CDIx

CONSUMER DEFAULT INDEX - Extended

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

November 2022 | **Quarter 3**

CONTENTS

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Glossary

CDI Consumer Default Index

CDIx Consumer Default Index Extended

CPI Consumer Price Index

NCR National Credit Regulator

SAPIA South African Petroleum Industry Association

SARB South African Reserve Bank

StatsSA Statistics South Africa

CDIx – Experian Consumer Default Index Expanded

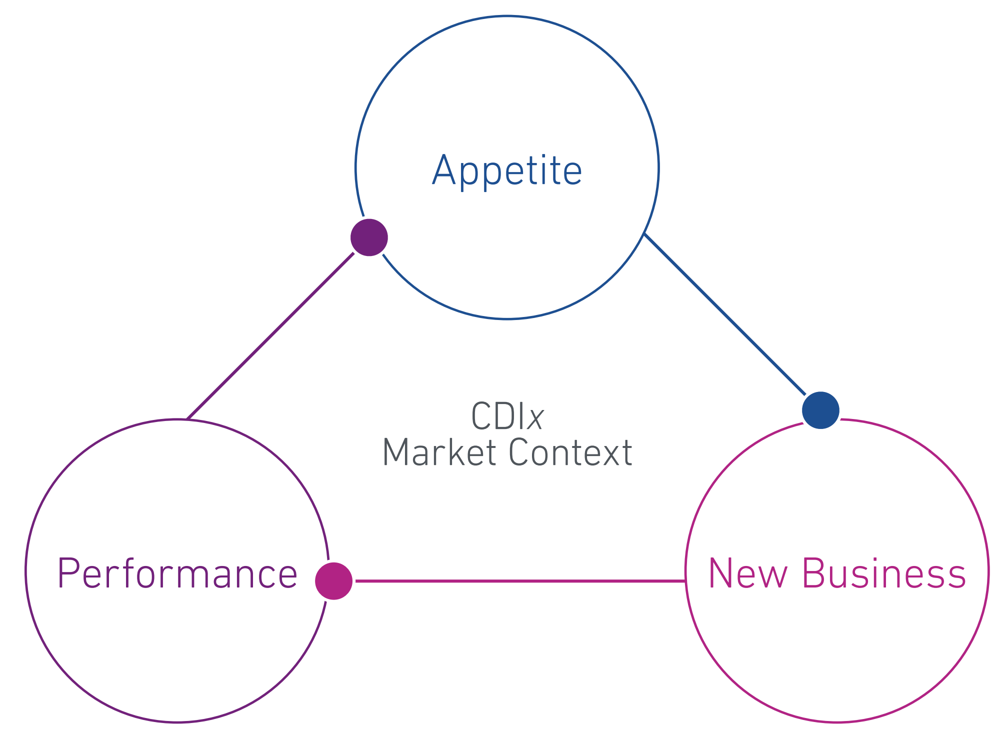
Overview of CDIx – What does it measure?

The Experian Consumer Default Index (CDI), first published in 2017, 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.

This publication provides a quarterly overview of the credit landscape in South Africa, providing views on the latest industry trends as well as commentary on the context within which these trends are observed.

