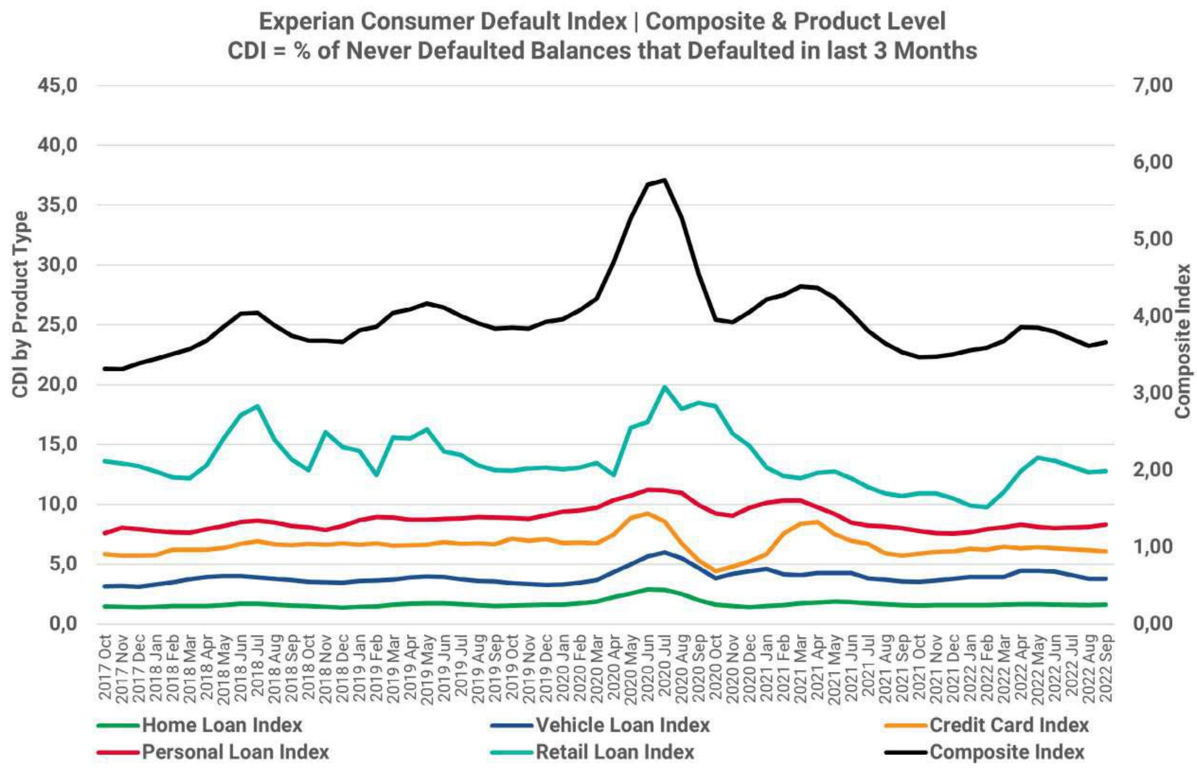
news release

Consumers, now more than ever, need to develop positive financial habits that will see them through challenging times

South African consumers remain under financial pressure, according to latest Experian CDI report



Johannesburg, 7 December 2022: The Experian Consumer Default Index (CDI), produced on a quarterly basis, showed a deteriorating trend when compared to the prior year, indicating that the South African consumer remains under financial pressure.

The CDI deteriorated at both a Composite level as well as across all individual credit products. The Q3 CDI showed a Y-o-Y decrease of 4% overall, moving from 3.53 in September 2021 up to 3.66 in September 2022.

“This movement suggests that the CDI has now returned to its former trajectory of long-term deterioration. This return to the former trend, although expected, has to some extent been expedited by the rapid increase in living expenses experienced by South African consumers across the board,” says Jaco van Jaarsveldt, Head of Commercial Strategy and Innovation at Experian Africa.

“During this unpredictable financial environment, consumers are encouraged to build a budget that will provide a layout of what their financial situation will look like post-credit repayment. In order to navigate the current environment, consumers are advised to focus on developing positive, lifelong financial habits that will see them through volatile times. This includes understanding one's credit report and as well as the behaviours that may impact one's credit score," he advises. To better understand the factors that may impact a credit score, read more here.

Consumer default performance by product type

From a product perspective, the worst relative deterioration was seen for Retail Loans, where Experian saw a Y-o-Y deterioration from 10.69 in September 2021 to 12.76 in September 2022.

However, it is important to note that the Retail Loan CDI is more volatile than the other products reported, partly due to the nature of the product, but also due to the more balanced representation across consumer segments – particularly regarding the representation of lower affluence groups.

