experian

CDIx

CONSUMER DEFAULT INDEX - Summary

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

August 2024 | **Quarter 2**

CONTENTS

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

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

CDIx – Experian Consumer Default Index Expanded

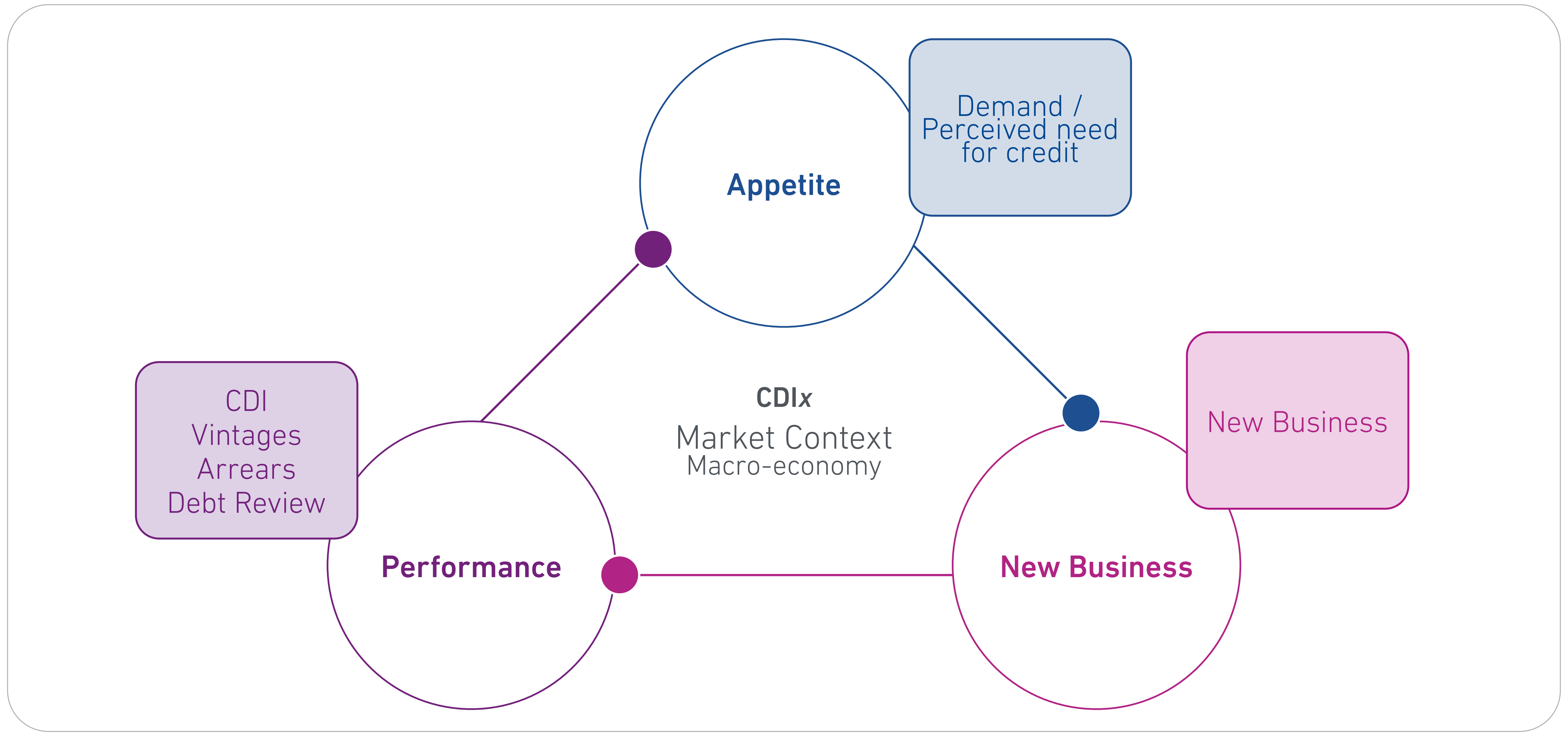
Overview of CDIx – What does it measure?

