

# Basel III and the supply of bank credit in South Africa

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## Abstract

**Keywords:** Bank capital, Bank regulation, Credit

**JEL Codes:** G01, G18, G28, G32, G38

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# **1 Introduction**

The paper investigates the impact of Basel III regulation on bank lending in South Africa. This introduction is an overview of the paper

# **2 Context**

A review of policy context, with focus on South Africa but also reference to other emerging markets. Further detail in Appendix 1 and 2a.

# **3 Literature**

Osborne et al. (2017)

Jokipii and Milne (2008)

Gambacorta and Mistrulli (2004)

Schwert (2018)

Kim and Sohn (2017)

Carlson et al. (2013)

Tabak et al. (2011)

Altunbas et al. (2004)

Gambacorta and Shin (2018)

Berrospide and Edge (2010)

## 4 Developments in South African Banking

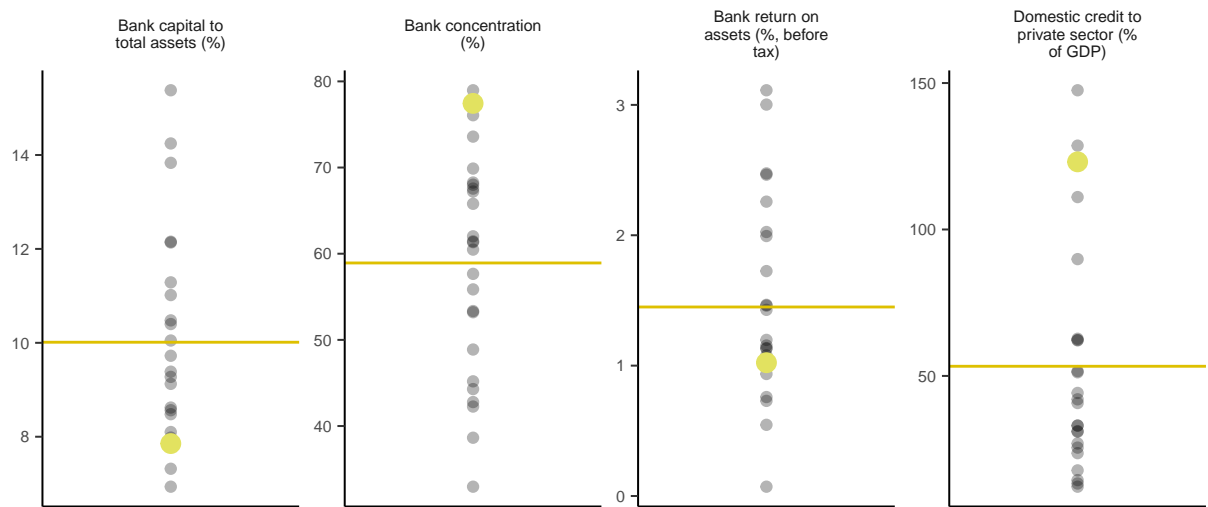
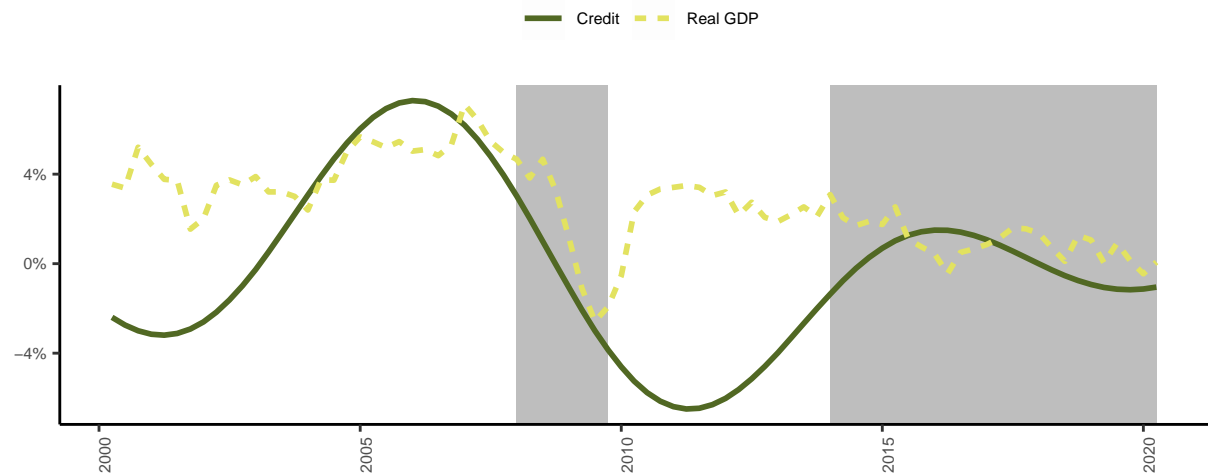


