

### Box 3 Trends in the key dimensions driving credit extension in South Africa since 2008<sup>1</sup>

Corporates and households have dominated the institutional sector dimension of total credit extended<sup>2</sup> since 2008, contributing the most in terms of average contribution to credit growth as well as relative weight, which shifted slightly from households to companies over this period. The government sector recorded strong average annual growth in credit uptake since 2008, largely reflecting banks' investment in government securities. Mortgage advances have lost some ground to general loans but have nonetheless maintained its position as the most prominent type of credit. Households remained the largest sector, when companies and government are disaggregated into separate economic sectors, despite having recorded the fourth-weakest average annual growth in credit uptake. Notwithstanding the relatively modest growth in credit extension, the outstanding balance of total credit extended nearly doubled from 2008 to 2018.

Among the institutional sectors, households and corporates have largely been responsible for borrowing between 2008 and 2018 in terms of both relative weight in total credit extended and average contribution to growth in this aggregate. Since 2008, the largest relative weight in total credit extension, at the margin, has shifted from households to corporates as the latter's average contribution to growth from 2008 to 2018 slightly exceeded that of households. Corporates have also recorded the strongest average annual growth in credit uptake, especially when investments and bills discounted are included, and is matched only by the banking sector's gross claims<sup>3</sup> on government which largely reflected banks' investment in government securities. Government's relative weight in credit extension nearly doubled from 8.3% in 2008 to 16.2% in 2018, and mostly reflected banks' increased holdings of government securities as liquid assets in terms of Basel III.