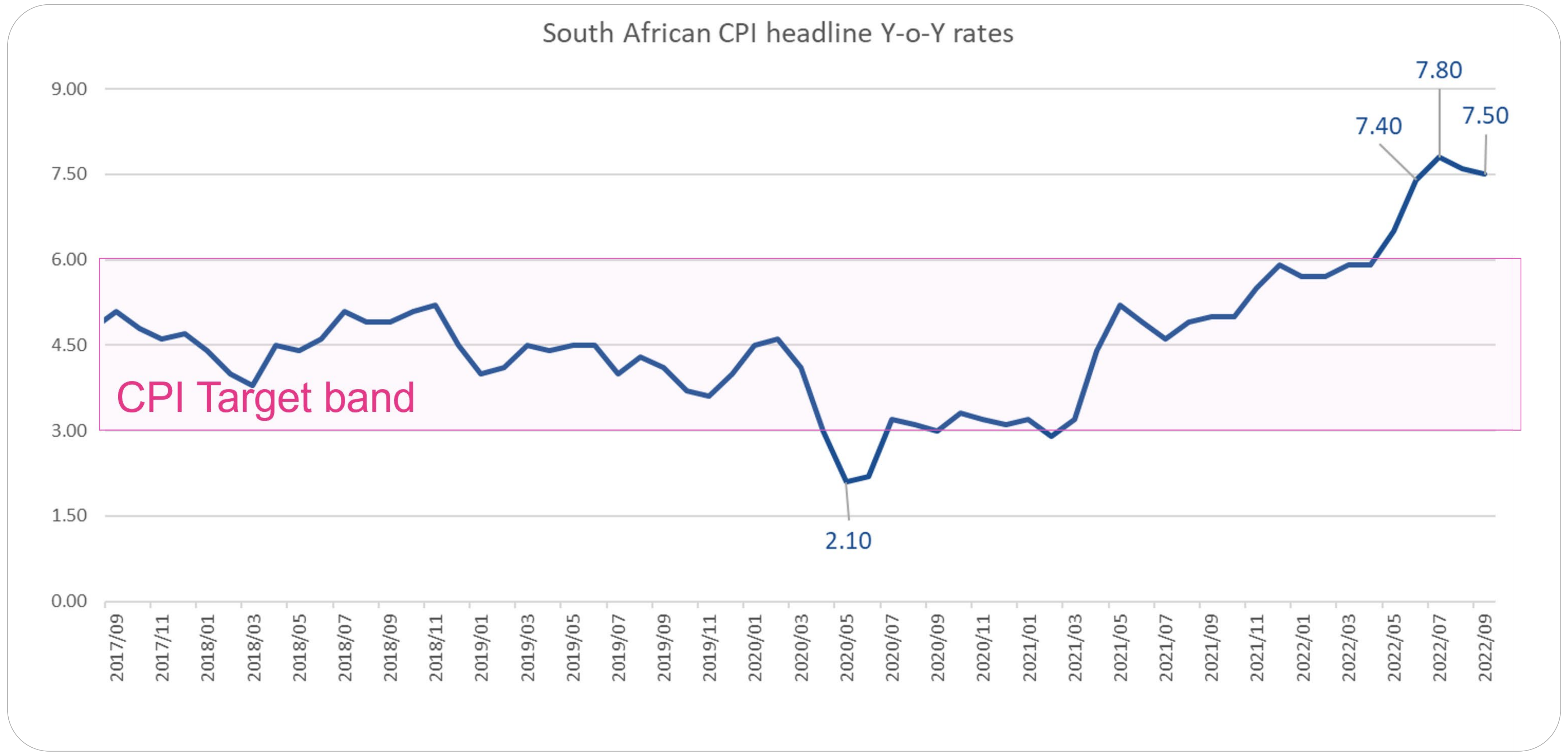
This Experian's new CDIx report expands on the original CDI (Experian Consumer Default Index), which was first published in October 2017, by including views on the latest:

- Macroeconomic trends that have a direct bearing on consumers
- Market appetite for credit
- Qualification and take-up of credit (i.e. new credit)
- Performance of credit consumers (i.e. arrears/defaults and vintages)



