



CDIX

CONSUMER DEFAULT INDEX - Summary

Understanding the South African credit consumer within the greater context of the South African economy.

November 2024 | **Quarter 3**



CONTENTS

- 3 — Overview of CDIx
- 4 — Consumer Default Index (CDI)
- 6 — Summary of the CDIx
- 7 — Experian Solutions used in the CDI and CDIx

Glossary

CDI	Consumer Default Index
CDIx	Consumer Default Index Extended
CPI	Consumer Price Inflation
Eskom	The South African electricity public Utility
NAB	Non-alcoholic Beverages
NCR	National Credit Regulator
SAPIA	South African Petroleum Industry Association
SARB	South African Reserve Bank
StatsSA	Statistics South Africa
USD	United States Dollar
ZAR	South African Rand

For the best visualization experience switch to the full screen modality, keyboard shortcut:



CDIx – Experian Consumer Default Index Expanded

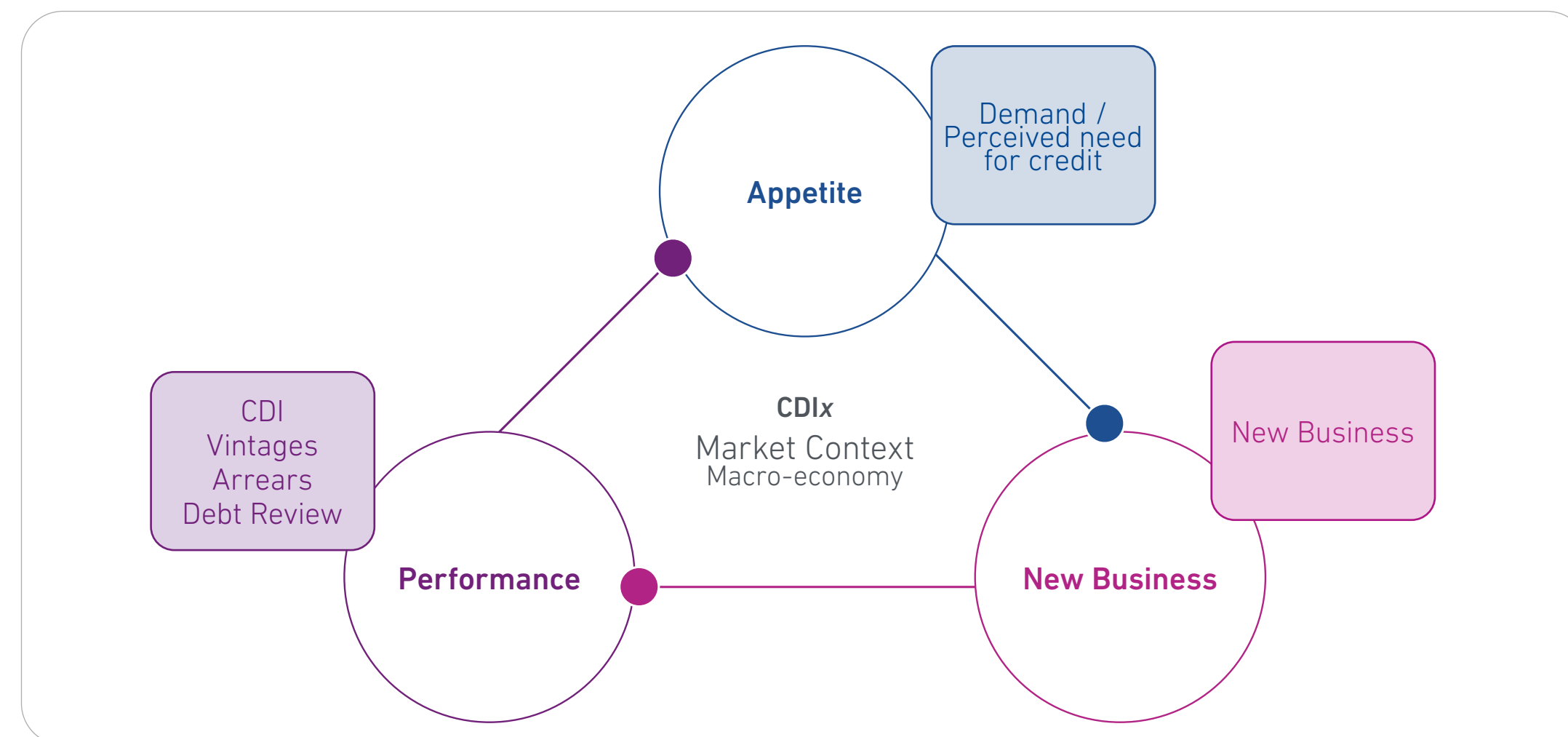
Overview of CDIx – What does it measure?