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.

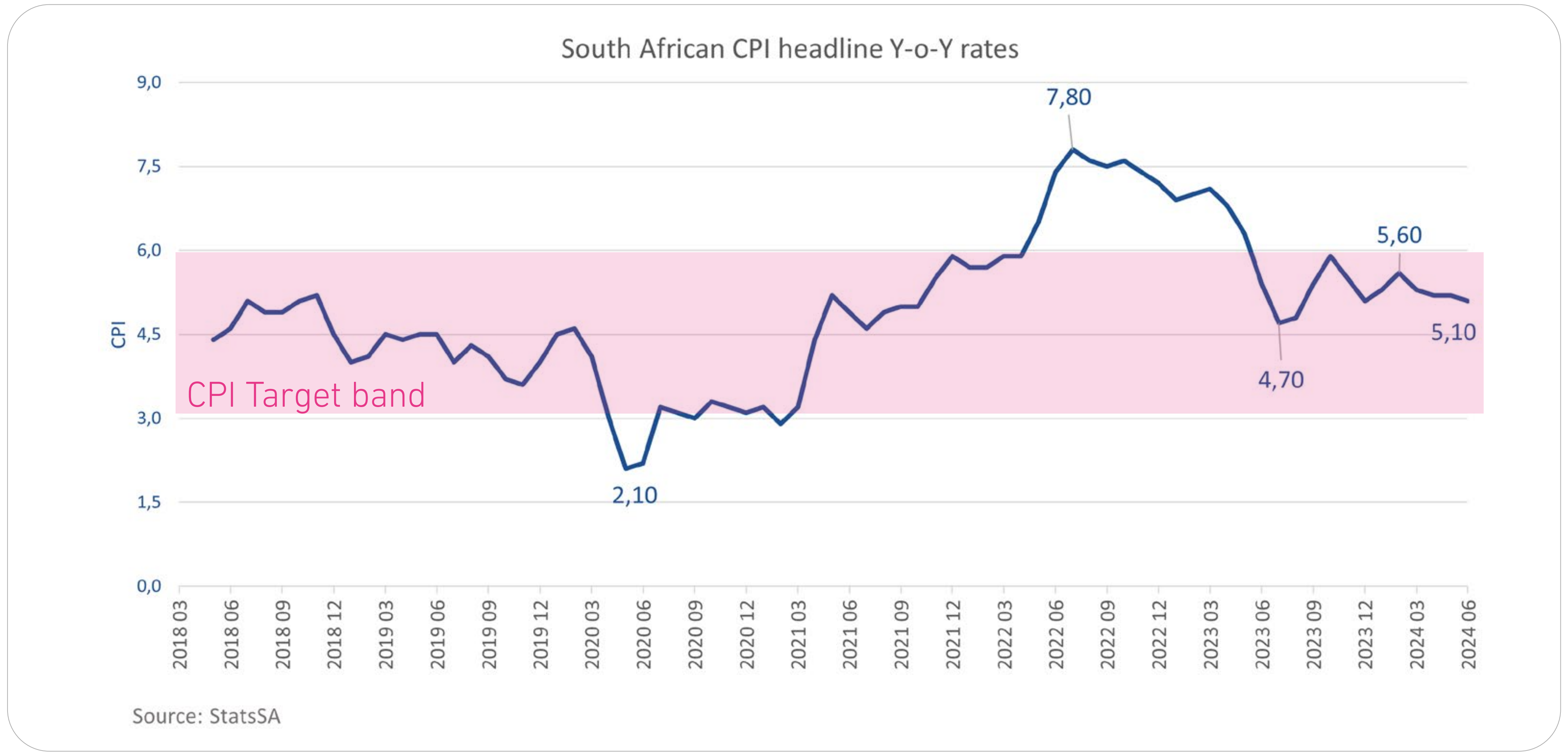
Specifically, it provides views on the latest:

- 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



The **CPI has remained within the SARB's target band of 3% - 6% since June 2023**. The last 13 months have seen the CPI stay within this ban, following a year when it exceeded 6%, peaking at 7.8 in July 2022. The downward move in CPI, observed in June 2024, was driven by an ease in the inflation of food prices.

