

Money Supply and Credit

ECONOMICS | SOUTH AFRICA

Money supply growth accelerated, and credit improved further.

- Annual growth in broad money supply (**M3**) accelerated from 6.1% in April to 6.9% in May, almost in line with the market's forecast of 6.8%. Over the month, M3 increased by 0.2%, driven by a rise in net claims on the private sector (R28.9 billion) and net other assets and liabilities (R29.3 billion), which outweighed declines in net foreign assets (-R28.8 billion) and net claims on government (-R15.9 billion).
- Growth in **private sector credit extension** quickened from 4.6% in April to 5% yoy in May, the highest since December 2023. All the subcomponents increased over the month. Investment and bills grew by 0.4% mom, reducing the yoy contraction from 3.5% to a less severe 0.7%. Annual growth in other loans and advances, which consists of unsecured credit to companies and households, accelerated from 6.6% to a two-year high of 7%, while instalment sales and leasing finance increased from 6.2% to 6.6%. Mortgage growth held steady at 3.5%.

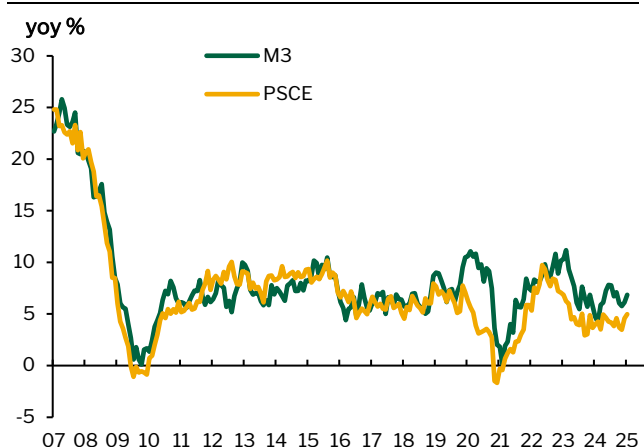
Table 1: Money supply and bank credit extension

	May-25		Apr-25	Forecasts (yoy %)	
	yoy %	mom %	yoy %	Nedbank	Market
M3 unadjusted	6.9	0.2	6.1	6.8	6.8
Private sector credit extension	5.0	0.6	4.6	4.5	4.6
Total loans & advances	5.4	0.6	5.2	5.0	n/a
Households	3.1	0.3	3.0	2.9	n/a
Companies	7.8	0.9	7.5	7.0	n/a

Source: SARB, Nedbank GEU, Refinitiv

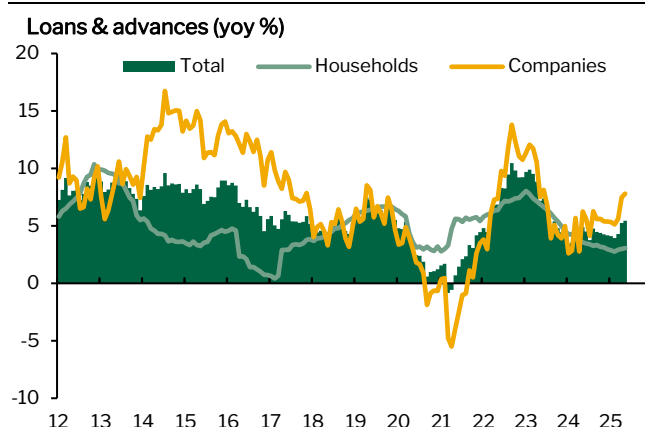
- Growth in **loans and advances**, which exclude the highly volatile bills and investment category, continued its modest recovery, rising from 5.2% to 5.4%. Both companies and household credit increased, but companies made the most significant impact. **Companies' credit** jumped from 7.5% to 7.8% in May. Encouragingly, the most significant momentum came from general loans, which are usually used to finance fixed investment. This category accelerated from 7.4% in April to 9% yoy in May. Overdrafts, which were boosted by the low base in March and April, slowed down from 12.6% to 6.9%. Growth in instalment sales and leasing finance, commercial mortgages and credit cards also quickened slightly.

Chart 1: Trends in M3 and PSCE



Source: SARB, Nedbank calculations

Chart 2: Loans and advances continues to improve.



Source: SARB, Nedbank calculations

- Household loans** continued to improve at a slow pace, with the yoy growth only inching up from 3% to 3.1%. Product performances were mixed. While home loans growth remained weak at 2.2% yoy, vehicle finance accelerated from four months at 6.2% to 6.7%. Credit card usage remained robust, growing by 8.2%. However, personal loans declined further, and overdrafts were flat after three consecutive quarters of contractions.

