Money Supply and Credit

ECONOMICS | SOUTH AFRICA

NEDBANK

Credit growth continued its slowdown in February

- Broad money supply (M3) growth slowed to 6.1% yoy in February from 7.1% in January. This is the lowest growth since July 2024 when it advanced by 5.9%. The latest reading is notably below our forecast of 7%, but slightly higher than the market's forecast of 5.9%. Over the month, M3 contracted by 0.7% from growth of 0.3% as increases in net claims on the private sector (R175 million) and net other assets and liabilities (R21.8 billion) failed to offset contractions in net foreign assets (-R34 billion) and net claims on the government sector (-R23.1 billion).

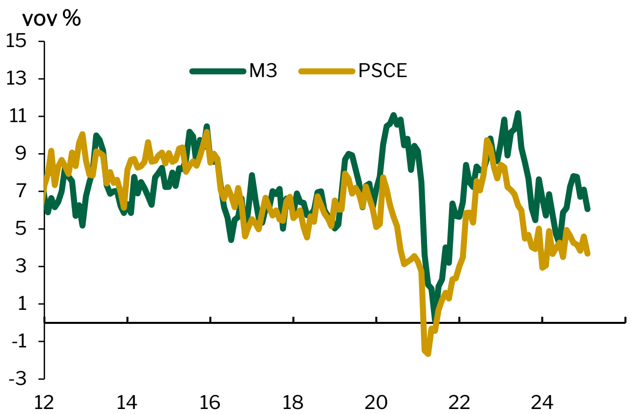
Table 1: Money supply and bank credit extension

	Feb-25		Jan-25	Forecasts (yoy %)	
	yoy %	mom %	yoy %	Nedbank	Market
M3 unadjusted	6.1	-0.7	7.1	7.0	5.9
Private sector credit extension	3.7	0.0	4.6	4.5	4.9
Total loans & advances	3.9	0.7	4.1	4.0	n/a
Households	2.7	0.6	2.9	2.9	n/a
Companies	5.1	1.0	5.3	5.2	n/a

Source: SARB, Nedbank GEU, Refinitiv

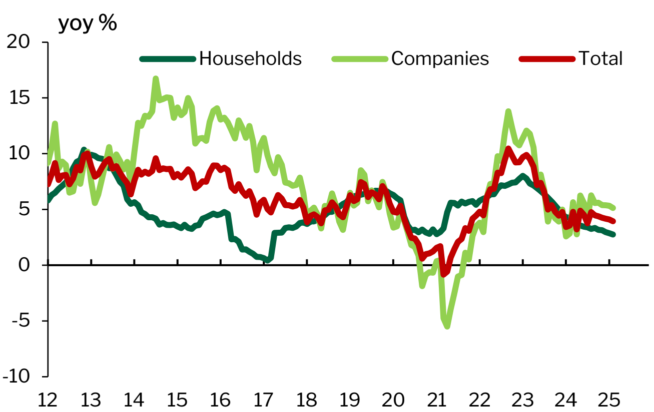
- Growth in private sector credit extension (PSCE) reversed course in February, slowing to 3.7% after advancing by 4.6% in January. The moderation can be attributed to the bills and investments category, which contracted by 9.2% mom, the steepest drop since January 2011 when it was down by 15.3%. On an annual basis, growth in bills and investments eased to 0.4% following a notable 11% jump in January. All the other credit categories were mixed. Leasing finance increased by 21.7% yoy (from 6.9%) while instalment sales (5.7% from 5.9%) and other loans and advances (4% from 4.4%) eased further. Mortgages were steady for a third consecutive month at 3.2%.
- Growth in loans and advances, which excludes bills and investments, slowed to 3.9% yoy from 4.1%, with credit in both the household and corporate sectors slowing further. Household loans eased to 2.7% from 2.9%, the lowest it has been since March 2017 as consumers remain cautious in taking on additional debt despite lower interest rates and stronger real incomes. Growth in home loans slowed to 2.2% after remaining steady at 2.3% for four straight months. Instalment sales and leasing finance eased further. Overdrafts contracted for a second month in February, down by 0.7% from -0.1% in January while the slump in personal loans softened to -1.3% from -1.6% over the same period. Despite slowing to 8.4% from 8.8%, credit card usage remains strong and continues to suggest that consumers are using credit to finance any additional consumption.