Figure 1: International Comparison. Source: World Bank (2022)



Shaded area represent downward phases of the business cycle.

Figure 2: Credit Cycle. Source: South African Reserve Bank (2022)

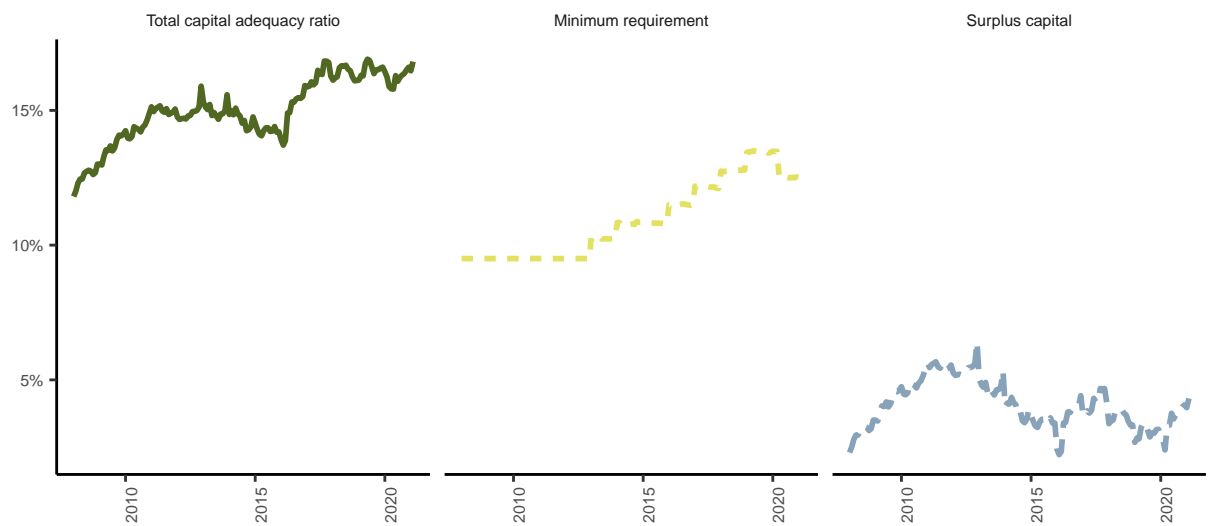


Figure 3: Capital Buffers. Source: South African Reserve Bank (2022)