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) is designed to measure the rolling default behaviour of South African consumers with Home Loan, Vehicle Loan, Personal Loan, Credit Card, and Retail Loan accounts.

On a monthly basis, 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 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 as it 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, the indices include a balance-weighted composite index, as well as 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 FAS type level to provide further insight into the dynamics faced by specific consumer affluence-related segments that are experiencing different stress due to macro forces such as unemployment, interest rate changes and economic growth.

25.17m consumers with Credit Card, Personal Loan, Vehicle Loan, Home Loan and/or Retail Loan accounts.

31.02m active accounts across Credit Card, Personal Loan, Vehicle Loan, Home Loan and/or Retail Loan.

R2.24 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

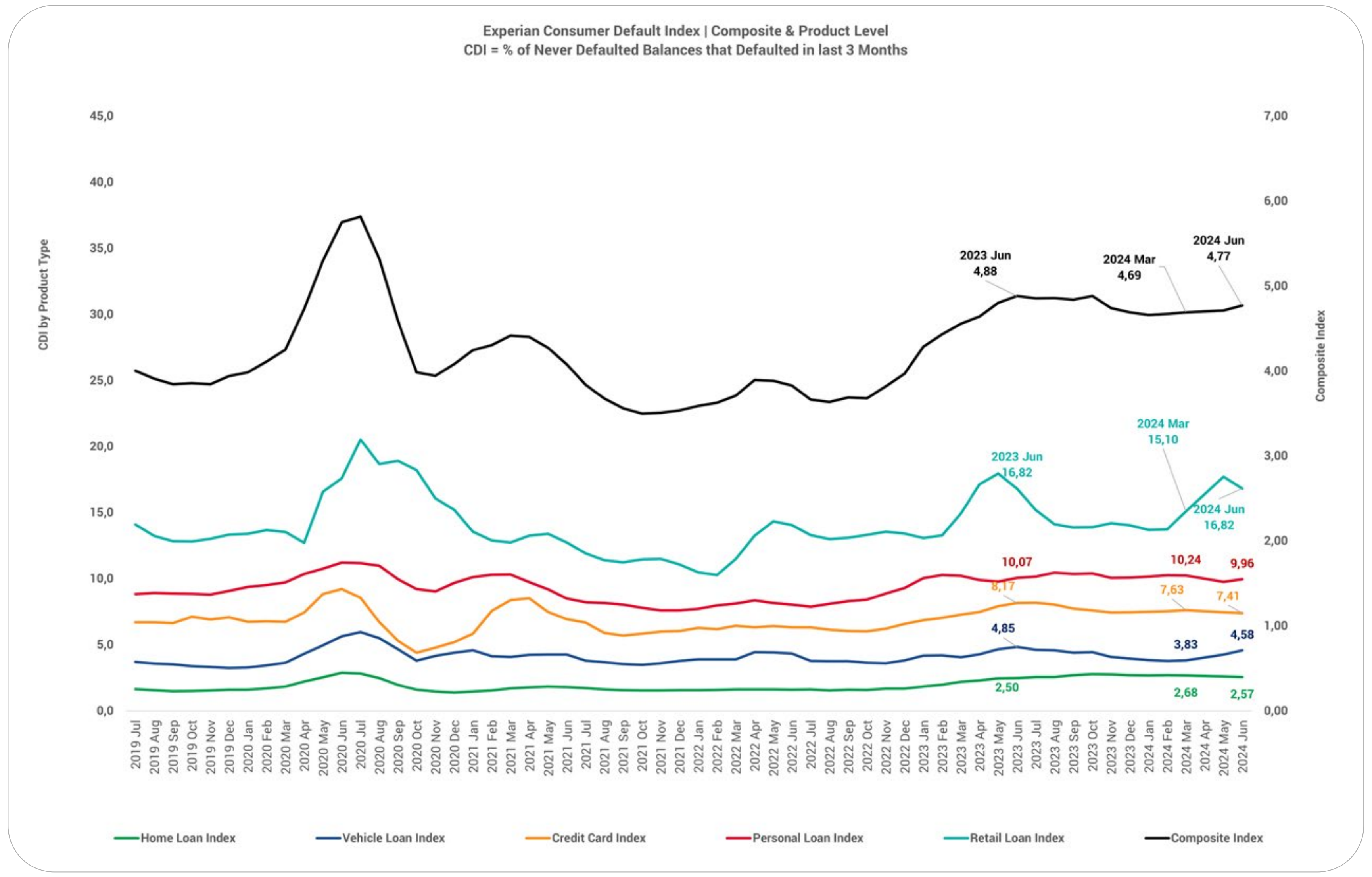
The composite CDI showed relative deterioration Q-o-Q, moving from 4.69 in March 2024 to 4.77 in June 2024. Considering the CDI's cyclic nature, we expected to see this worsening in Q2. This is usually the result of the Festive Season, particularly the Black Friday spending spree during Q4. It is encouraging, though, that the CDI shows signs of returning to the 'usual' seasonal pattern, following the extraordinary increasing trend observed throughout the Festive season of 2021 and continued to mid-2023.

