

Recovery in Consumer Credit

For Immediate Release

May 2010

Gabriel Davel, CEO of the National Credit Regulator (NCR), said that NCR statistics indicate a significant recovery in consumer credit.

The National Credit Regulator released its fifth 'Consumer Credit Report', which is based on data submitted to it by registered credit providers. This fifth edition covers credit market information from December 2008 up to December 2009.

The total value of new credit granted increased from R53,58 billion in the quarter ended September 2009 to R63.30 billion for the quarter ended December 2009, an increase of 18.13% compared to the previous quarter, though still a decline of 3.75% compared to the previous year. This indicates that after a two year period of ongoing decline in the volume of credit granted, credit volumes may be recovering.

The number of consumers applying for credit increased by 11.03% when compared to the quarter ended September 2009. The number of consumers whose applications for credit have been declined, remained at 44%.

The following were some of the most significant trends:

- *The value of new mortgages granted increased by 18.33% from R17.82 billion in September 2009 to R21.08 billion in December 2009;*
- *Secured credit which is dominated by vehicle finance, showed an increase from R20.17 billion in September 2009 to R23.67 billion in December 2009 (a quarter on quarter increase of 17.32%);*
- *Unsecured credit increased from R8.37 billion in September 2009 to R10.54 billion in December 2009 (a quarter on quarter increase of 25.83%);*
- *Individuals who earn gross monthly income of more than R15, 000 per month received on average 80% of the mortgages granted over the period December 2008 to December 2009.*

The NCR pointed out that although this was the most significant increase in credit granted for two years, the gross value of credit granted for the quarter was still significantly lower than the amount granted prior to the period of contraction. R63.3 billion of credit was extended in the December 2009 quarter, compared to R102.3 billion for the December 2007 quarter. The position for mortgages is similar, with R21.08 billion in mortgages granted in this quarter compared to R53.14 billion in the quarter to December 2007.

Unsecured credit has grown most significantly, with a growth of 25.8% over the last quarter and an increase of 32.7% since the December 2007 quarter.

As at December 2009, the total outstanding consumer credit balances (or gross debtors' book) was R1.13 trillion. The breakdown was as follows: Mortgages accounted for R740.95 billion (65.38%); "Secured credit agreements" was R211.98 billion (18.70%); Credit facilities were R125.14 billion (11.04%); Unsecured credit was R54.60 billion (4.82%); and Short term credit was R692.93 million (0.06%).

The banks' share of the total outstanding consumer credit as at December 2009 was R1,01 trillion (89.35%) with the retailers at R39,27 billion (3.46%), non-bank vehicle financiers at R36,74 billion (3.24%) and "Other credit providers" at R44,68 billion (3.94%). Other credit providers consist primarily of pension backed lenders, insurers, non-bank mortgage lenders and securitized debt.

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