

## HOUSEHOLD SECTOR – HOUSEHOLD CREDIT GROWTH

*Household sector credit growth continues to slow. This should partially mitigate the negative impact of interest rate hiking on bad debt levels by lowering the debt-to-disposable income ratio further*

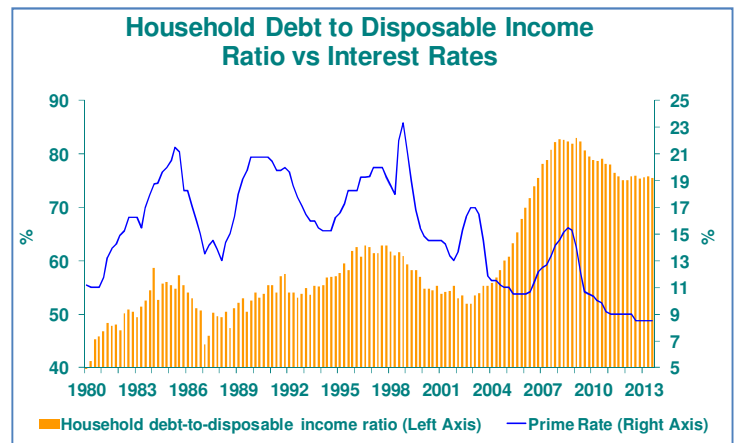
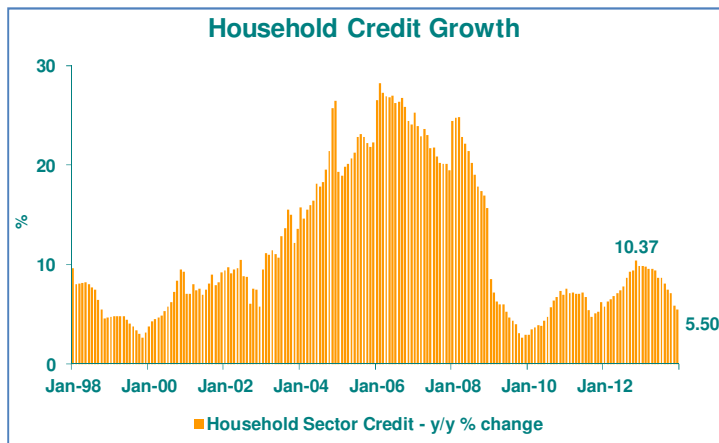
30 January 2014

*Today saw the release of SARB (Reserve Bank) credit data for December 2013, and not surprisingly we saw a further slowing in the pace of growth in household sector credit to 5.5% year-on-year, from a previous month's 5.9%. Much of this slowing has to do with a prior pull back in unsecured lending growth, coupled to banks' mortgage books still growing at a pedestrian pace.*

*Given what transpired yesterday in the form of a 50 basis point SARB Repo rate hike, the slowing in household sector credit growth is extremely positive news from a household financial health point of view. This growth rate has slowed all the way from a peak of 10.4% in November 2012, and was responsible for a slight decline in the Household Debt-to-Disposable Income Ratio in the 3<sup>rd</sup> quarter of 2013 to 75.5%, from a previous quarter's 75.8%.*

*The further slowing in household sector credit growth now means that its growth will likely remain below the growth rate in nominal disposable income, likely to be nearer to 7%. This is crucial, so as to translate into further decline in the debt-to-disposable income ratio, so as to reduce the negative impact of interest rate hiking should further hikes take place.*

*And indeed, such a declining trend in the debt-to-disposable income ratio is anticipated in the coming quarters, with further slowing in credit growth now expected due to a greater level of borrower conservatism being caused by yesterday's interest rate hike.*



**JOHN LOOS:**  
**HOUSEHOLD AND PROPERTY SECTOR STRATEGIST**  
 011-649 0125  
 John.loos@fnb.co.za

*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 Firstrand Group Limited and / or the authors of the material.*