Qualification for credit is still not back to pre-COVID levels and Personal and Retail Loan volumes still have some way to go in returning to former levels.

Index	CDI Sep '22	CDI Sep '21	Average Outstanding Jul'22-Sep'22	New Default Balances Jul'22-Sep'22	Relative
Composite	3,66	3,53	R 2 062 219 277 152	R 18 878 401 145	4%
Home Loan	1,61	1,57	R 1 084 513 532 495	R 4 368 448 056	3%
Vehicle Loan	3,77	3,56	R 465 346 212 841	R 4 389 159 581	6%
Credit Card	6,04	5,71	R 158 983 989 973	R 2 401 653 285	6%
Personal Loan	8,30	8,00	R 318 574 710 041	R 6 609 007 403	4%
Retail Loan	12,76	10,68	R 34 800 831 802	R 1 110 132 820	19%
Home Loan + Veicle Loan + Credit Card	2,61	2,51	R 1 708 843 735 309	R 11 159 260 922	4%
Retail Loan + Personal Loan	8,74	8,29	R 353 375 541 843	R 7 719 140 223	5%

Consumer default performance by Financial Affluent Segments (FAS)

Q3 2022 continued to show that the most affluent consumers remain under more financial strain (relatively speaking) than their less affluent counterparts with FAS Group 1 (Luxury Living) showing a Y-o-Y deterioration in CDI of 16%.

Interestingly, FAS Groups 5 (Laboured Living) and 6 (Yearning Youth), the least affluent consumer segments – also showed a significant deterioration in CDI Y-o-Y, after the improving trend that followed in the two years after the initial COVID lockdown conditions.

Composite CDI	CDI Sep' 21	CDI Sep' 22	Average Outstanding Jul' 22 - Sep' 22	New Default Balances Jul' 22 - Sep' 22	CDI % Change
Group 1: Luxury Living	2,04	2,36	R 874,8 Billion	R 5,15 Billion	16%
Group 2: Aspirational Achievers	3,45	3,62	R 828,15 Billion	R 7,5 Billion	5%
Group 3: Stable Spenders	7,50	6,99	R 131,39 Billion	R 2,3 Billion	-7%
Group 4: Money-Concious Majority	6,07	5,73	R 182,23 Billion	R 2,61 Billion	-6%
Group 5: Laboured Living	11,12	13,50	R 25,66 Billion	R ,87 Billion	21%
Group 6: Yearning Youth	14,56	16,04	R 9,03 Billion	R ,36 Billion	10%

The credit consumer within the greater context of the South African economy

"Although there has been a temporary slowing in the rate of increase in CPI and fuel costs, the cost of living remains on an upward trend. Market appetite for credit remains very high as consumers look to credit to help bridge the gap in covering living expenses. The increased cost of living also leads to decreased consumer affordability, which gives rise to low approval rates of credit applicants on the one hand, and increased inability of consumers to meet debt obligations on the other," adds Van Jaarsveldt.

"Both consumers and businesses need to exercise caution. For consumers, using credit loans to supplement monthly cash flows could result in a debt cycle as payback obligations rise. Lenders should effectively leverage data and insights in order to conduct accurate affordability evaluations and predict future changes across all consumer categories," he concludes.

You can get a free credit report from Experian – go to My Credit Check.

654 words

*****ENDS*****

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.

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.

[1] **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. The 6 primary segments are described as follow:

- FAS Group 1: Luxury Living (2.5% of credit active population) - Affluent individuals representing the upper crust of South African society with the financial freedom to afford expensive homes and cars
- FAS Group 2: Aspirational Achievers (9.3% of credit active population) - Young and middle-aged professionals with the resources to afford a high level of living while furthering their careers, buying property, and establishing families
- FAS Group 3: Stable Spenders (7.2% of credit active population) - Young adults with that rely on financial products to assist in making ends meet or to afford specific necessities such as clothing and school fees, or seasonal luxuries

- FAS Group 4: Money Conscious Majority (40.0% of credit active population) - Older citizens that are conscious of where and how they spend their money; often seeking our financial products to cover basic needs or for unforeseen expenses
- FAS Group 5: Labored Living (24.6% of credit active population) - Financially limited as salaries are below national tax thresholds, they spend their money on basic living necessities such as food and shelter
- FAS Group 6: Yearning Youth (16.4% of credit active population) - Very young citizens that are new to the workforce; this mix of labourers and possibly working students earn low salaries and are limited to spending on non-essential goods

Contact:

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

Michelle Samraj
BCW Africa
+27 11 480 8526
michelle.samraj@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 20,600 people operating across 43 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.