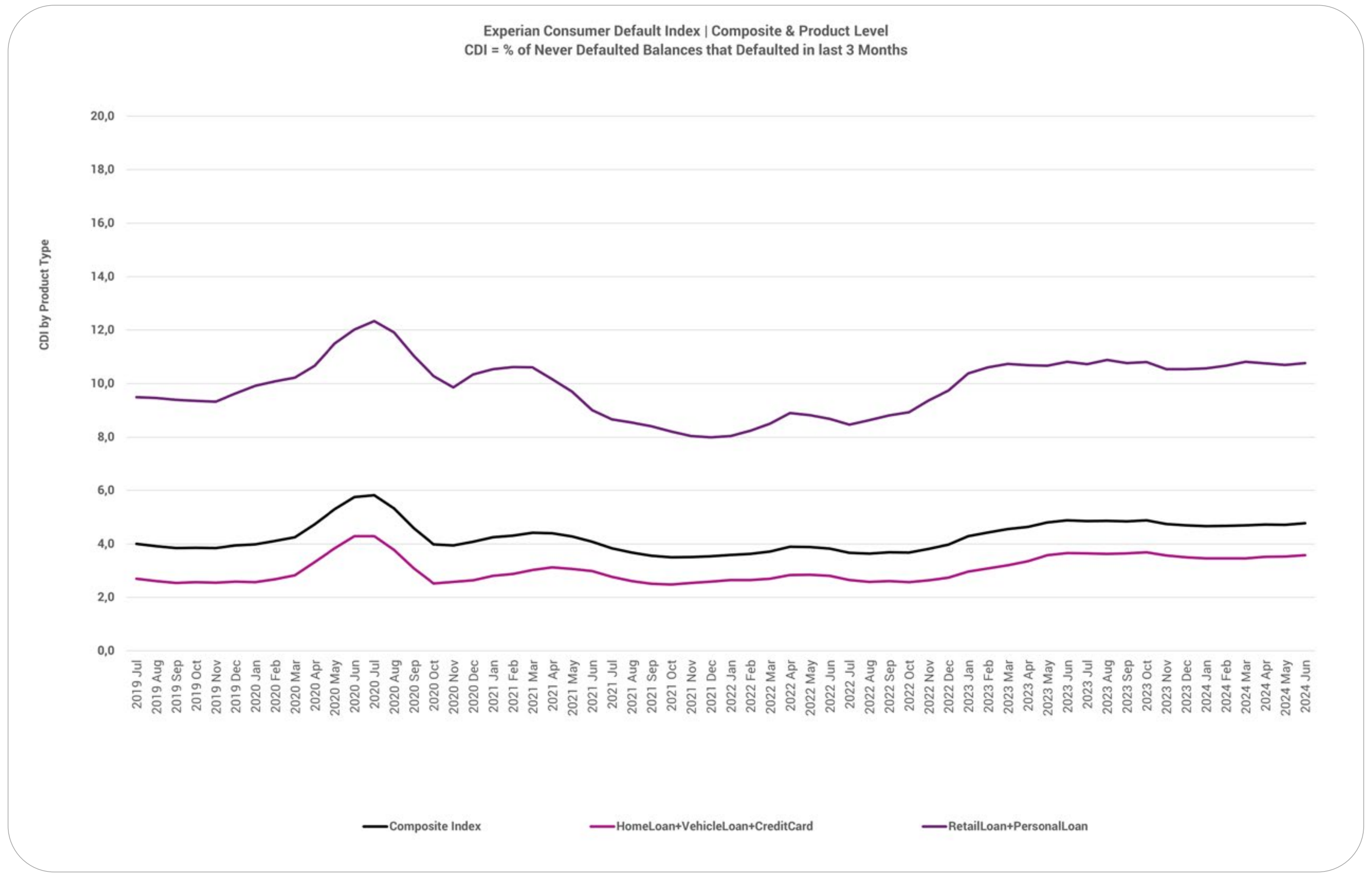
Y-o-Y, the composite CDI improved for the first time in 2 years, moving from 4.88 to 4.77 – a relative improvement of 2%. This slight improvement suggests that even though consumers still find it very challenging to honour debt commitments, the situation is not worsening at the same speed observed in 2023.

