Money Supply and Credit

ECONOMICS | SOUTH AFRICA

The gradual slowdown in underlying credit demand continued

- Broad money supply (M3) rose by 7.1% yoy in January, up from a four-month low of 6.7% in December. The outcome beat ours and the market's forecast of 6.8% and 5.9%, respectively. On a monthly basis, M3 grew by 0.3%, driven by a rise in net claims on the government sector (+R47.4 billion). This outweighed declines in all the other components, with net foreign assets down by R16.3 billion, net claims on the private sector (-R11 billion) and net other assets and liabilities (-R4.7 billion).

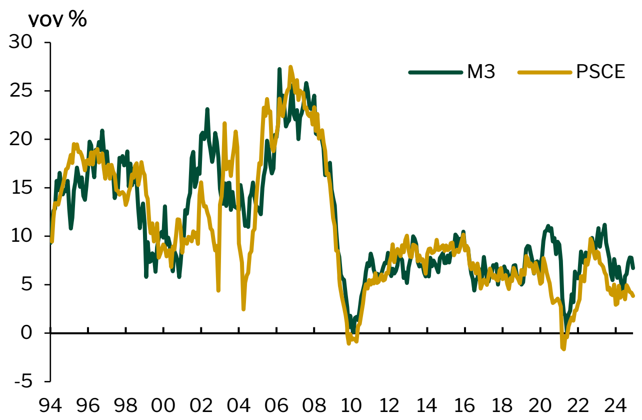
Table 1: Money supply and bank credit extension

	Jan-25		Dec-24	Forecasts (yoy %)	
	yoy %	mom %	yoy %	Nedbank	Market
M3 unadjusted	7.1	0.3	6.7	6.8	5.9
Private sector credit extension	4.6	-0.2	3.8	5.0	4.9
Total loans & advances	4.1	-0.4	4.2	4.8	n/a
Households	2.9	0.5	3.0	2.8	n/a
Companies	5.3	-1.2	5.4	6.8	n/a

Source: SARB, Nedbank GEU, Refinitiv

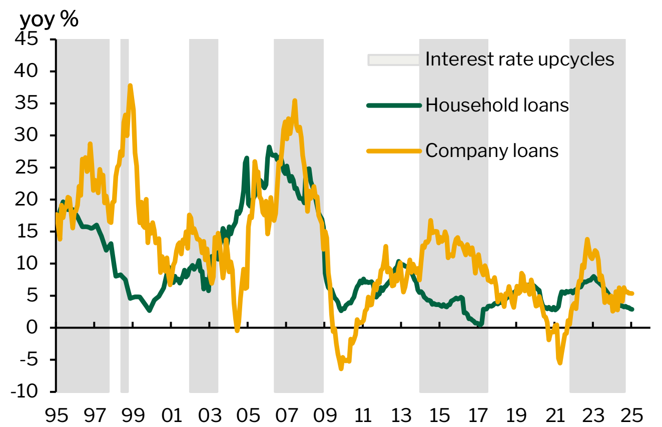
- Growth in private sector credit extension (PSCE) improved to 4.6% from 3.8% yoy, mainly driven by the bills and investments category, which jumped by 1.5% mom and 11% yoy (from -0.1% yoy). Growth in mortgages was steady at 3.2%, while 'other loans and advances' and 'instalment sales and leasing finance' softened further.
- Loans and advances, which excludes bills and investments, slowed to 4.1% yoy from 4.2%, with growth in household and corporate loans easing. Household loans eased to 2.9% from 3%, suggesting that consumers remain cautious about taking on additional debt despite improving household finances and falling interest rates. Growth in home loans was unchanged for the fourth consecutive month at 2.3%. Despite the ongoing recovery in new vehicle sales, instalment sales and leasing finance eased further. Overdrafts contracted again after recording no growth in December, while the slump in personal loans deepened to -1.6% from -1.5%. However, credit card usage remained firm, growing by 8.8%, indicating that consumers are still using credit to finance spending.

Chart 1: Trends in M3 and PSCE.