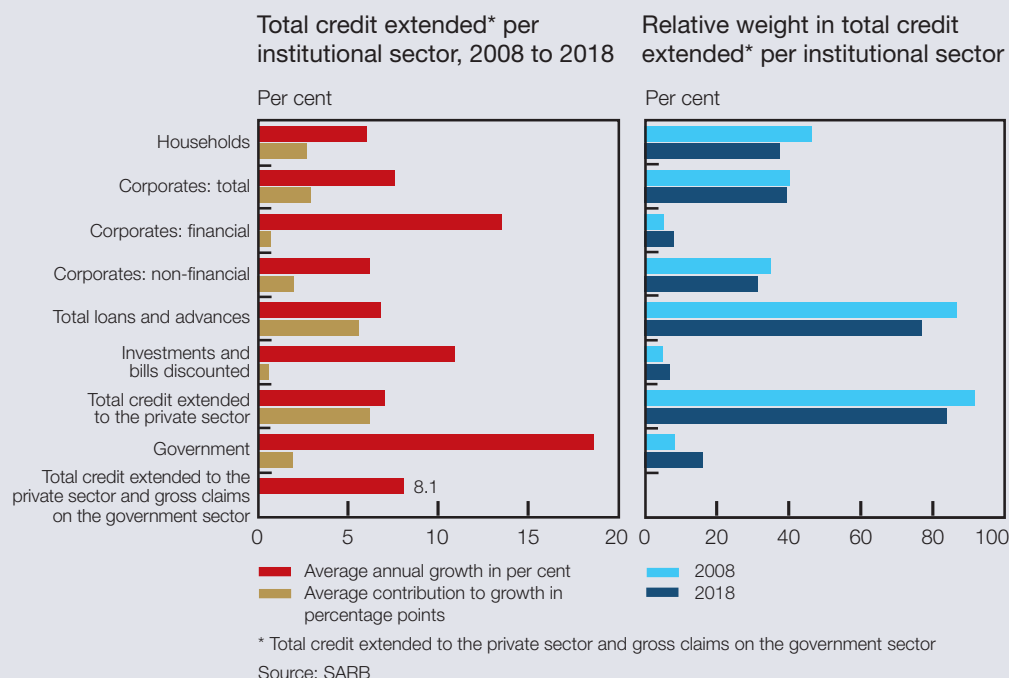
---

1 This box relates to the statistics published in the tables on pages S–20 to S–24 of this *Quarterly Bulletin*.

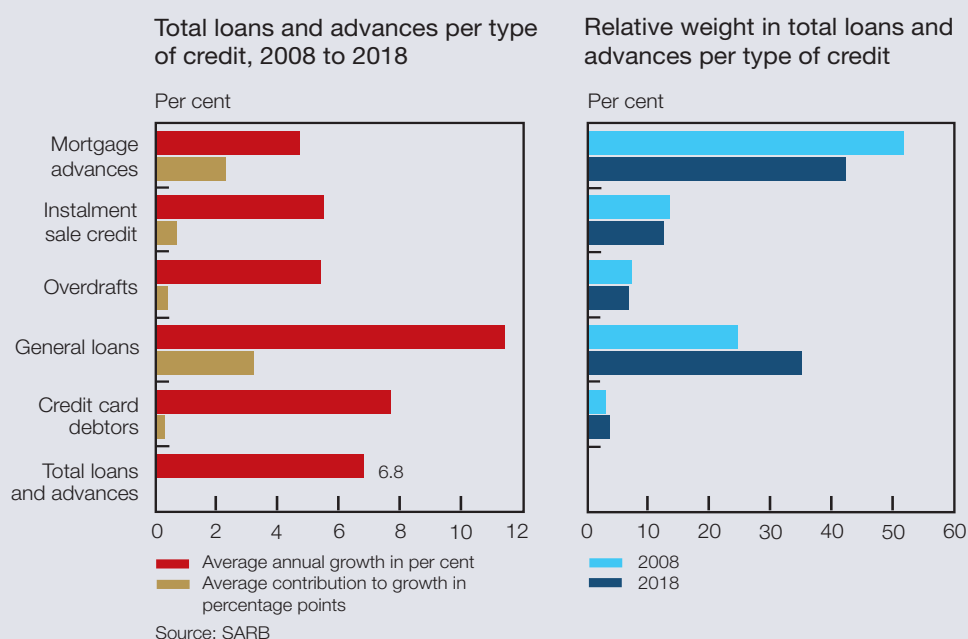
2 Total credit extension is measured as total credit extended to the private sector and gross claims on the government sector.

3 These are gross claims on government, with government's deposits with banks not netted against banks' holdings of government bonds. Usually, net credit extended to government is used to derive total domestic credit extension.

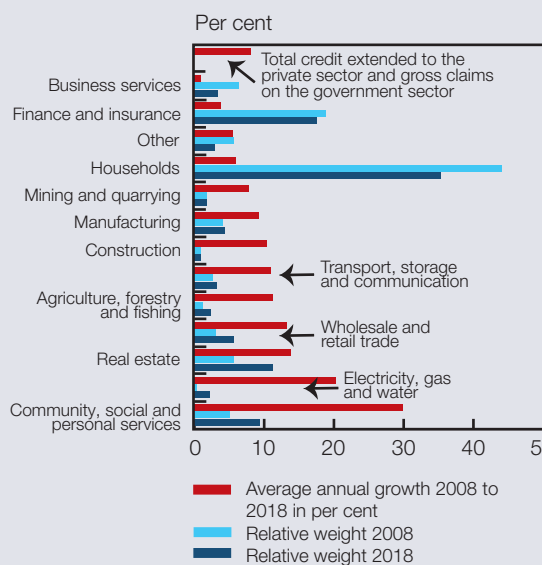
Total loans and advances by type of credit shows a shift in relative weight from mortgage loans to general loans, but with mortgage loans still dominating. Households' preference for general loans increased from 2008 to 2012 before levelling off at around 14% of their outstanding credit balance up to 2018. Corporates prefer general loans for working capital, and its share of corporates' outstanding credit balance increased to 55% in 2018. The increased prominence of general loans reflected both its high average contribution to credit growth from 2008 to 2018 as well as strong average annual growth.



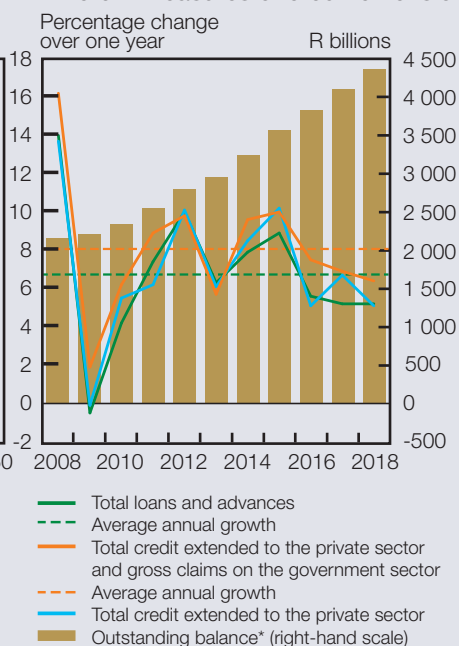
Households remained the largest economic sector in terms of relative weight in total credit extended. However, their relative weight declined as this sector recorded the fourth-weakest average annual growth in credit uptake from 2008 to 2018. The second-largest sector in terms of relative weight in total credit extended was finance and insurance, followed by real estate. A total of 7 of the 13 economic sectors recorded average annual growth in total credit extended above 10% from 2008 to 2018, with electricity, gas and water as well as community, social and personal services growing at more than 20%.