From a product perspective, we saw the only relative deterioration in Home Loans: 3% (this is also down from the 21% relative deterioration observed in 2024 Q1). With Home Loans carrying the lion's share of the total market exposure (53%), the improvements observed for some of the other products were significant enough to counterbalance and, indeed, overshadow the negative performance of Home Loans.

Credit Card and Vehicle Loans saw the most significant improvement in CDI, moving from 8.17 to 7.41 and 4.85 to 4.58, respectively, Y-o-Y. This meant that Credit Cards saw a relative improvement of 9% and Vehicle Loans a relative improvement of 5% over the last year. This indicates that mid-to-high affluence consumers – who typically qualify for these high-end credit products – are now moving into territory where their relative deterioration is becoming less severe. This is probably because even the high-affluence end of the market has now reached a point where they cannot take on any more of these premium credit products.

	Index	CDI Jun'24	CDI Jun '23	Average Outstanding Apr'24-Jun'24	New Default Balances Apr'24-Jun'24	Relative Impr/Deter
■	Composite Index	4,77	4,88	R 2 234 505 292 815	R 26 710 815 812	-2%
■	Home Loan Index	2,57	2,50	R 1 176 982 262 902	R 7 561 360 135	3%
■	Vehicle Loan Index	4,58	4,85	R 508 334 011 200	R 5 825 426 308	-5%
■	Credit Card Index	7,41	8,17	R 181 017 366 821	R 3 355 362 324	-9%
■	Personal Loan Index	9,96	10,07	R 327 234 082 385	R 8 150 967 305	-1%
■	Retail Loan Index	16,82	16,82	R 43 214 613 739	R 1 817 699 740	0%
■	Home Loan + Vehicle Loan + Credit Card	3,58	3,66	R 1 868 285 949 445	R 16 742 148 767	-2%
■	Retail Loan + Personal Loan	10,76	10,81	R 370 448 696 124	R 9 968 667 045	0%





