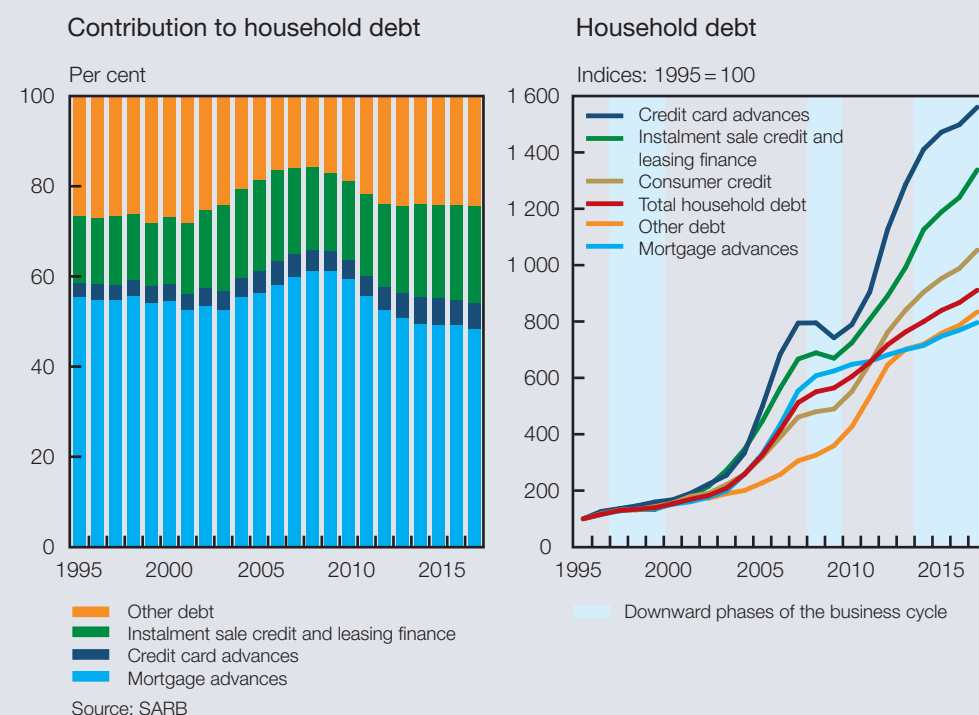


Box 2 Undercurrents in household indebtedness

The composition of total outstanding household debt has changed since 2014, as the dominant contribution shifted from mortgage loans to consumer credit. Slower growth in mortgage credit than consumer credit as from 2010 reflected subdued growth in house prices following the 2008–09 global financial crisis.

Within the consumer credit category, growth was strongest in credit card advances, with its contribution almost doubling between 1995 and 2017 even though it remained the smallest component of household credit. This was followed by instalment sale credit and leasing finance, with its contribution to total household indebtedness increasing to 21.6% in 2017. Other debt¹, with an average contribution of 23.1% to total outstanding household debt, grew at a slower pace.

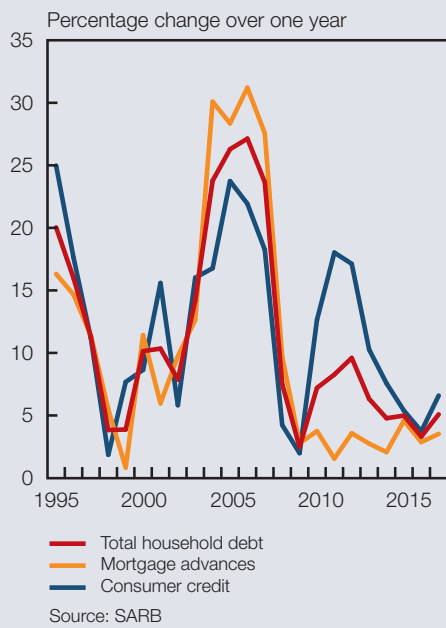


The household sector's ability to service both interest and capital repayments has improved, as income growth, although modest, exceeded growth in outstanding debt. Both compositional shifts in different lending categories as well as changing risk profiles of borrowers had an influence on households' ability to service their debt. The ability of households to service interest on total outstanding debt is measured as their aggregate interest payments, or debt-service costs, as a ratio of their disposable income.