The Experian Consumer Default Index (CDI), was designed to measure the rolling default behaviour of South African consumers with Home Loan, Vehicle Loan, Personal Loan, Credit Card and Retail Loan accounts.

The CDIx provides a quarterly overview of the credit landscape in South Africa, combining the widely used CDI with views on the latest credit industry trends as well as commentary on the context within which these trends are observed.

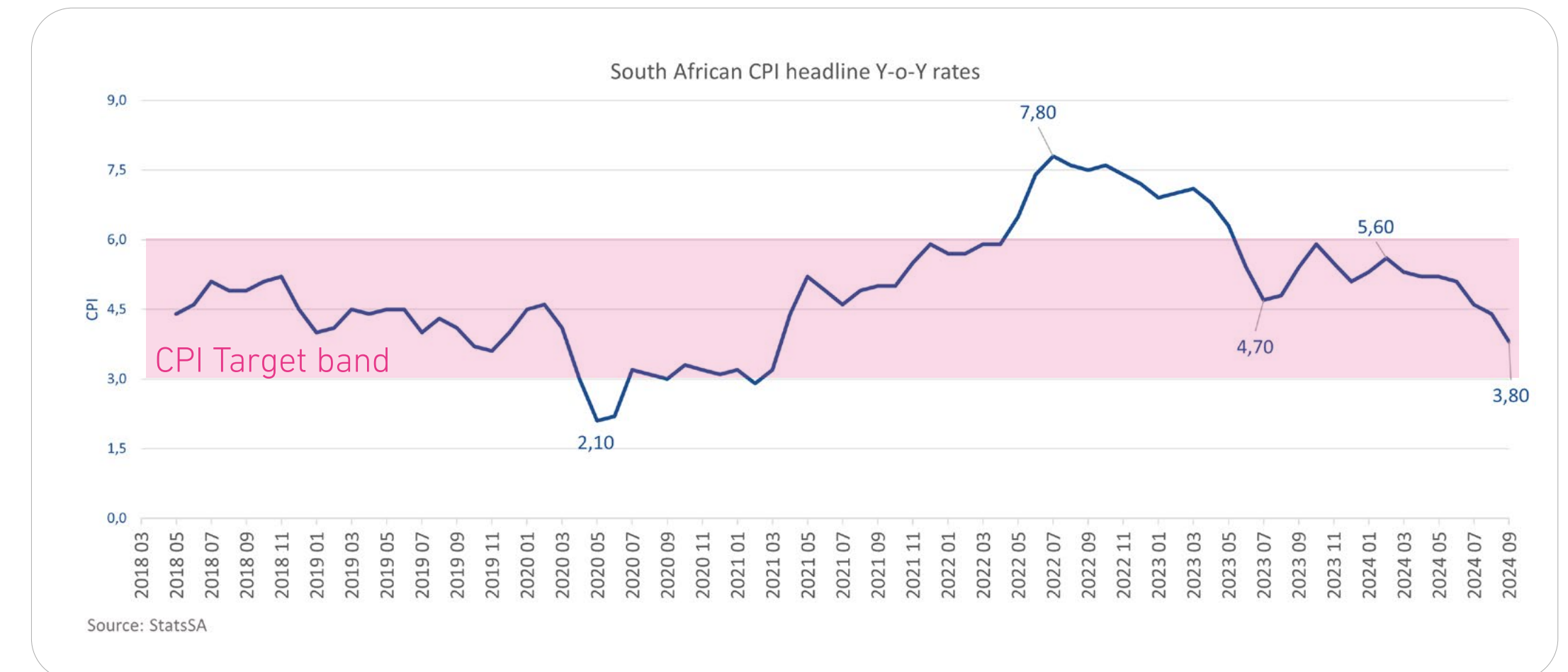
Specifically, it provides views on the latest:

- Macroeconomic **Market Context** that has a direct bearing on consumers
- Market **appetite** for credit
- Qualification and take-up of credit (i.e. **new business**)
- **Performance** of credit consumers (i.e. arrears/defaults and vintages, CDI and Debt Review).