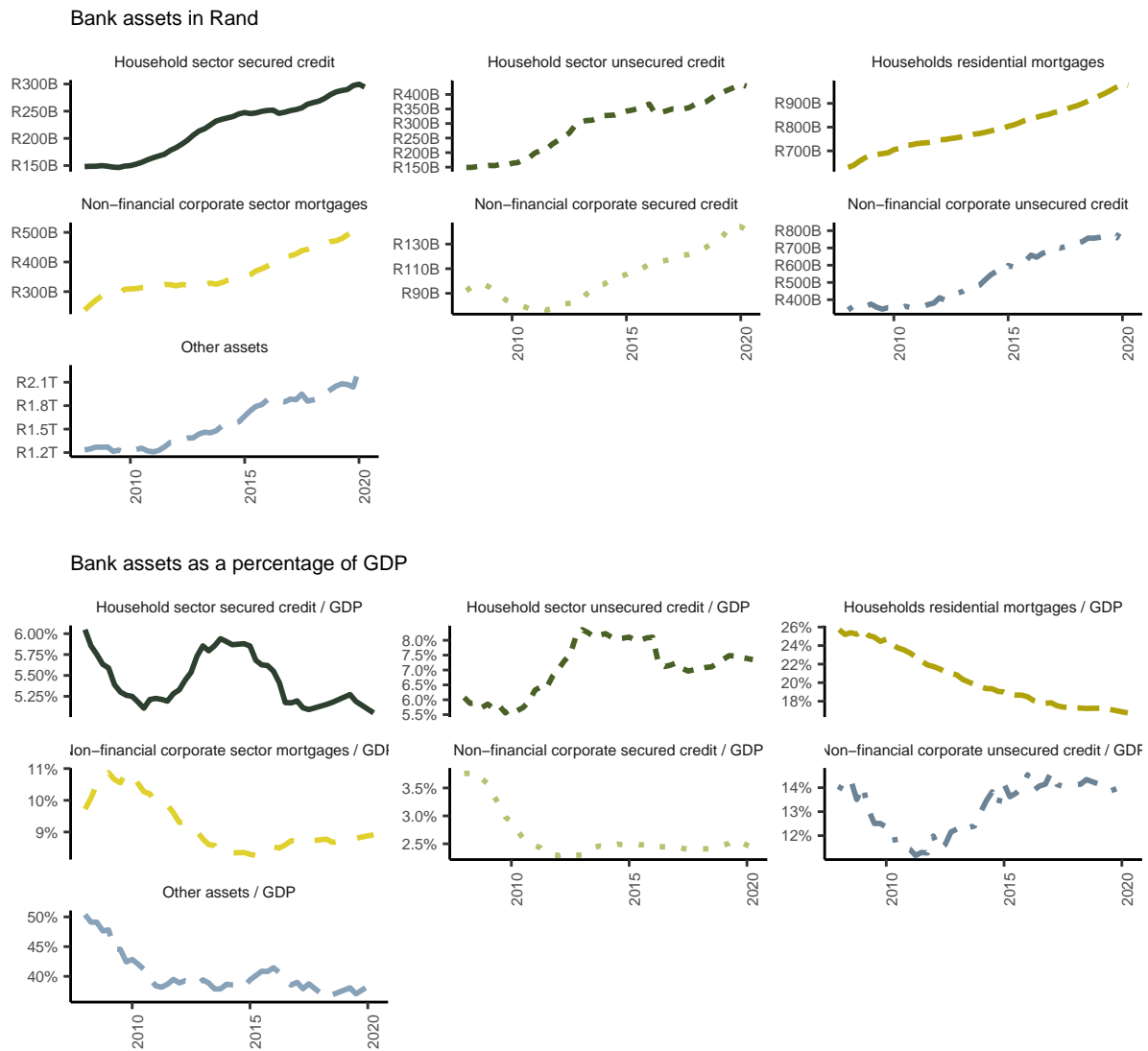


Figure 4: Bank assets. Source: South African Reserve Bank (2022)

