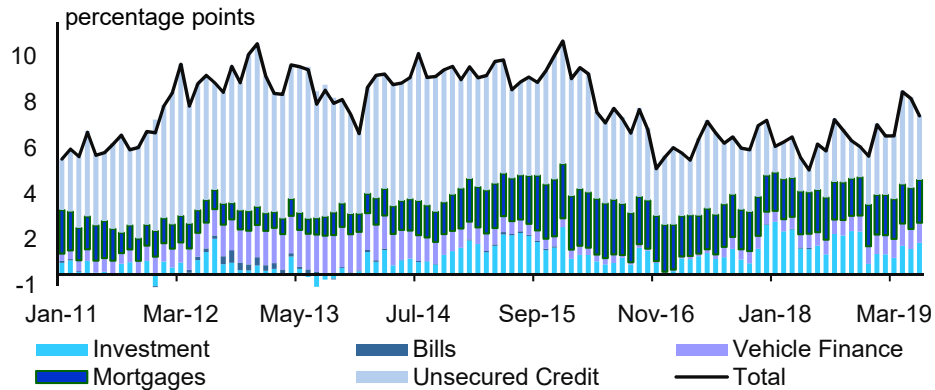




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Figure 1: Private sector credit: contributions to total credit growth



Source: SARB, Investec

- The rate of private sector credit extension moderated to 6.9% y/y in June from 7.7% y/y in May, mainly on a slowdown in corporate credit growth.
- The corporate credit category is the main influencing factor over the changes in private sector credit extension as it comprises 55.7% of the total.
- Corporate credit growth slowed to 7.5% y/y in June from 9.0% y/y in May, partially on account of higher statistical base factors established in June 2018, that were underpinned by an acceleration in unsecured credit growth.
- In June, credit extended to households remained virtually steady at 6.2% y/y versus 6.1% previously.
- On aggregate, total unsecured credit growth slowed to 6.8% y/y from 9.5% y/y in May. This category typically represents the demand for corporate funding, and for households, unsecured credit is presently utilised to supplement incomes to fund household expenses (according to TransUnion).
- Mortgage advances remained relatively subdued at 4.9% y/y in June versus 4.7% y/y in May. The SARB has assessed that the rate of increase in mortgage advances has been “dampened by a lack of employment opportunities, modest property price increases, uncertainty regarding land expropriation without compensation, and tight lending criteria.”
- Growth in vehicle finance remained unchanged at 7.9% y/y in June and is consistent with the relatively weak vehicle sales performance. The SARB expects that “(w)eak income growth, (...) the carbon tax, the increase in the fuel levy and higher vehicle running costs” will constrain vehicle sales in 2019.
- Weak economic activity, and particularly low rates of private sector fixed investment, as well as depressed business confidence have constrained the appetite for corporate credit.
- The moderation in labour income growth and high levels of indebtedness raise consumer financial vulnerability. This coupled with low consumer confidence suggests that consumers will be reluctant to finance additional spending with more borrowing.

Figure 2: Growth in the components of PSCE

	May 2019	June 2019
Total loans and advances (excl. investment & bills)	7.3	6.1
Vehicle Finance (instalment sales & leasing finance)	7.9	7.9
Mortgage Advances	4.7	4.9
Other loans & advances	9.5	6.8
Investment	13.8	16.9
Consumer credit	6.1	6.2
Corporate credit	9.0	7.5
PSCE	7.7	6.9

Source: SARB

PSCE update: Private sector credit extension moderated in June on slower corporate credit growth

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PSCE update: Private sector credit extension moderated in June on slower corporate credit growth



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