Market Context

Cost of Living: Consumer Price Inflation



September 2024 saw the CPI drop to the lower end of the SARB's target band of 3% - 6%. The CPI has been within this band for the last 19 months, after reaching a peak of 7.8 in July 2022. Annual consumer inflation cooled for a fourth consecutive month, easing to 3.8% in September 2024. The main contributing factors were the decrease in food and transport price inflation.

Consumer Default Index (CDI) – Tracking first-time default rate for South African consumers

Overview of Index – What does it measure?

The Experian Consumer Default Index (CDI) measures the rolling default behaviour of South African consumers with Home, Vehicle, Personal, Credit Card, and Retail Loan accounts.

Every month, lenders typically classify their consumer accounts into one of several predetermined payment categories to reflect the level of arrears. When a lender deems the statement balance of a consumer account to be uncollectible due to being in arrears for 90 or more days or having statuses such as repossession, foreclosure, charge-off or write-off, the consumer account is said to be in default.

The index tracks the marginal default rate, which measures the sum of first-time defaulted balances, i.e., accounts that have never previously defaulted, as a percentage of the total sum of balances outstanding.

The CDI is published quarterly with a two-month lag, including a balance-weighted composite index and the five product-specific sub-indices. Two grouped indices are also provided:

1. Home Loans, Vehicle Loans and Credit Cards (these products typically are held by the traditionally banked market segments), and
2. Personal Loans and Retail Loans (these products are usually used as entry products into the credit market).

The indices are also determined at a level that provides further insight into the dynamics of specific consumer affluence-related segments experiencing different stresses due to macro forces such as unemployment, interest rate changes and economic growth.



25.09m

consumers with Credit Card, Personal Loan, Vehicle Loan, Home Loan and/or Retail Loan accounts.

30.98m

active accounts across Credit Card, Personal Loan, Vehicle Loan, Home Loan and/or Retail Loan.

R2.25

trillion in outstanding debt.



The **CDI is published quarterly** with a two-month lag, the indices include a balance-weighted composite index, as well as the five product-specific sub-indices.