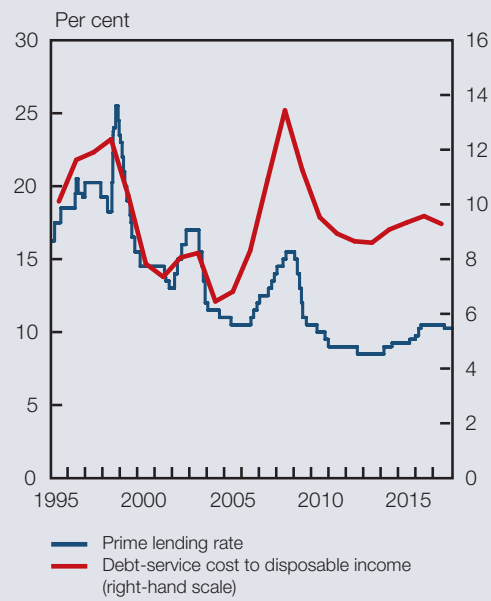
Debt-service cost only includes the interest burden of debt on households and not the repayment of the principal amount borrowed. Their debt to disposable income reflects the stock of debt on the household sector's balance sheet, which reflects households' ability to repay principal debt. The analysis shows a gradual improvement since the global financial crisis, with household debt as a percentage of disposal income declining from the 85.7% in 2008 to 71.9% in 2017. This improvement was largely driven by significantly slower growth in total outstanding household debt as from 2009, which coincided with slightly stronger growth in nominal disposable income of households.

¹ Other debt includes general loans and overdrafts from banks as well as credit extended by non-banks such as retail accounts and accounts payable.

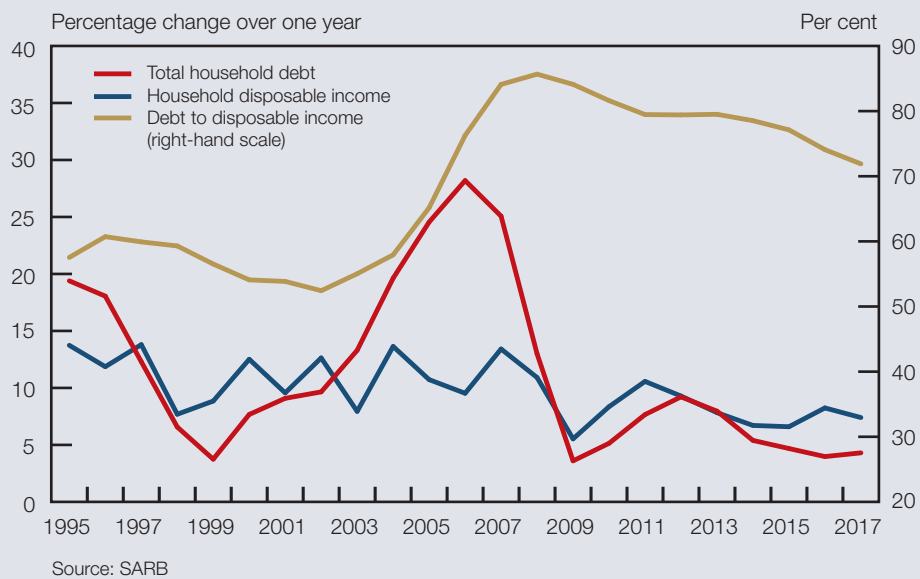
Household debt



Household debt-service cost



Household debt and disposable income



The acceleration in poultry price inflation contributed significantly to the acceleration in overall meat price inflation in 2017, given its high weight in the consumer meat price basket. By contrast, the marked acceleration in consumer egg price inflation in the second half of 2017 did not halt the general downward trend in overall consumer food price inflation over the period.