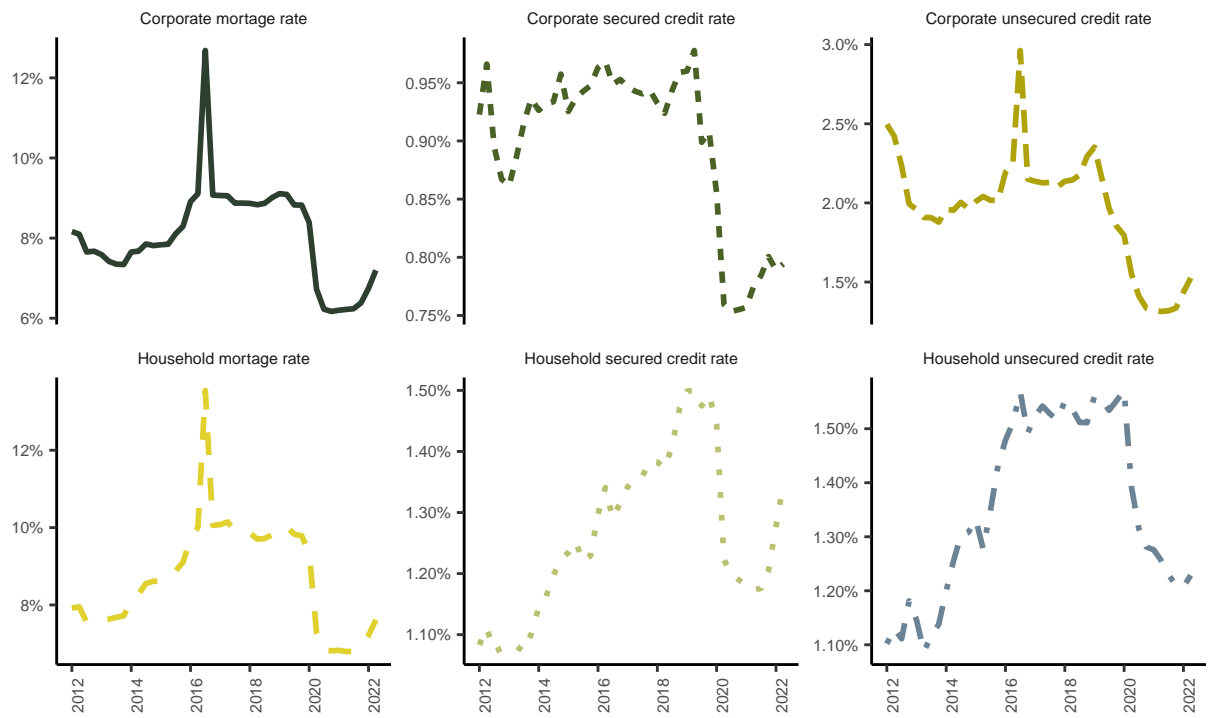


Figure 5: Lending Rates. Source: South African Reserve Bank (2022)

## 5 Specification

## 6 Estimation Results

		Median	SD	Min	Max	Obs
Lending Rates (%)	Corporate mortgage rate	8.3	1.0	6.7	12.7	34
	Corporate secured credit rate	0.9	0.0	0.8	1.0	34
	Corporate unsecured credit rate	2.1	0.2	1.6	3.0	34
	Household mortgage rate	9.2	1.2	7.3	13.5	34
	Household secured credit rate	1.3	0.1	1.1	1.5	34
	Household unsecured credit rate	1.5	0.2	1.1	1.6	34
Regulatory Capital (%)	Minimum requirement	10.7	1.4	9.5	13.5	50
	Surplus capital	3.9	0.9	2.3	5.8	50
Total Assets (R Billions)	Household sector secured credit	236.3	51.0	146.5	299.6	50
	Household sector unsecured credit	327.7	92.1	148.9	435.4	50
	Households residential mortgages	781.3	93.9	630.1	981.0	50
	Non-financial corporate sector mortgages	334.1	73.6	238.1	519.2	50
	Non-financial corporate secured credit	98.9	20.7	76.5	144.1	50
	Non-financial corporate unsecured credit	530.5	164.7	340.4	823.2	50
	Other assets	1,550.3	327.8	1,200.6	2,266.7	50
Total Assets/GDP (%)	Household sector secured credit / GDP	5.4	0.3	5.1	6.0	44
	Household sector unsecured credit / GDP	7.1	0.9	5.6	8.4	44
	Households residential mortgages / GDP	20.2	2.9	16.7	25.7	44
	Non-financial corporate sector mortgages / GDP	8.8	0.9	8.3	10.9	44
	Non-financial corporate secured credit / GDP	2.5	0.4	2.3	3.8	44
	Non-financial corporate unsecured credit / GDP	13.5	1.1	11.2	14.6	44
	Other assets / GDP	39.1	3.5	36.4	50.4	44

Table 1: Descriptives

## 7 Conclusion

## 8 Appendix: Descriptive Analysis

### 8.1 Data

#### 8.1.1 Capital Buffers

#### 8.1.2 BA 900 Quartelty Data

#### 8.1.3 BA 900 to GDP



## 9 Appendix: Detailed Literature Review

More detailed literature review

## References

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