Composite Consumer Default Index

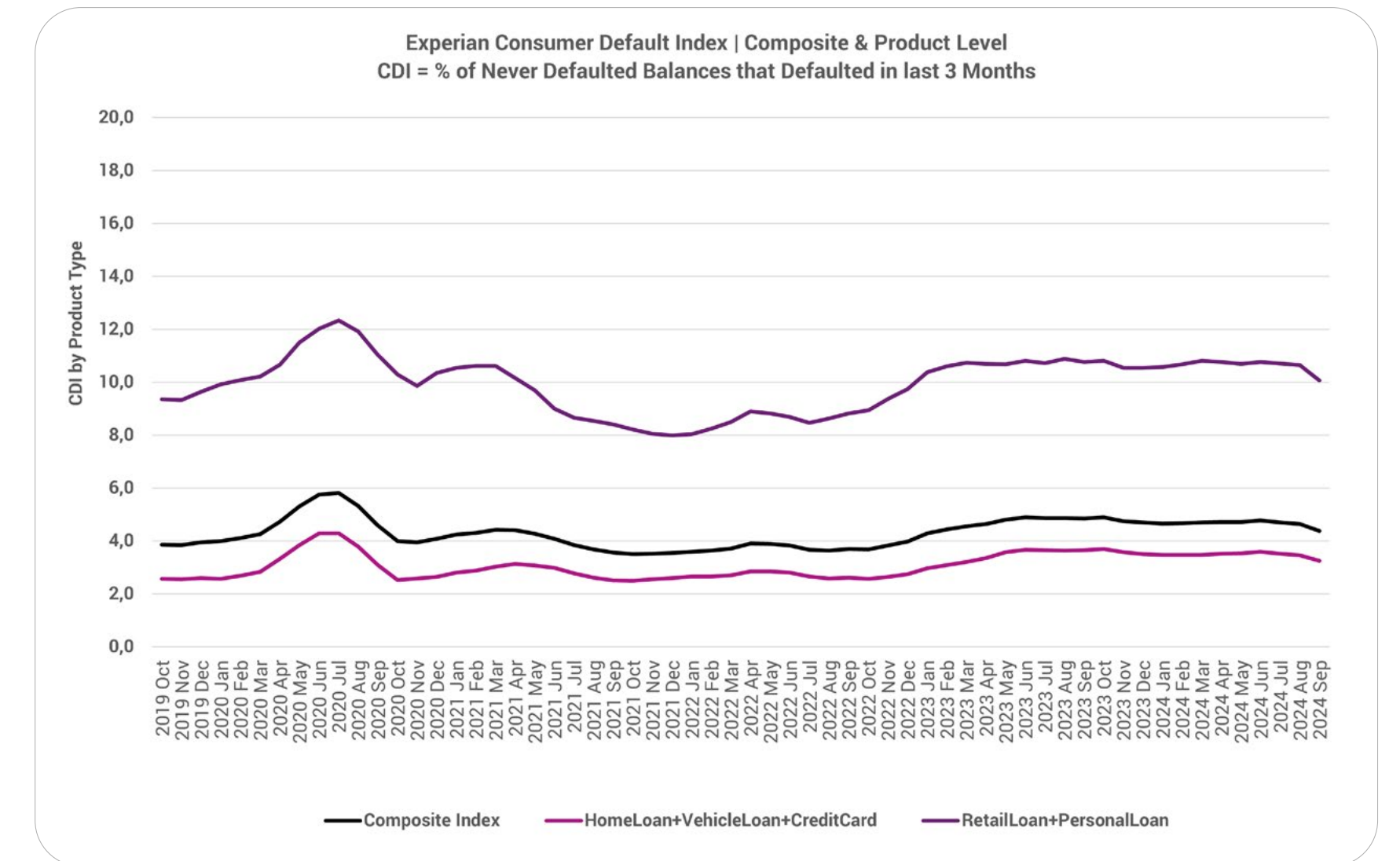
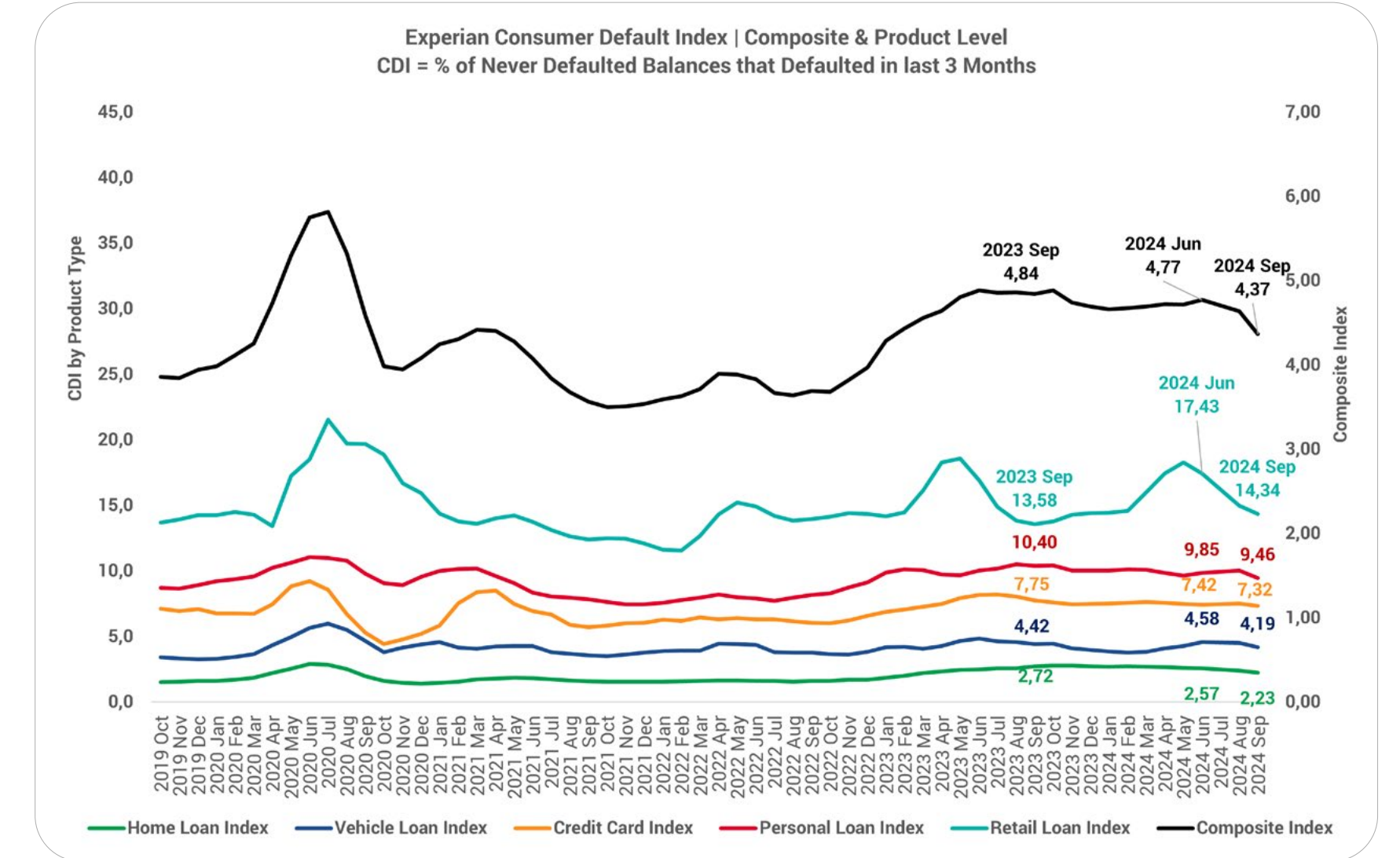
The composite CDI showed relative improvement Q-o-Q, moving from 4.77 in June 2024 to 4.37 in September 2024. Considering the CDI's cyclic nature, we expected to see this improvement in Q3 in anticipation of the Q4 consumer spending spree and subsequent increase in CDI that ensued early in Q2 the following year.