Summary of the CDIx

Key Takeouts

- CPI remains below the 6% threshold in 2024 Q2, but at 5.1%, it continues to cause household expenditure to edge ever higher, putting more pressure on consumers from a cost-of-living perspective.
- Food costs have seen a slower rate increase over the last nine months.
- Market **appetite for credit increased in Q1** (NCR data) remains high but does reflect the characteristic ease we see following the characteristic boost in Q4 over the Festive season. Approval rates remain very low at just under a third.
- Increased cost of living also leads to decreased **affordability** for consumers
- Likely increased inability of consumers to meet debt obligations
- Likely reduction in qualification for new credit – as seen in low approval rate
- **New product sales mostly continue a downward trajectory in terms of value**
- The one exception here is Retail Loans, which is showing a continued increase since January 2024
- The Composite **CDI** has, for the first time in almost two years, shown slight improvement
- The Y-o-Y improvement was seen for all products, such as save Home Loans.
- **The most significant improvement was seen for Credit Cards.**
- 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 – with one exception being FAS 3 (Stable Spenders), still showing deterioration in the Retail Loan CDI.
- **Vintages** in Home Loans portfolios have shown a long-term deteriorating trend for both the @ six months and @12 months view and 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.

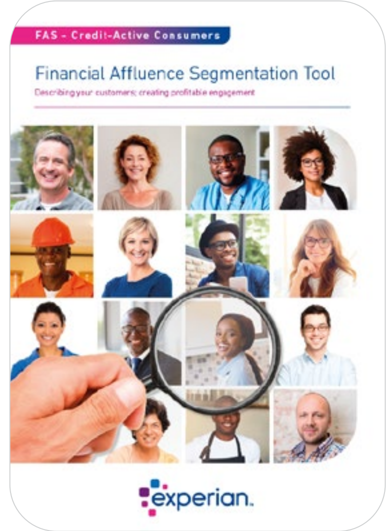
> "Food costs, although on an increasing trend, have come down slightly M-o-M in December 2023 for the first time since November 2019."

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.

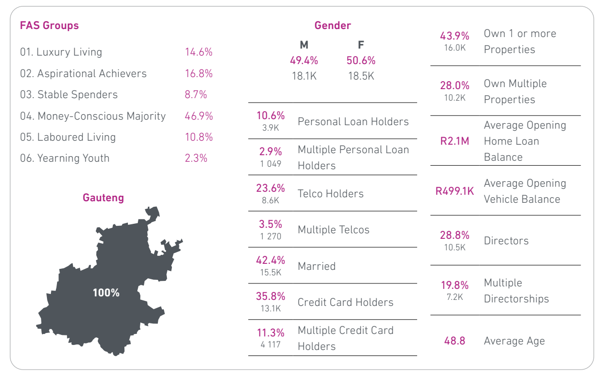
Our solutions used to develop the CDI and CDIx include:

- 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)



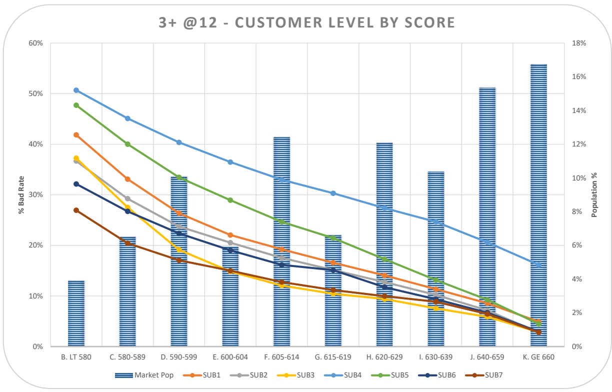
Understanding your Customers

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.

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.

