Money Supply and Credit

ECONOMICS | SOUTH AFRICA

NEDBANK

Credit growth eased at a slower rate than expected due to firm corporate credit demand.

- Annual growth in broad money supply (M3) increased to 7.3% in September from 6.1% in August. This was almost in line with our forecast of 7.2% but higher than the market's prediction of 6.8%. M3 grew by 1% during the month due to a robust increase in net private sector claims (+R58 billion) and a rebound in net other assets and liabilities (+R42.2 billion). These outweighed sharp declines in net foreign assets (-R27 billion) and net claims on the government sector (-R19.8 billion).

Table 1: Money supply and bank credit extension

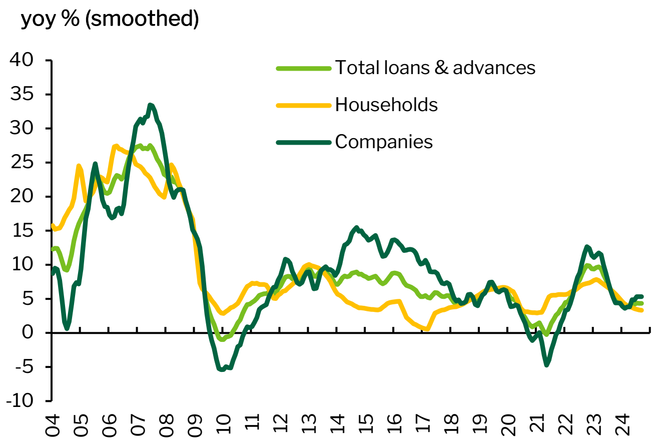
	September-24		August-24	Forecasts (yoy %)	
	yoy %	mom %	yoy %	Nedbank	Market
M3 unadjusted	7.3	1.0	6.1	7.2	6.8
Private sector credit extension	4.6	1.2	4.9	4.3	4.2
Total loans & advances	4.5	0.9	4.8	4.3	na
Households	3.3	0.3	3.1	3.3	na
Companies	5.6	1.5	6.3	5.3	na

Source: SARB, Nedbank GEU, Refinitiv

- Growth in private sector credit extension (PSCE) slowed to 4.6% yoy in September from 4.9% in August. However, the figure was stronger than our and the market's expectations. The 'investment and bills' category remained firm, growing by 4.5% mom, but the yoy growth rate slowed to 6.5% from 7.2%. Annual growth in 'other loans and advances', including unsecured credit to households and companies, softened to 5% from 5.8%. Instalment sales and leasing finance slowed to 7.1% from 7.2%, reflecting some weakness in commercial vehicle sales. Mortgage growth improved further, increasing slightly to 3.1% from 3% and 2.9% in August and July, respectively.

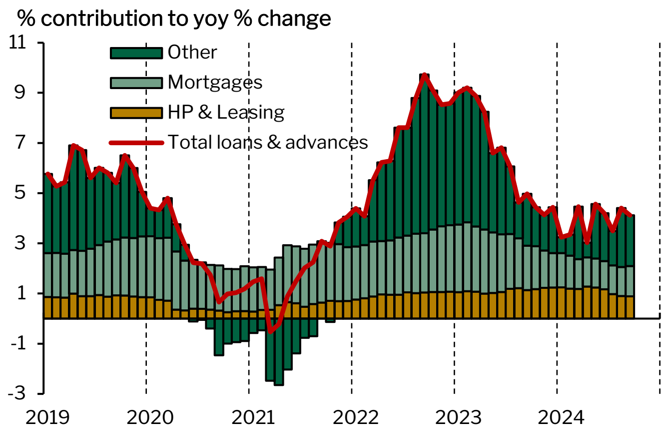
- Growth in loans and advances (which excludes bills and investments) slowed to 4.5% after accelerating to 4.8% from 3.8%. The moderation resulted from stagnant household credit growth and softer corporate demand. Corporate credit grew by 5.6% yoy, down from 6.4%. Growth in general loans, usually used to finance capital spending, eased to a 5-month low of 3.8%. Company instalment sales and leasing finance, as well as credit card usage, also moderated. However, growth in company overdrafts remained robust, rising by 17%, amplified by the low base. The recovery in commercial mortgages continued, growing by 4.6%, its fastest pace since July 2023.