Y-o-Y, the Composite CDI also improved, moving from 4.84 to 4.37 – a relative improvement of 10%. This improvement suggests that even though consumers are still finding it very challenging to honour debt commitments, the situation is improving slightly.

From a product perspective, we saw only one Y-o-Y deterioration. This was in Retail Loans, with a 6% relative deterioration. The improvements observed for the other products, however, outweighed Retail Loans' deterioration and indeed overshadowed the negative performance of Retail Loans (as indicated in the Composite CDI).

Home Loans and Personal Loans saw the most substantial improvement in CDI, moving from 2.72 to 2.23 and from 10.40 to 9.46 respectively, Y-o-Y. This meant that Home Loans saw a relative improvement of 18% and Personal Loans a relative improvement of 9% over the last year. This points to the fact that mid-to-high affluence consumers – who typically qualify for high-end credit products such as Home Loans – are now starting to see a turn in the tide of relentless deterioration observed over the last 2 years. This might be related to even the high-affluence end of the market reaching a point where they cannot take on any more of these premium credit products.

Index	CDI Sep'24	CDI Sep '23	Average Outstanding Jul'24-Sep'24	New Default Balances Jul'24-Sep'24	Relative Impr/Deter
Composite Index	4,37	4,84	R 2 244 181 276 448	R 24 501 959 215	-10%
Home Loan Index	2,23	2,72	R 1 183 018 792 795	R 6 619 671 546	-18%
Vehicle Loan Index	4,19	4,42	R 512 101 110 016	R 5 358 283 651	-5%
Credit Card Index	7,32	7,75	R 179 483 106 628	R 3 286 164 172	-6%
Personal Loan Index	9,46	10,40	R 322 690 951 912	R 7 633 017 539	-9%
Retail Loan Index	14,34	13,58	R 44 773 531 176	R 1 604 822 307	6%
Home Loan + Vehicle Loan + Credit Card	3,25	3,65	R 1 876 716 793 360	R 15 264 119 369	-11%
Retail Loan + Personal Loan	10,06	10,77	R 367 464 483 088	R 9 237 839 846	-7%



