

Money Supply and Credit

ECONOMICS | SOUTH AFRICA



Credit growth improved, but underlying demand remains patchy.

- Broad money supply (**M3**) growth improved from 5.8% yoy in March to 6.1% in April, exceeding our expectations of 5.9% growth. Over the month, M3 increased by 0.2% or R13.6 billion. Increases in net foreign assets (R24.1 billion) and net claims on government (R49.3 bn) offset declines in net claims on the private sector (-R11.5 billion) and net other assets and liabilities (-R48.3 billion).
- Growth in **private sector credit extension** picked up moderate pace, rising from 3.5% yoy in March to 4.6% in April. The boost came from faster growth in loans and advances and a less severe decline in bills and investments. Loans and advances growth accelerated from 4.3% to 5.2%, while the decline in bills and investments moderated from 6.3% to 3.1%. The improvement in loans and advances stemmed mainly from faster growth in other loans and advances, which consists of unsecured credit to companies and households.

Table 1: Money supply and bank credit extension

	Apr-25		Mar-25	Forecasts (yoy %)	
	yoy %	mom %	yoy %	Nedbank	Market
M3 unadjusted	6.1	0.3	5.8	5.9	n/a
Private sector credit extension	4.6	-0.2	3.5	3.8	4.0
Total loans & advances	5.2	-0.4	4.3	4.6	n/a
Households	3.0	0.1	2.9	3.0	n/a
Companies	7.5	-1.0	5.6	6.2	n/a

Source: SARB, Nedbank GEU, Refinitiv

- Household and company loans contributed to the recovery in loans and advances. The most significant momentum came from **companies**, where advances jumped from 5.5% yoy to 7.5%. This acceleration is somewhat deceptive, driven mainly by a resurgence in company overdrafts off a very low base in the same month a year earlier. Overdrafts contracted by 10.4% yoy in April 2023 and rose by 12.6% in April 2024. Nonetheless, there are some encouraging developments in the corporate numbers. General loans, which are typically used to finance fixed investment activity, gained upward traction, accelerating from a subdued 4.3% in March to 7.4% in April. Like overdrafts, last year's low base also amplified the rise in general loans, suggesting underlying demand could be somewhat softer than annual growth rates suggest. Besides these two large categories, corporate demand for most other credit products remained relatively subdued. The slow recovery in commercial mortgages continued, edging up from 6.1% to 6.2%. Instalment sales and leasing finances slowed slightly from 6.2% to 6.1%. The drag came from instalment sales, which eased from 5.1% to 5%. In contrast, leasing finance rose by more than 20% yoy for the third month.

Chart 1: Trends in M3 and PSCE

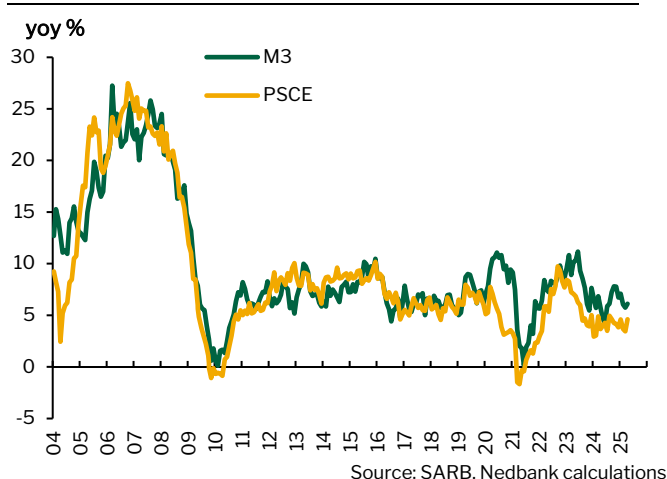
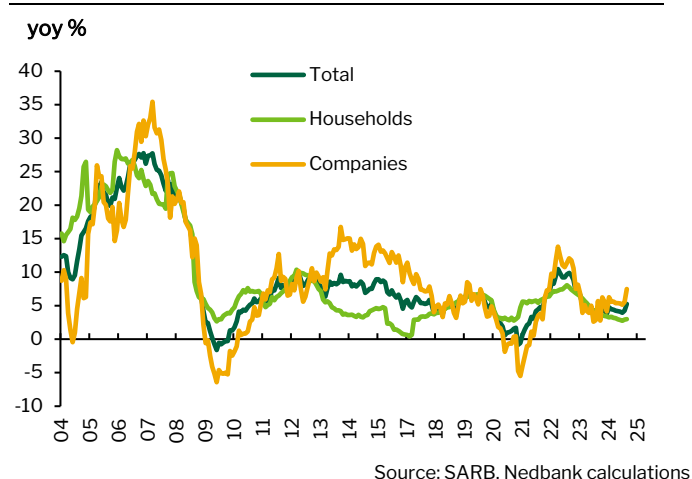


Chart 2: Household and corporate loans



- Household loans** also ticked up from 2.9% to 3%. The slow recovery reflects subdued consumer confidence due to the economy's poor performance, a mounting tax burden and the persistent pressure from relatively high interest rates. There was no movement in home loans or vehicle finance. Home loan growth remained at a weak 2.3% yoy, while vehicle finance

growth stood still at 6.2% for the fourth straight month. The slight upward force came from credit cards, which regained momentum, accelerating from 7.9% to 8.5%. Meanwhile, the prolonged decline in overdrafts and personal loans eased off slightly.

