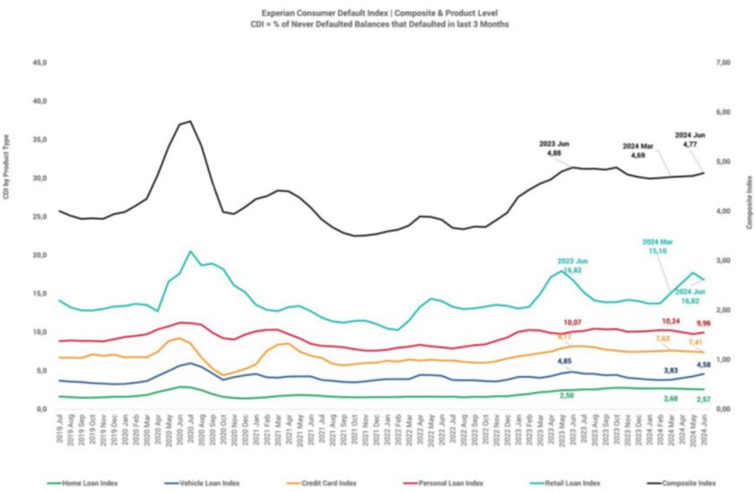
News Release

Experian Report: South Africa's Consumer Default Index Improves, Women Embrace Secured Credit

Johannesburg, 25 September 2024 — Experian's latest Consumer Default Index (CDIx) report reveals a slight but encouraging year-on-year (YoY) improvement for the first time in nearly two years. This improvement indicates possible stabilisation in consumer debt management, although challenges remain. The CDIx measures the quarterly default behaviour of South African consumers across various loan types including home loans, vehicle loans, personal loans, credit cards and retail loan accounts. The composite CDI moved from 4.88 in June 2023 to 4.77 in June 2024.



A quarter-on-quarter (QoQ) deterioration was observed, which was expected in Q2 considering the CDI's cyclic nature. This is the result of festive season spending particularly during an extended Black Friday period during Q4. **Head of Commercial Strategy & Innovation at Experian**, **Jaco van Jaarsveldt, said,** "As Experian continues to empower individuals through innovative financial solutions, it is encouraging to see the Consumer Default Index (CDI) show signs of returning to the typical cyclical pattern, as this pattern has not been observed over the preceding 18 months."

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%

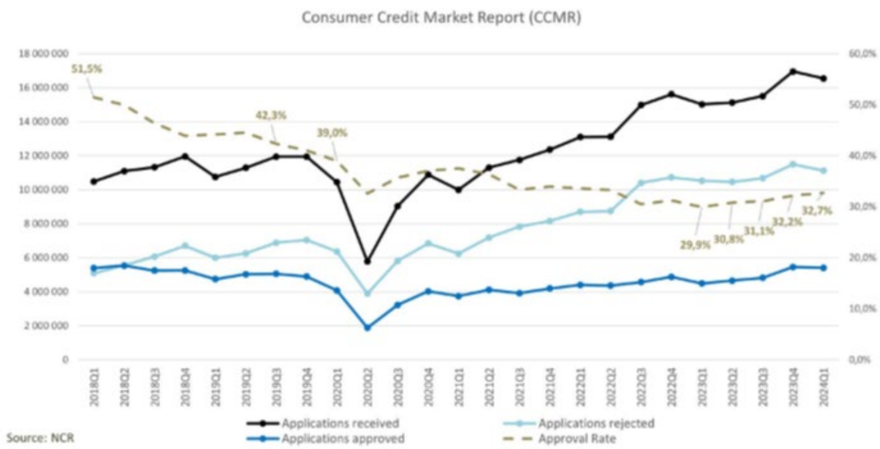
While Home Loans, still saw a 3% relative decline in CDI performance, it was an improvement, compared to the 21% drop observed in Q1 2024. Although home loans represent 53% of the total market exposure, positive trends in other product areas such as credit cards and vehicle loans, were strong enough to offset this dip. Credit Cards saw a notable improvement of 9%, with the CDI moving from 8.17 to 7.41 YoY. Vehicle Loans also demonstrated a substantial improvement, with a 5% decrease in the CDI from 4.85 to 4.58.