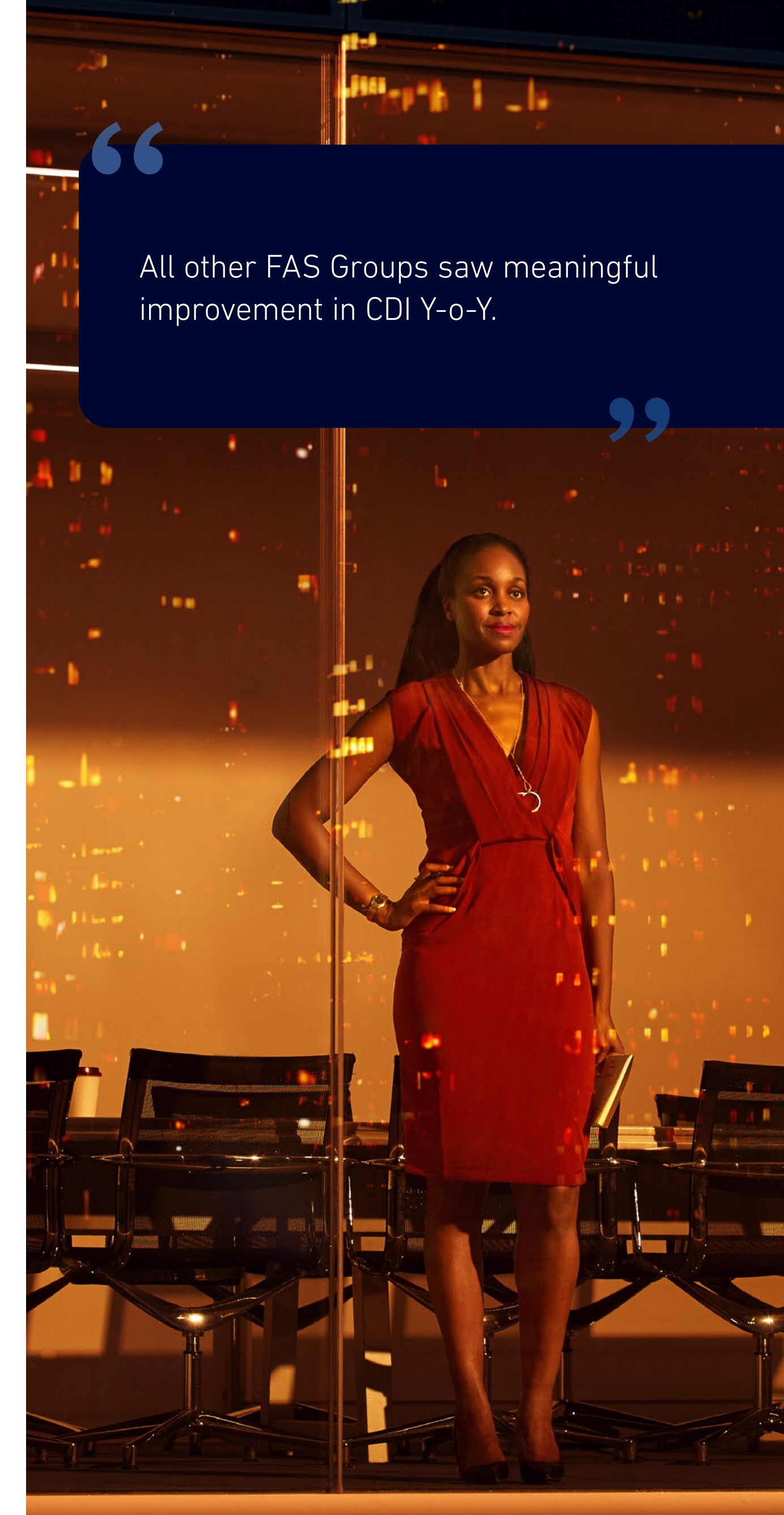
Summary of the CDIx

- CPI fell to 3.8% in September 2024, its fourth consecutive decline, driven by lower food and transport inflation.
- **Market appetite for credit in Q2** (NCR data):
 - Record-high credit applications indicate strong market demand.
 - Marginal drop in approval rate reflects cautious lender response.
- **New business Q3 disbursements align with seasonal trends, with values just surpassing pre-COVID levels.**
 - Notably, Home loans are becoming less prevalent in both volume and value over time, while Personal loans and Retail loans are gaining prominence. It would be interesting to see how the Q4 new business is affected by the upcoming Black Friday campaigns by retailers.
- The Composite **CDI** has shown relative improvement
 - Th Y-o-Y improvement was seen for most products, except for Retail loans.
 - **The most significant improvement was seen with Home Loans.**
 - FAS Group 1 (Luxury Living) continued to show Y-o-Y deterioration in their CDI.
 - All other FAS Groups saw meaningful improvement in CDI Y-o-Y. This improvement was mimicked across products, with these consumers all showing significant improvements in CDI Y-o-Y
- **Vintages** in Home Loans portfolios have shown marginal improvement for both the @ 6 months and 12 months views, but regardless of the improvement, they continue to surpass that of Vehicle Loans.
- FAS Groups 1 and 2 account for no less than 43% of the total volume of credit products for which **Debt Review** applications have been lodged.