Source: SARB, Nedbank calculations

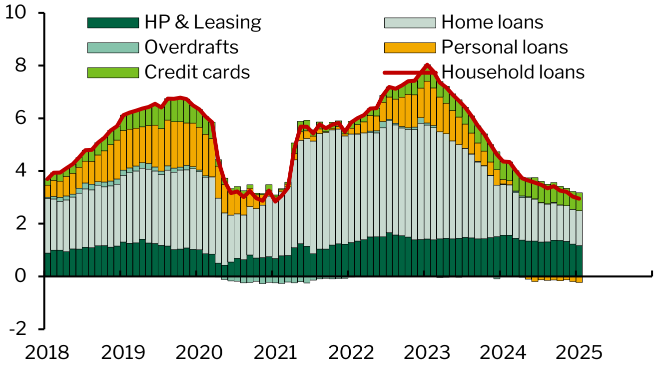
Chart 2: Household and company loans



Source: SARB, Nedbank calculations

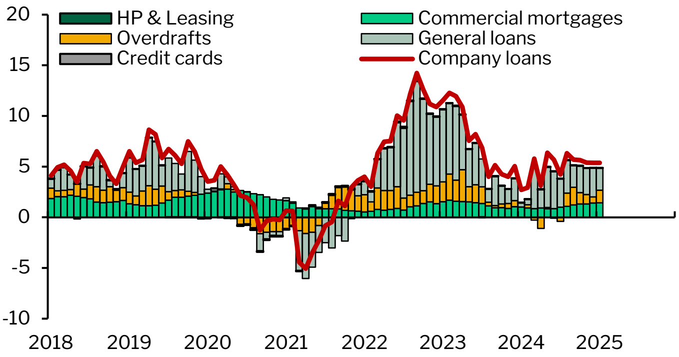
- Corporate credit growth eased to 5.3% yoy from 5.4%, dragged down by general loans. General loans, which is usually used to finance fixed investment, slowed to 4.2% from 5.3%, suggesting that companies are not rushing to expand operations while recovering from high operating costs and sitting on excess capacity. Growth in commercial mortgages and instalment sales and leasing finance was unchanged. Overdrafts jumped off a low base to 11.5% yoy from 5.9%, and credit card usage accelerated to 8.2% from 3.9%.

Chart 3: Breakdown of household loans



Source: SARB, Nedbank calculations

Chart 4: Breakdown of company loans



Source: SARB, Nedbank calculations

- Credit growth was subdued in 2024 as high interest rates continued to bite. However, we expect it to improve in 2025. The interest rate cuts will ease debt service costs, while subdued inflation will support real disposable income. Withdrawals from the two-pot retirement system will boost discretionary income. Together with slightly better growth and employment outlooks, these will boost consumer confidence, spending, and credit demand. Lenders could also ease lending standards as falling interest rates reduce debt defaults. On the corporate side, credit growth will likely remain subdued for longer but should also improve later this year. The positive economic outlook on the back of more reliable power supply and improving logistics will gradually lift business confidence, erode spare capacity and encourage a moderate recovery fixed investment activity by the private sector. Investment in renewable energy should also remain relatively robust. Altogether, we forecast credit growth to rise to 5.5% by the end of 2025, up from 4.2% at the end of 2024.

Table 2: The breakdown of loans and advances

yoy % change	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25
Households										
Instalment sales & leasing finance	7.5	7.3	7.3	7.1	7.1	7.4	7.3	7.1	6.5	6.2
Home loans	2.8	2.8	2.7	2.5	2.5	2.4	2.3	2.3	2.3	2.3
Overdrafts	3.2	1.3	0.8	0.7	0.4	1.1	0.4	-0.1	0.0	-1.0
Personal loans	-0.3	-0.8	-1.5	-0.9	-1.2	-1.0	-1.2	-1.0	-1.5	-1.6
Credit cards	9.5	9.5	10.7	10.6	9.8	9.9	9.1	8.6	8.9	8.8
Total	**3.6**	**3.6**	**3.5**	**3.4**	**3.3**	**3.3**	**3.2**	**3.1**	**3.0**	**2.9**
Companies										
Instalment sales & leasing finance	15.4	14.8	13.3	8.9	7.4	6.6	6.2	5.8	5.4	5.4
Commercial mortgages	3.4	3.2	3.2	3.7	4.0	4.6	4.9	4.9	5.3	5.3
Overdrafts	-10.4	1.1	-0.8	-4.0	12.3	15.8	10.5	8.9	5.9	11.5
General loans	3.4	7.5	6.8	5.2	6.1	4.0	5.0	4.9	5.3	4.2
Credit cards	12.9	11.5	9.3	8.9	8.4	2.1	2.4	5.4	3.9	8.2
Total	**2.8**	**6.2**	**5.6**	**4.1**	**6.3**	**5.6**	**5.6**	**5.4**	**5.4**	**5.3**
Total										
Instalment sales & leasing finance	10.0	9.7	9.2	7.7	7.2	7.1	6.9	6.6	6.1	5.9
Mortgages	3.0	2.9	2.9	2.9	3.0	3.1	3.1	3.1	3.2	3.2
Overdrafts	-8.4	1.2	-0.6	-3.3	10.3	13.4	8.8	7.4	5.0	9.4
General loans	2.6	5.7	5.1	3.9	4.6	3.0	3.7	3.7	3.9	3.0
Credit cards	9.6	9.6	10.6	10.5	9.8	9.5	8.8	8.4	8.6	8.8
Total loans & advances	**3.2**	**4.9**	**4.5**	**3.8**	**4.8**	**4.5**	**4.4**	**4.3**	**4.2**	**4.1**

Source: SARB

GROUP ECONOMIC UNIT

Johannes (Matimba) Khosa	+27 10 234 8359	johanneskh@nedbank.co.za
Nicky Weimar	+27 10 234 8357	nickywe@nedbank.co.za