Chart 3: Breakdown of household loans

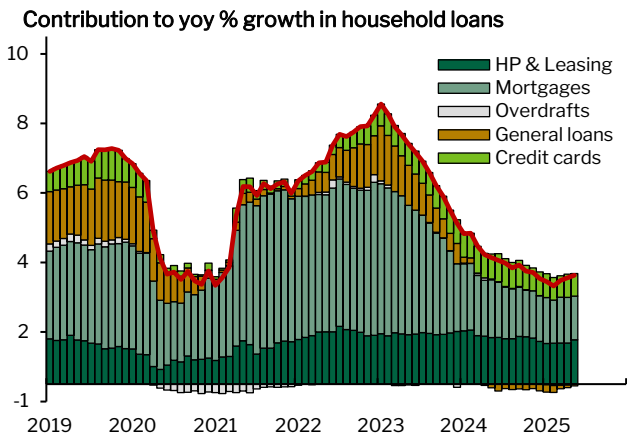
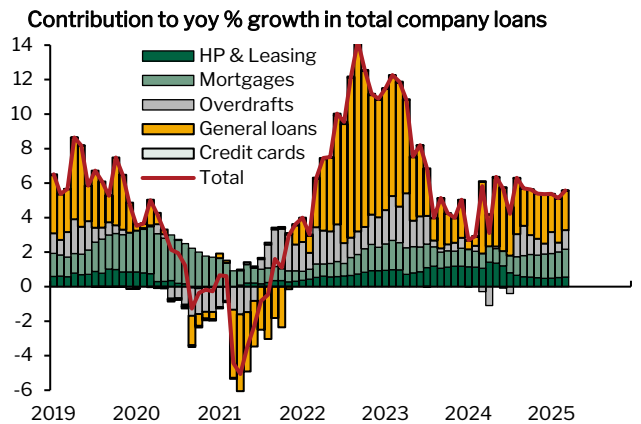


Chart 4: Breakdown of company loans



- We expect credit growth to continue to improve in the months ahead. Low interest rates will ease debt service costs, while subdued inflation will support real disposable income, and withdrawals from the two-pot retirement system will boost discretionary income. These will support spending and credit demand. Lenders could also ease lending standards as falling interest rates and firmer household finances reduce debt defaults. Company loan growth will also improve further off a low base, and as the economic recovery starts to place some pressure on existing capacity. We forecast credit growth to end 2025 at around 5.6%, up from 4.2% at the end of 2024.

Table 2: The breakdown of loans and advances

	2024								2025				
yoy %	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
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	6.7
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	2.2
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	0.0
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	-0.4
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	8.2
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	3.1
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	6.4
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	6.3
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	6.9
General loans	7.5	6.8	5.2	6.1	4.0	5.0	4.9	5.3	4.2	4.8	4.4	7.4	9.0
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	1.1
Total	6.2	5.6	4.1	6.3	5.6	5.6	5.4	5.4	5.3	5.1	5.6	7.5	7.8
Loans & advances													
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	6.6
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	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	5.7
General loans	5.7	5.1	3.9	4.6	3.0	3.7	3.7	3.9	3.0	3.5	3.4	5.8	7.1
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	7.9
Total	4.9	4.5	3.8	4.8	4.5	4.4	4.3	4.2	4.1	3.9	4.3	5.2	5.4

Source: SARB

GROUP ECONOMIC UNIT

Johannes Khosa
Nicky Weimar

+27 10 234 8359
+27 10 234 8357

Johanneskh@nedbank.co.za
nickywe@nedbank.co.za

DISCLAIMER

The information furnished in this report (the "report"), which information may include opinions, estimates, indicative rates, terms, price quotations and projections, reflects the existing judgment of the author(s) and the prevailing market conditions as at the date of this report, which judgment and conditions are subject to change without notice, modification or amendment. This report does not necessarily reflect the opinion of Nedbank Limited ("Nedbank"). The information herein has been obtained from various sources, the accuracy and/or completeness of which Nedbank does not guarantee and for which Nedbank accepts no liability.

Any prices or levels contained herein are preliminary and indicative only and do not represent bids or offers. These indications are provided solely for your information and consideration. The information contained in this publication may include results of analyses from a quantitative model which represent potential future events that may or may not be realised, and is not a complete analysis of every material fact representing any product. Any estimates included herein constitute Nedbank's judgment as of the date hereof and are subject to change without any notice. Nedbank and/or its affiliates may make a market in these instruments for our customers and for our own account. Accordingly, Nedbank's may have a position in any such instrument at any time.

Nedbank recommends that independent tax, accounting, legal and financial advice be sought should any party seek to place any reliance on the information contained herein. This report is intended for use by professional and business investors only. It may not be considered as advice, recommendation or an offer to enter into or conclude any transactions. This report has been prepared for general dissemination and information purposes only and may not be construed as an offer to buy or sell or a solicitation of an offer to buy or sell any financial instruments or to participate in any particular trading strategy in any jurisdiction. Any additional information relative to any financial instruments and/or financial products reviewed in this report is available upon request.

All rights reserved. Any unauthorised use or disclosure of this report is prohibited. This report may not be reproduced without the prior written consent of Nedbank. The information contained in this note is intended solely for the recipient and may not be distributed by the recipient.

All trademarks, service marks and logos used in this report are trademarks or service marks or registered trademarks or service marks of Nedbank or its affiliates.