Producer and consumer poultry prices

Percentage change over 12 months

| | Weights | | Dec 2016 | Nov 2017 | Dec 2017 | Jan 2018 |
|--|----------------------|-----------------------------|----------|----------|----------|----------|
| | In the overall index | In the relevant food basket | | | | |
| Agricultural producer food price index | 85.28 | 100.0 | 5.5 | 6.7 | 5.9 | 8.8 |
| Live animals..... | 32.71 | 38.0 | 10.3 | 31.6 | 30.9 | 26.1 |
| Poultry..... | 14.72 | 17.0 | 2.6 | 25.6 | 25.8 | 22.1 |
| Final manufactured producer food price index | 25.17 | 100.0 | 12.2 | 0.9 | 1.0 | 0.0 |
| Meat and meat products | 5.35 | 21.0 | 10.1 | 13.5 | 12.5 | 10.0 |
| Poultry..... | 2.45 | 10.0 | 9.4 | 6.0 | 4.4 | 4.5 |
| Consumer food price index | 15.48 | 100.0 | 12.0 | 5.2 | 4.9 | 4.6 |
| Meat..... | 5.46 | 35.0 | 7.6 | 14.9 | 14.0 | 13.4 |
| Poultry..... | 2.12 | 14.0 | 8.0 | 16.8 | 14.6 | 12.4 |

Source: Stats SA

Year-on-year agricultural poultry producer price inflation accelerated from a trough of -5.2% in November 2016 to 25.8% in December 2017. Poultry price inflation at the final manufactured level reached a trough earlier in 2016 and peaked in July 2017, before moderating to 4.4% in December. Poultry price inflation at the consumer level followed suit, quickening from a low of 1.6% in August 2016 to an all-time high of 18.4% in October 2017, before also moderating somewhat to a still high 14.6% in December. Poultry has a weight of 14% in the overall consumer food price basket, giving it the highest single weight of all meat products within the consumer meat price basket.

Poultry price inflation

Percentage change over 12 months



Source: Stats SA

The outbreak of avian flu in South Africa in June 2017 severely affected domestic egg prices as the majority of culled birds were egg laying. Agricultural producer egg price inflation accelerated from a recent low of 1.8% in December 2016 to 22.8% a year later, while consumer egg price inflation responded with a lag of seven months and accelerated from a trough of 2.8% in July 2017 to 19.9% in December – its highest inflation rate since May 2009. The marked acceleration in egg price inflation did not halt the gradual moderation in overall consumer food price inflation in the second half of 2017 due to eggs' small weight of only 3.0% in the overall consumer food price basket.

Producer and consumer egg prices

Percentage change over 12 months

| | Weights | | Dec 2016 | Nov 2017 | Dec 2017 | Jan 2018 |
|--|----------------------|-----------------------------|----------|----------|----------|----------|
| | In the overall index | In the relevant food basket | | | | |
| Agricultural producer food price index | 85.28 | 100.0 | 5.5 | 6.7 | 5.9 | 8.8 |
| Milk and eggs | 10.12 | 12.0 | 14.8 | 12.2 | 10.4 | 12.3 |
| Eggs | 3.97 | 5.0 | 1.8 | 22.7 | 22.8 | 28.5 |
| Consumer food price index | 15.48 | 100.0 | 12.0 | 5.2 | 4.9 | 4.6 |
| Milk, cheese and eggs | 2.57 | 17.0 | 10.5 | 4.4 | 4.8 | 4.2 |
| Eggs | 0.40 | 3.0 | 7.7 | 16.0 | 19.9 | 19.7 |

Source: Stats SA

Egg price inflation

Percentage change over 12 months



Source: Stats SA