“

All other FAS Groups saw meaningful improvement in CDI Y-o-Y.

”



Experian Solutions used in the CDI and CDIx

This report leverages Experian data, analytics and technology solutions to bring you insights into consumers in South Africa.

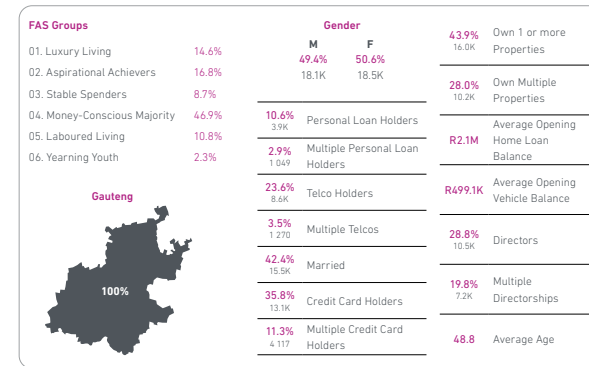
Our solutions used to develop the CDI and CDIx include:

- Consumer macro- and micro segmentation (FAS)
- Bespoke CDI views (benchmarking your business against rest of market)
- Analytics Benchmark reports (quarterly full packs or monthly lite reports)
- Macro-economic views expanded on in the Business Debt Index (built and maintained in collaboration with Econometrix (Pty) Ltd)



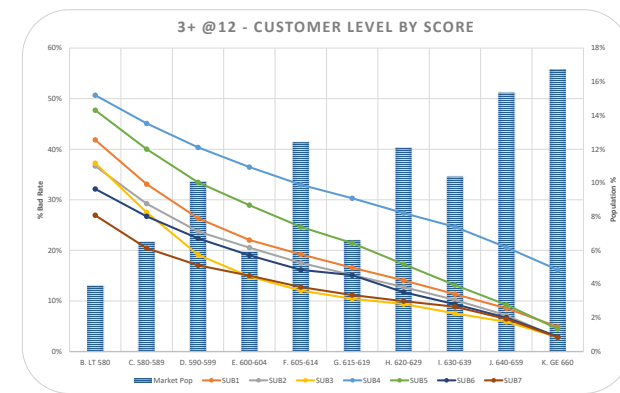
Understanding your Customers

The Financial Affluence Segmentation tool helps companies ideal target populations likely to take up your product or engage with your services.



Locate your Ideal Customer

Experian's FAS Location solution allows you to select your ideal segment based on their FAS profiles and/or area to get insights into the population at a more granular level.



Industry Benchmarking Reports

Understand how your company is performing against the industry in our comprehensive benchmarking reports.

