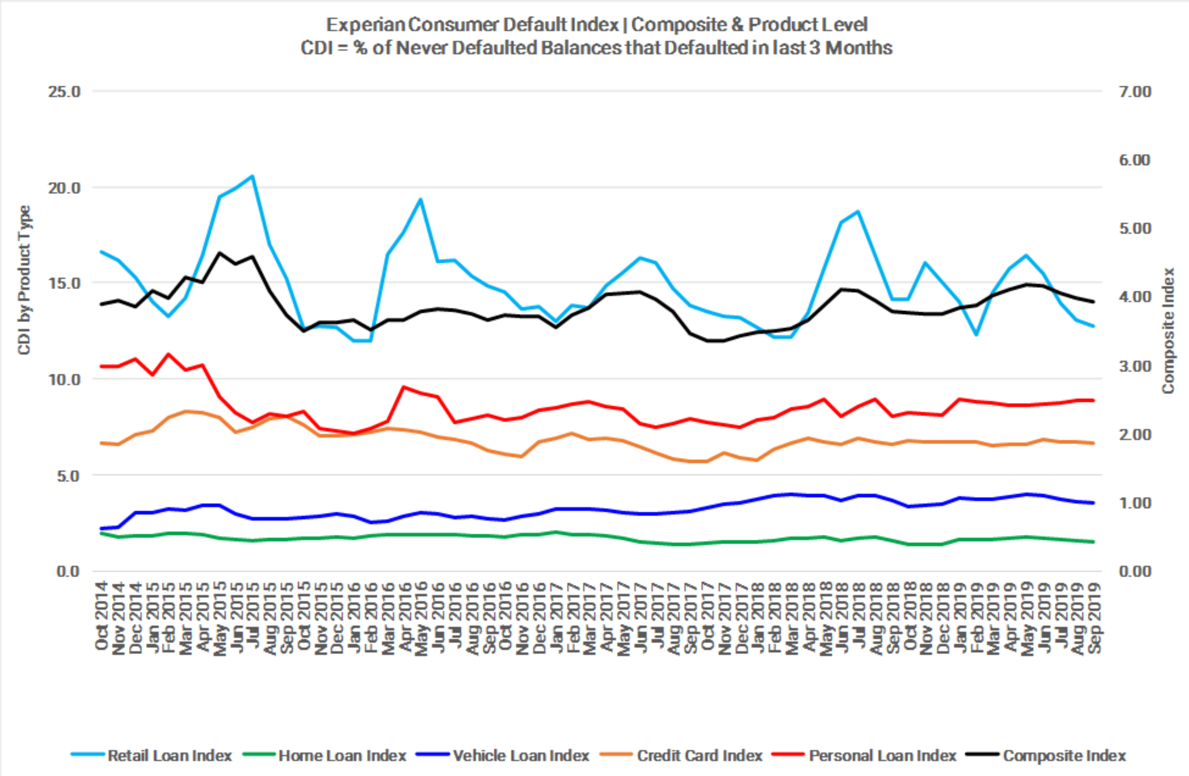
News release

# Consumer debt in South Africa increases to R1.72 Trillion

- *Personal loans showed the biggest increase of first-time product defaults*
- *Retail loans introduced to index, show improvement*




**Johannesburg, 27 November 2019** – Experian South Africa has released its Consumer Default Index (CDI) for Q3, which saw the overall index increase from 3.76% in the second quarter to 3.93% in September 2019, amounting to R1.72 Trillion in outstanding debt. This is mainly due to an overall deterioration in first-time defaulters specifically across unsecured banking products (credit cards and personal loans).

Personal loans showed the biggest increase year-on-year (Y-o-Y) from 8.03% in 2018 to 8.84% in 2019 of first-time product defaults amounting to R6.2 billion. First-time credit card defaulters similarly increased from 6.58% to 6.63% Y-o-Y amounting to R2.2 billion in balances defaulting for the first time since opening.