Chart 1: Credit growth weakens further.



Source: SARB, Nedbank calculations

Chart 2: Breakdown of credit.



Source: SARB

- Household credit growth was steady at 3.3%, which is probably the trough of the current cycle. The subcategories showed mixed performances. Instalment sales and leasing finance (up 7.4% yoy from 7.1%) perhaps benefited from the first interest rates cut, lower car prices and attractive dealer packages. Overdrafts and credit card usage also accelerated slightly. Growth in home loans was almost unchanged at 2.4%, while personal loans contracted for the sixth consecutive month, down by 1% yoy.

- We expect credit demand to accelerate slightly in the months ahead. Lower inflation will boost real disposable income, debt service costs will ease as interest rates fall, and the two-pot system will give households access to a portion of their retirement funds. These developments will gradually reduce the strain on household finances, boosting consumer confidence and spending. The outlook for corporate credit is uncertain. Company loan growth will likely remain relatively volatile and subdued in the short term as fixed investment is only expected to turn the corner in 2025 when the domestic economy gains more upward traction, global growth picks up some pace, and the general operating environment improves further. We expect credit growth to end the year at just below 5% before accelerating to 6% by the end of 2025.

Table 2: The breakdown of loans and advances

yoy % change	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24
Households										
Instalment sales & leasing finance	8.3	7.5	7.3	7.9	7.5	7.3	7.3	7.1	7.1	7.4
Home loans	3.3	3.3	3.3	3.0	2.8	2.8	2.7	2.5	2.5	2.4
Overdrafts	-4.6	0.9	0.3	2.5	3.2	1.3	0.8	0.7	0.4	1.1
Personal loans	4.2	1.2	1.1	0.1	-0.3	-0.8	-1.5	-0.9	-1.2	-1.0
Credit cards	9.3	9.2	9.6	10.4	9.5	9.5	10.7	10.6	9.8	9.9
Total	**4.6**	**4.1**	**4.1**	**3.9**	**3.6**	**3.6**	**3.5**	**3.4**	**3.3**	**3.3**
Companies										
Instalment sales & leasing finance	13.2	14.8	13.8	12.8	15.4	14.8	13.3	8.9	7.4	6.6
Commercial mortgages	3.9	3.7	3.4	3.3	3.4	3.2	3.2	3.7	4.0	4.6
Overdrafts	5.9	0.7	3.6	-1.8	-8.9	3.1	1.2	-2.4	14.1	17.0
General loans	4.1	0.8	1.0	7.2	3.1	7.1	6.4	4.9	5.7	3.8
Credit cards	7.8	10.4	8.1	11.0	12.9	11.5	9.3	8.9	8.4	2.1
Total	**5.0**	**2.8**	**3.0**	**5.6**	**2.8**	**6.2**	**5.6**	**4.1**	**6.3**	**5.6**
Total										
Instalment sales & leasing finance	9.9	9.8	9.4	9.4	10.0	9.7	9.2	7.7	7.2	7.1
Mortgages	3.5	3.4	3.3	3.1	3.0	2.9	2.9	2.9	3.0	3.1
Overdrafts	4.0	0.7	3.1	-1.1	-7.2	2.8	1.1	-2.0	11.9	14.3
General loans	4.1	0.9	1.0	5.7	2.4	5.4	4.8	3.7	4.3	2.8
Credit cards	9.3	9.3	9.6	10.4	9.6	9.6	10.6	10.5	9.8	9.5
Total loans & advances	**4.8**	**3.4**	**3.5**	**4.8**	**3.2**	**4.9**	**4.5**	**3.8**	**4.8**	**4.5**

Source: SARB

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