COMPOSITE CDI	CDI Jun'23	CDI Jun'24	Average Outstanding Balance Apr'24-Jun'24	Total New Default Balances Apr'24-Jun'24	CDI Relative % Change
Group 1: Luxury Living	3.01	3.40	R 1074.27 Billion	R 9.14 Billion	13%
Group 2: Aspirational Achievers	4.96	4.88	R 820.8 Billion	R 10.01 Billion	-2%
Group 3: Stable Spenders	10.16	8.26	R 130.25 Billion	R 2.69 Billion	-19%
Group 4: Money-Conscious Majority	8.37	7.63	R 180.15 Billion	R 3.44 Billion	-9%
Group 5: Laboured Living	19.11	17.03	R 24.95 Billion	R 1.06 Billion	-11%
Group 6: Yearning Youth	21.64	17.84	R 7.95 Billion	R .35 Billion	-18%

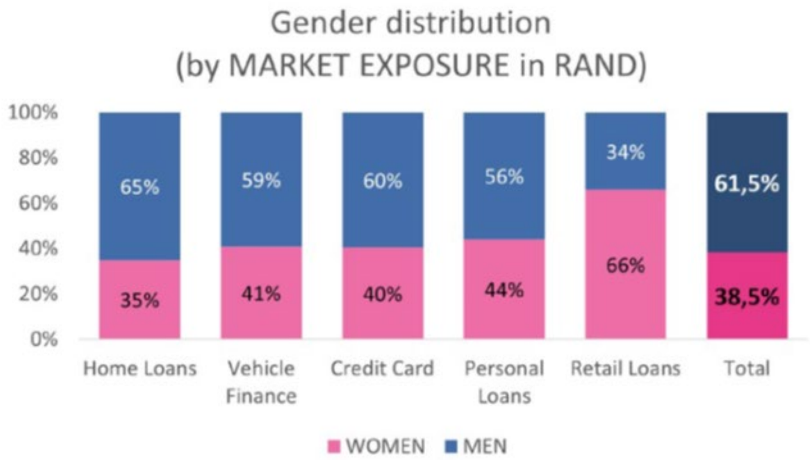
"The improving trends across most credit products are evident at the Financial Affluence Segment (FAS) level, with only the most affluent Luxury Living segment, showing a year-on-year (YoY) decrease. This continued decline correlates with the continuous deterioration in the home loan performance, as this FAS group holds the majority market home loan exposure," **adds van Jaarsveldt**.

Market Appetite Remains High, Approval Levels Low

The appetite for consumer credit has shown a reduction in Q1, following the heightened demand during the festive season. This is reflected in the National Credit Regulator's (NCR) report on total credit enquiries (considering all credit bureaus in South Africa). Overall, appetite remains high, highlighting that consumers are looking for credit to cover shortfalls in their cost-of-living expenses. Approval levels remain low at 32.7% in the latest data. This means that more than two-thirds of applications are rejected by credit providers, contributing to the improved CDIx performance across most products and Financial Affluence Segment (FAS) groups.



The latest report also reveals a complex picture of women's participation in the South African credit landscape. Despite constituting over half of credit bureau consumers, women hold only 38% of outstanding debt, indicating an underrepresentation in the credit economy. However, positive strides are evident in women's growing participation in secured credit, with notable increases in home loans and vehicle finance over the past four years. This progress, coupled with women representing two-thirds of the retail loan market, underscores the significance of this sector for credit-active South African women.



"From a Consumer Default Index (CDI) perspective, we've seen a shift in recent months, with women's CDI exceeding the market average. This suggests a growing reliance on credit, particularly home and personal loans, as women take on greater financial responsibility for their households. While this shift reflects their increasing empowerment and independence, it also highlights the need for increased debt management " **concludes van Jaarsveldt**.

Experian remains dedicated to developing innovative solutions and initiatives that empower consumers and promote financial health around the world. To help alleviate these pressures and empower consumers in South Africa, '*Up'*, Experian's free web-based app is designed to improve financial health and drive financial education. This platform provides users with the tools and knowledge they need to take control of their financial well-being.

Access *Up,* powered by Experian, for FREE from www.up.experian.co.za.

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Notes to the editor:

- The Experian Consumer Default Index (CDIx) measures South African consumer default rates across various loan types, incl. Home Loan, Vehicle Loan, Personal Loan, Credit Card and Retail Loan accounts.
- The CDIx 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:
    - Home Loans, Vehicle Loans and Credit Cards (these products typically are held by the traditionally banked market segments), and
    - Personal Loans and Retail Loans (these products are usually used as entry products into the credit market).
- On a monthly basis, lenders 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.
- 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.
- **Experian's Financial Affluence Segmentation (FAS)** is a consumer lifestyle segmentation system that classifies the South African population and enumeration areas into 6 primary groups each with variable exposure to secured and unsecured lending products. Read more about the 6 primary segments, here.

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