“The deterioration in the unsecured banking product performance can be attributed to the increased demand for personal loans specifically, which are more broadly accessible across the various consumer market segments. Due to the tougher economic climate, more consumers are accessing personal loans and available credit card facilities to support their day to day expenses,” said Jaco van Jaarsveldt, Decision Analytics Head Consulting and Marketing Services at Experian South Africa.

| | CDI Sep'19 | CDI Sep'18 | Average Outstanding Jul'19-Sep'19 | New Default Balances Jul'19-Sep'19 |
|---|---|---|---|---|
| **Composite Index** | **3.93** | **3.79** | **R 1.7 Trillion** | **R 16.76 Billion** |
| **Home Loan Index** | **1.50** | **1.56** | **R 830.26 Billion** | **R 3.11 Billion** |
| **Vehicle Loan Index** | **3.54** | **3.66** | **R 414.69 Billion** | **R 3.67 Billion** |
| Credit Card Index | 6.63 | 6.58 | R 132.02 Billion | R 2.19 Billion |
| **Personal Loan Index** | **8.84** | **8.03** | **R 280.3 Billion** | **R 6.2 Billion** |
| **Retail Loan Index** | **12.77** | **14.14** | **R 49.6 Billion** | **R 1.59 Billion** |

***Secured banking and retail loans improve***

The CDI indicates that secured banking credit first-time default rates have improved Y-o-Y with home loans decreasing from 1.56% to 1.50% and vehicle finance from 3.66% to 3.54%.

"The improving trend in the secured banking product default rates can be attributed to the more conservative approach to taking on additional debt from the segments of the market that have access to secured lending products," added van Jaarsveldt.

Retail loans performance, a new addition to the Experian CDI, has seen a significant improvement in the rate of first payment defaulters from 14.14% in 2018 to 12.77% in September 2019.

"This trend can be attributed to the 2018 pre-festive tightening in credit lending criteria implemented by most retailers which is now yielding results as overall industry default rates show marked improvements," said van Jaarsveldt.

***Unemployment continues to be a huge issue***

The third quarter's unemployment rate was recorded at 29,1% - its highest rate in over 16 years.

"As we continue to see increasing levels of unemployment in South Africa, we expect the consumer to remain under pressure financially in the coming months, which will result in a continuous high demand for unsecured lending products. We expect lenders in the unsecured loans and credit card market to review their lending criteria to manage the deteriorating portfolio performance which could make access to credit even more difficult for consumers," concludes van Jaarsveldt.

*****ENDS*****

[413 words]

**Notes to the editor:**

The Experian Consumer Default Index (CDI) is designed to measure 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 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 (accounts that have never) defaulted balances as a percentage of the total sum of balances outstanding.

Published on a monthly basis with a 2 month lag, the indices include a balance-weighted composite index as well as the 5 product specific sub-indices.

Each of the indices are also determined at Mosaic type level to provide further insight into the dynamics faced by specific consumer segments that are experiencing different stress due to macro forces such as unemployment, interest rate changes and economic growth.

**Experian Marketing Solutions' Mosaic SA is a consumer lifestyle segmentation system that classifies the South African population and enumeration areas into 36 unique types and 9 overarching groups, providing a 360-degree view of consumers' choices, preferences and habits.

### Contact:


**Taryn Stanojevic**
Experian South Africa
+27 11 799 3434
Taryn.Stanojevic@experian.com

**Katleho Makhalemele**
BCW Africa
+27 11 480 8562
katleho.makhalemele@bcw-global.com


### About Experian

Experian is the world's leading global information services company. During life's big moments – from buying a home or a car, to sending a child to college, to growing a business by connecting with new customers – we empower consumers and our clients to manage their data with confidence. We help individuals to take financial control and access financial services, businesses to make smarter decisions and thrive, lenders to lend more responsibly, and organisations to prevent identity fraud and crime.

We have 17,200 people operating across 44 countries and every day we're investing in new technologies, talented people and innovation to help all our clients maximise every opportunity. We are listed on the London Stock Exchange (EXPN) and are a constituent of the FTSE 100 Index.

Learn more at www.experianplc.com or visit our global content hub at our global news blog for the latest news and insights from the Group.