Chart 1: Trends in M3 and PSCE



Source: SARB, Nedbank calculations

Chart 2: Household and corporate loans

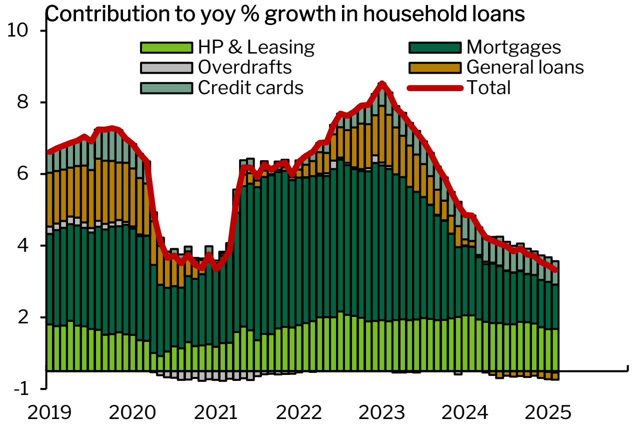


Source: SARB, Nedbank calculations

- Corporate credit growth eased to 5.1% yoy from 5.3%, weighed down by overdrafts. Overdrafts slowed to 7% from growth of 11.5% in January. Furthermore, credit card usage by companies was up 11.1%, the highest since May 2024. General loans edged slightly, up to 4.3%, following a notable slowdown in January, indicating some recovery in private fixed investment.

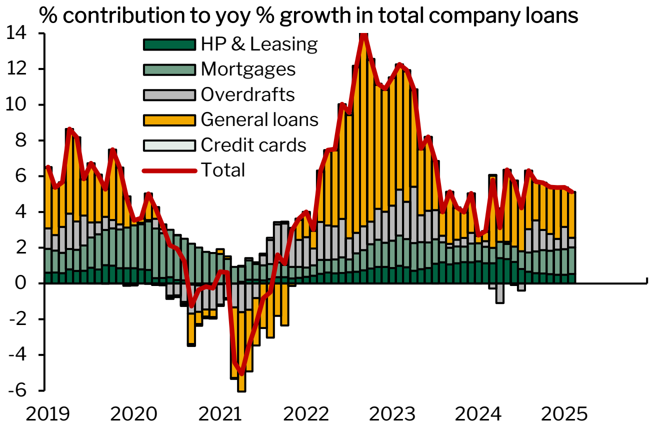
Growth in commercial mortgages and instalment sales and leasing finance also edged slightly higher.

Chart 3: Breakdown of household loans



Source: SARB, Nedbank calculations

Chart 4: Breakdown of company loans



Source: SARB, Nedbank calculations

- Credit growth has largely disappointed at the start of 2025. On the household front, consumers appear a lot more cautious about taking on additional debt despite the easing in interest rates and lower inflation. While the repo rate has eased notably from its peak of 8.25%, it is still trending 125 basis points above its pre-pandemic level of 6.25%, indicating that rates still remain quite restrictive. Nonetheless, lower inflation, and an improved growth and employment outlook should bolster consumer confidence, allow lenders to ease credit standards and thus encourage growth in the coming months. On the corporate front, credit growth is set to remain modest amid spare capacity. However, conditions will recover more meaningfully later in the year as improved growth outcomes boost confidence further and bolster private sector investment.

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	Feb-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	6.2
Home loans	2.8	2.8	2.7	2.5	2.5	2.4	2.3	2.3	2.3	2.3	2.1
Overdrafts	3.2	1.3	0.8	0.7	0.4	1.1	0.4	-0.1	0.0	-1.0	-2.1
Personal loans	-0.3	-0.8	-1.5	-0.9	-1.2	-1.0	-1.2	-1.0	-1.5	-1.6	-1.5
Credit cards	9.5	9.5	10.7	10.6	9.8	9.9	9.1	8.6	8.9	8.8	8.4
Total	**3.6**	**3.6**	**3.5**	**3.4**	**3.3**	**3.3**	**3.2**	**3.1**	**3.0**	**2.9**	**2.7**
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	5.8
Commercial mortgages	3.4	3.2	3.2	3.7	4.0	4.6	4.9	4.9	5.3	5.3	5.5
Overdrafts	-10.4	1.1	-0.8	-4.0	12.3	15.8	10.5	8.9	5.9	11.5	4.9
General loans	3.4	7.5	6.8	5.2	6.1	4.0	5.0	4.9	5.3	4.2	4.8
Credit cards	12.9	11.5	9.3	8.9	8.4	2.1	2.4	5.4	3.9	8.2	11.1
Total	**2.8**	**6.2**	**5.6**	**4.1**	**6.3**	**5.6**	**5.6**	**5.4**	**5.4**	**5.3**	**5.1**
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	6.1
Mortgages	3.0	2.9	2.9	2.9	3.0	3.1	3.1	3.1	3.2	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	3.8
General loans	2.6	5.7	5.1	3.9	4.6	3.0	3.7	3.7	3.9	3.0	3.5
Credit cards	9.6	9.6	10.6	10.5	9.8	9.5	8.8	8.4	8.6	8.8	8.5
Total loans & advances	**3.2**	**4.9**	**4.5**	**3.8**	**4.8**	**4.5**	**4.4**	**4.3**	**4.2**	**4.1**	**3.9**

Source: SARB

GROUP ECONOMIC UNIT

Liandra da Silva	+27 10 228 3527	liandrad@nedbank.co.za
Nicky Weimar	+27 10 234 8357	nickywe@nedbank.co.za