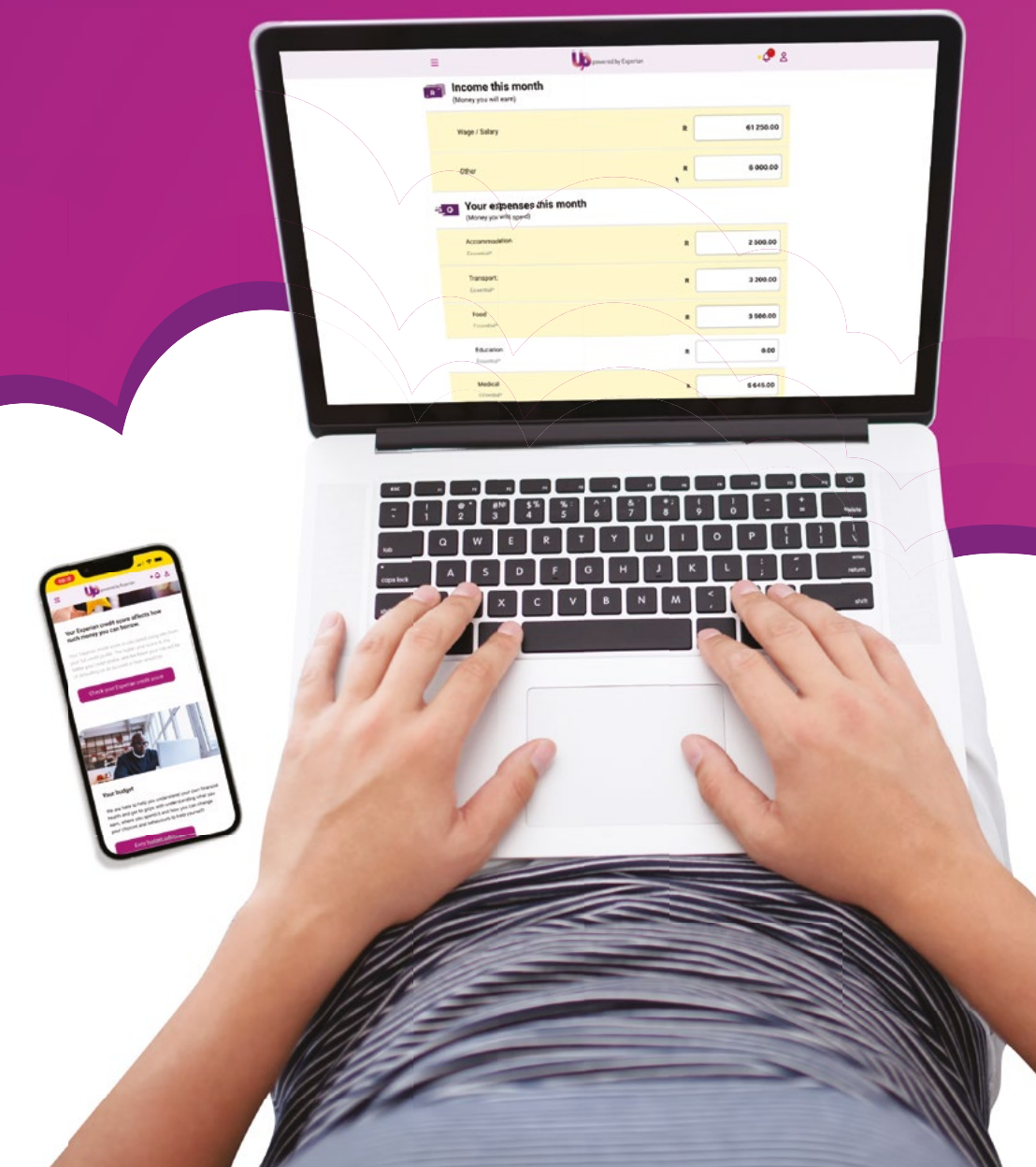


The unpredictable nature of the future can be daunting – let us help you understand your situation and how you can overcome your business obstacles through data and analytics.

Up powered by Experian



In order to improve consumer financial health and to drive financial education, Experian has launched a web-based app called 'Up'. This platform is made available to consumers free of charge. We make it available to businesses for publishing on corporate websites as well through an annually renewable Up Partnership agreement. Please contact us for more information.



WISE UP with Experian's free credit information and education app.

A credit, budgeting and learning experience to help you take control of your financial health.

www.up.experian.co.za





www.experian.co.za

Contact Us

Should you be interested in our reports and solutions,
or if you would like to book an analytics consultation, please contact us.

scoressharp@experian.com
ConsumerInsights@experian.com

Copyright ©2024 Experian

This report is proprietary to Experian and protected by copyright laws in South Africa and worldwide. It may not be disseminated, or distributed, copied, made available to any third party or otherwise commercially exploited.

The report was compiled based on data received from various third-party sources and though Experian takes reasonable care in the collection and collation of data, it cannot guarantee that such data received was accurate, complete or up to date. This report is for general information purposes and should not be used as the sole basis for any business decision. Experian does not guarantee any particular outcome by its use.

Experian
Ballyoaks Office Park, 35 Ballyclare Drive
Bryanston, Johannesburg, 2194
T: +27 11 799 3400
www.experian.co.za

Experian House
3 Neutron Avenue, Techno Park,
Stellenbosch, South Africa, 7600
T: +27 11 799 3400
www.experian.co.za