### Total credit extended\* per economic sector



### Different measures of credit extension



Growth in the three dimensions of credit extension, as discussed, was closely correlated with annual growth in total credit extended to the domestic private sector, including gross claims on the government sector, which averaged 8.1% from 2008 to 2018, and that on total loans and advances, which averaged 6.8%. The outstanding balance of total credit extended to the domestic private sector and gross claims on the government sector still nearly doubled from 2008 to 2018, despite fairly modest growth in total credit extension.

### Credit extension by economic sector\*

	Relative weight in credit extension		Average annual growth
	Per cent		
	2008	2018	2008-2018
Agriculture, forestry and fishing.....	1.2	2.3	11.2
Mining and quarrying.....	1.8	1.8	7.8
Manufacturing .....	4.1	4.4	9.2
Electricity, gas and water.....	0.4	2.2	20.3
Construction.....	0.9	0.9	10.4
Wholesale and retail trade .....	3.1	5.7	13.2
Transport, storage and communication .....	2.7	3.1	10.9
Finance and insurance .....	18.9	18.0	4.1
Real estate .....	5.7	11.1	13.9
Business services.....	6.4	3.3	0.9
Community, social and personal services	5.1	9.3	29.9
Households .....	44.1	35.1	6.0
Other.....	5.7	2.9	5.5

\* Based on total credit extended to the private sector and gross claims on the government sector

Source: SARB

## Credit extension by the monetary sector in South Africa

	Relative weight in credit extension		Average		Contributions to growth in credit extension*										
			Annual growth	Contribution											
	Per cent				Percentage points										
	2008	2018	2008–2018*	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
Institutional sector															
Households	46.4	37.5	6.0	2.7	7.3	1.4	3.3	3.0	4.6	2.5	1.7	2.0	0.3	1.5	2.1
Corporates	40.2	39.5	7.6	2.9	5.1	-1.9	0.3	3.3	3.6	2.7	4.8	5.3	4.2	2.6	1.9
Financial	5.3	8.1	13.5	0.7	...	-1.6	0.5	0.8	1.5	0.5	1.0	1.7	0.5	1.2	1.1
Non-financial	34.9	31.4	6.2	2.0	...	-0.3	-0.2	2.6	2.2	2.1	3.8	3.7	3.8	1.4	0.8
Total loans and advances	86.6	76.9	6.8	5.6	12.4	-0.5	3.6	6.3	8.2	5.2	6.5	7.3	4.5	4.1	4.1
Investments and bills discounted	5.1	6.9	10.9	0.6	0.4	0.4	1.3	-0.7	0.5	0.1	0.9	1.6	-0.1	1.6	0.3
Total credit extended to the private sector	91.7	83.8	7.0	6.2	12.8	-0.1	4.9	5.7	8.7	5.3	7.4	8.8	4.4	5.7	4.3
Government	8.3	16.2	18.6	1.9	3.4	2.0	1.3	3.3	1.0	0.4	2.2	1.2	3.1	1.1	2.1
Growth in per cent **															
Growth in total credit extended to the private sector and gross claims on the government sector			8.1		16.2	1.9	6.2	8.9	9.8	5.7	9.6	10.0	7.5	6.9	6.4
Total credit extended to the private sector			7.0		13.7	-0.1	5.5	6.2	10.1	6.1	8.5	10.2	5.1	6.7	5.1
Total loans and advances			6.8		14.0	-0.5	4.2	7.4	10.0	6.3	7.9	8.9	5.6	5.2	5.2
Type of credit															
Total loans and advances															
Mortgage advances	51.6	42.2	4.7	2.3	6.8	1.9	2.1	1.3	1.0	0.9	2.0	2.7	2.3	1.8	2.0
Instalment sale credit and leasing finance transactions	13.5	12.4	5.5	0.7	1.1	-0.8	0.3	0.9	1.6	1.7	0.9	0.5	0.1	0.6	0.8
Overdrafts	7.3	6.8	5.4	0.4	0.3	-0.5	-0.1	0.6	0.2	0.5	1.0	0.4	0.2	0.6	0.7
General loans	24.6	35.0	11.4	3.2	5.7	-1.0	1.8	4.3	6.3	2.6	3.6	5.1	3.0	2.0	1.4
Credit card debtors	3.0	3.6	7.7	0.3	0.1	-0.1	0.1	0.3	0.9	0.6	0.4	0.2	0.0	0.2	0.3

\* Contributions calculated as the change in stock of a specific category divided by the relevant measure of total stock multiplied by the growth rate

\*\* Year-on-year growth

\*\*\* Denotes not available

Source: SARB