Chart 3: Breakdown of household loans

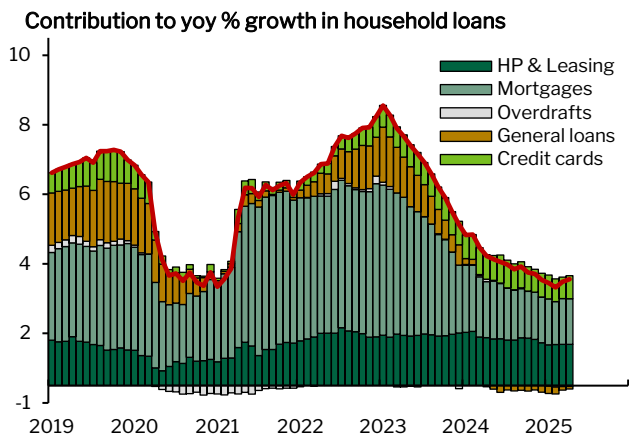
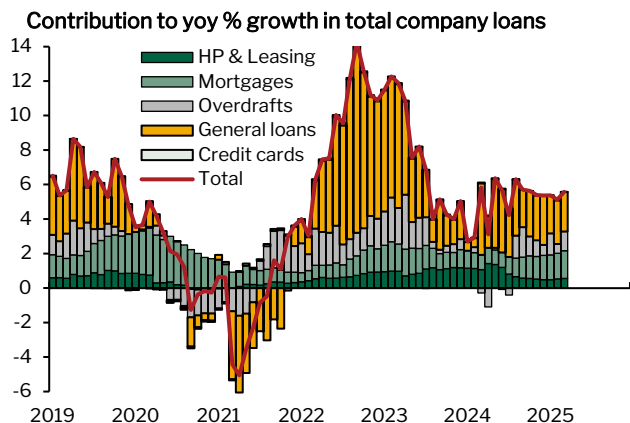


Chart 4: Breakdown of company loans



- Despite the improvement in the headline figures, the details suggest that credit demand remained patchy in April. Last year's low base distorts the true strength of the recovery in company loans, while the uptick in household loans remains painfully slow. Even so, credit growth is hovering around its trough. We expect demand to pick up more convincingly during the year's second half. Household loan growth should increase as real incomes rise further and interest rates decline a little further. Yesterday's interest rate cut will lift consumer spirits and boost their willingness to borrow. We also expect company loan growth to improve as the economic recovery regains some traction and starts to place some pressure on existing capacity.

Table 2: The breakdown of loans and advances

yoy % change	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25
Households												
Instalment sales & leasing finance	7.3	7.3	7.1	7.1	7.4	7.3	7.1	6.5	6.2	6.2	6.2	6.2
Home loans	2.8	2.7	2.5	2.5	2.4	2.3	2.3	2.3	2.3	2.1	2.3	2.3
Overdrafts	1.3	0.8	0.7	0.4	1.1	0.4	-0.1	0.0	-1.0	-2.1	-1.5	-1.4
Personal loans	-0.8	-1.5	-0.9	-1.2	-1.0	-1.2	-1.0	-1.5	-1.6	-1.5	-0.8	-0.6
Credit cards	9.5	10.7	10.6	9.8	9.9	9.1	8.6	8.9	8.8	8.4	7.9	8.5
Total	3.6	3.5	3.4	3.3	3.3	3.2	3.1	3.0	2.9	2.7	2.9	3.0
Companies												
Instalment sales & leasing finance	14.8	13.3	8.9	7.4	6.6	6.2	5.8	5.4	5.4	5.8	6.2	6.1
Commercial mortgages	3.2	3.2	3.7	4.0	4.6	4.9	4.9	5.3	5.3	5.5	6.1	6.2
Overdrafts	1.1	-0.8	-4.0	12.3	15.8	10.5	8.9	5.9	11.5	4.9	10.3	12.6
General loans	7.5	6.8	5.2	6.1	4.0	5.0	4.9	5.3	4.2	4.8	4.3	7.4
Credit cards	11.5	9.3	8.9	8.4	2.1	2.4	5.4	3.9	8.2	11.1	2.5	0.6
Total	6.2	5.6	4.1	6.3	5.6	5.6	5.4	5.4	5.3	5.1	5.5	7.5
Total												
Instalment sales & leasing finance	9.7	9.2	7.7	7.2	7.1	6.9	6.6	6.1	5.9	6.1	6.2	6.2
Mortgages	2.9	2.9	2.9	3.0	3.1	3.1	3.1	3.2	3.2	3.2	3.5	3.5
Overdrafts	1.2	-0.6	-3.3	10.3	13.4	8.8	7.4	5.0	9.4	3.8	8.3	10.3
General loans	5.7	5.1	3.9	4.6	3.0	3.7	3.7	3.9	3.0	3.5	3.3	5.8
Credit cards	9.6	10.6	10.5	9.8	9.5	8.8	8.4	8.6	8.8	8.5	7.7	8.1
Total loans & advances	4.9	4.5	3.8	4.8	4.5	4.4	4.3	4.2	4.1	3.9	4.3	5.2

Source: SARB

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