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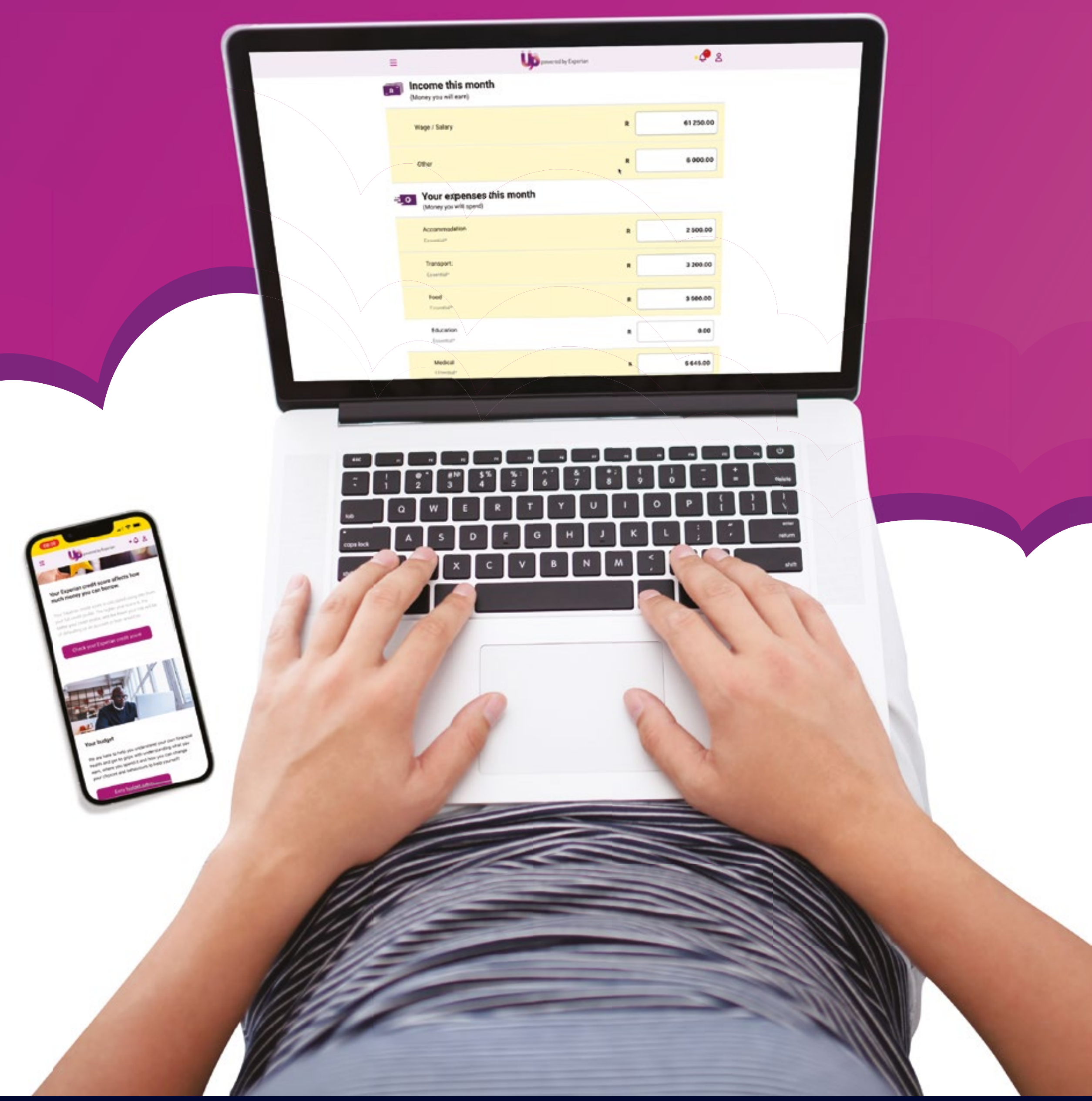

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Should you be interested in our reports and solutions,
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