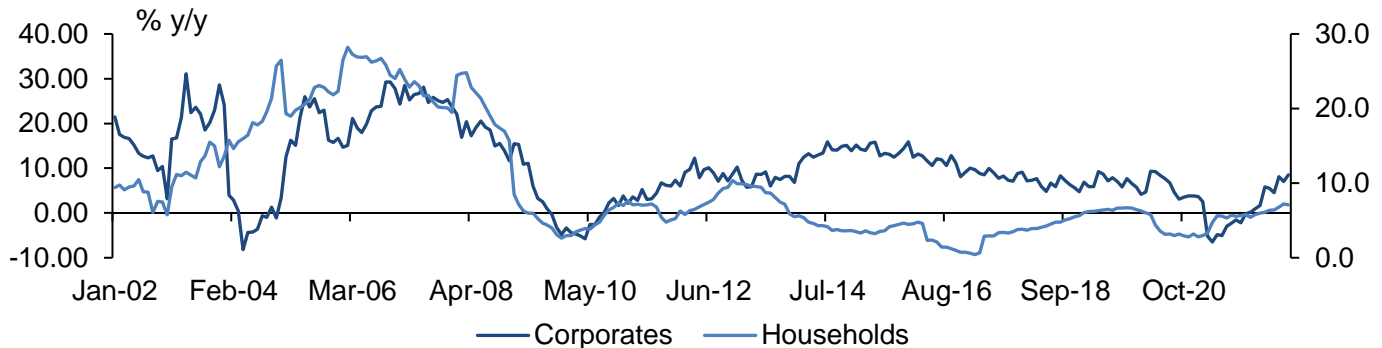




Figure 1: Private sector credit extension to households and corporates\*



\*Real terms

Source: SARB, Investec

- Private sector credit extension (PSCE) grew to 7.9% y/y in August from 7.1% y/y previously, largely on the notable year-on-year increase in credit extended to the corporate sector. The result was ahead of consensus expectations (Bloomberg).
- Specifically, credit uptake by corporates which makes up 55% of total credit extended accelerated to 8.5% y/y from 7.0% y/y recorded in July.
- The unsecured segment, comprising mainly general loans and advances rose by a further 17.0% y/y (from 12.8% y/y previously), while mortgage advances which makes up around 23.0% of corporate credit uptake increased to 3.8% y/y, from 2.6% y/y in July. Indeed, sentiment amongst builders in the non-residential category of the market increased notably in Q3.22, according to results of the FNB/BER Building Confidence survey (albeit off a very low base).
- The investments category however continued to slide, contracting by a further -8.3% y/y in August (-5.5% y/y previously).
- Household credit demand eased slightly to 7.1% y/y in August, from 7.2% y/y previously. Mortgage advances which comprise around 60.0% of all household credit grew by a further 7.0% y/y and 0.7% m/m in August, despite the notable pick-up in interest rates this year.
- Bond originator Ooba commented that notwithstanding “changing market conditions, we anticipate steady activity in the home buying market, largely driven by ongoing competition between the banks”.
- Moreover, instalment sales credit which makes up an additional 18.0% of credit afforded to households rose by a further 9.0% y/y, this is in line with the strong performance of new vehicle sales. Specifically aggregate domestic new vehicle sales rose by 14.2% y/y in August, according to NAAMSA.
- General loans and advances and overdraft credit also increased in August by 6.5% y/y and 3.1% y/y respectively (from 6.0% y/y and 2.7% y/y in July), with many financially constrained consumers relying on debt to fund the spiraling cost of living. Household debt to disposable income increased to 64.6% in Q2.22, according to the latest quarterly bulletin.

Figure 2: Annual change in the components of PSCE (%)

	July 2022	August 2022
Vehicle Finance (instalment sales & leasing finance)	8.9	8.7
Mortgage Advances	5.7	6.0
General loans & advances	11.3	14.7
Investment	-5.5	-8.3
Consumer credit	7.2	7.1
Corporate credit	7.0	8.5
<b>PSCE</b>	<b>7.1</b>	<b>7.9</b>

Source: SARB

## PSCE update: PSCE rose to 7.9% y/y in August, ahead of expectations



Thursday 29th September 2022

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## PSCE update: PSCE rose to 7.9% y/y in August, ahead of expectations

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