Market Context

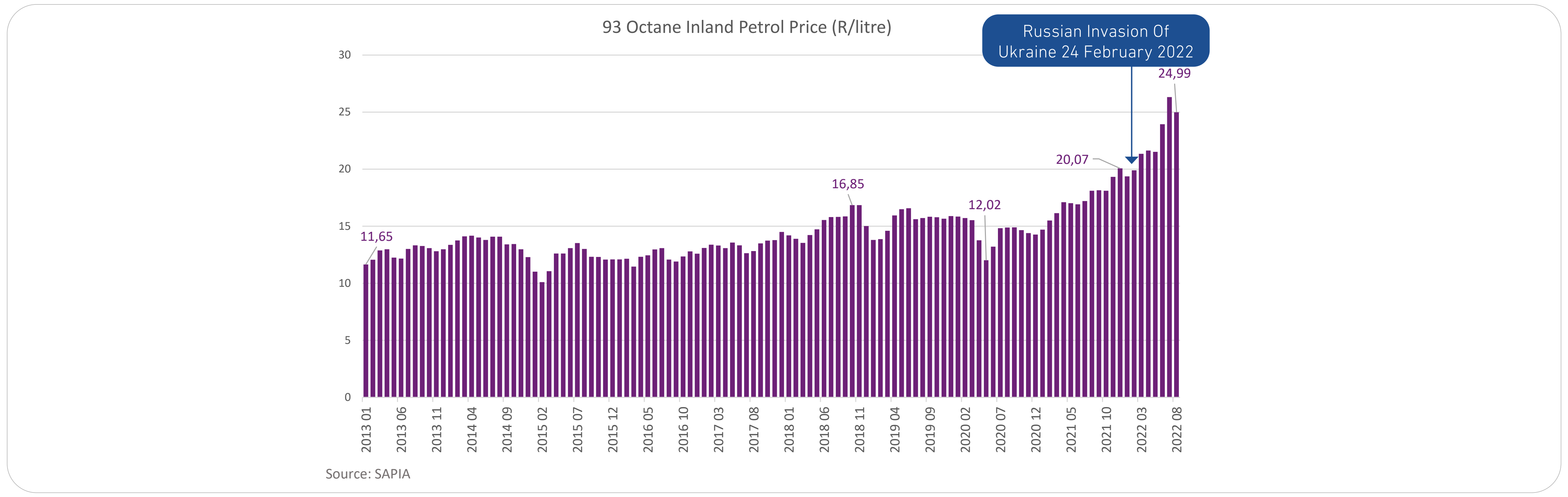
Cost of Living: Consumer Price Inflation



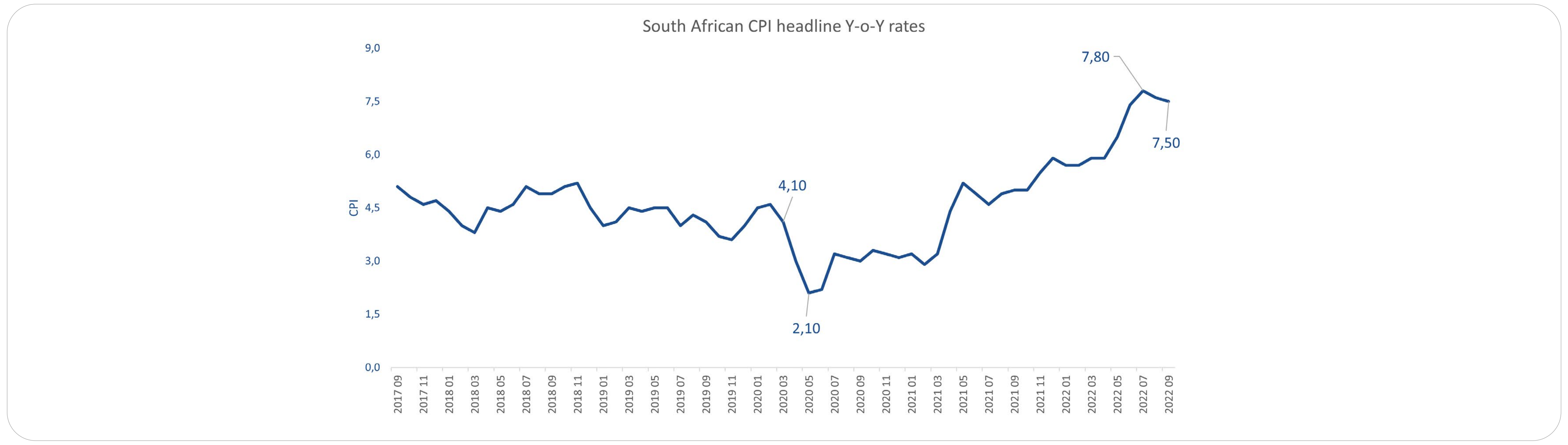
A slight ease in the CPI was observed in September 2022, moving down to 7.5% from 7.6% in August. This was mainly due to the drop seen in fuel prices over the last month. However, Q-o-Q the CPI showed a slight increase from 7.4% in June 2022. The overall trend for CPI remains, however, upward. Despite the relief seen in fuel costs of late, the upward move in food costs continues to put South African consumers' affordability under pressure. Furthermore, considering that the South African CPI target band is set by the **SARB as 3% - 6%**, the recent CPI levels will probably justify further increases in interest rates by the SARB.

> "This publication provides a **quarterly overview** of the credit landscape in South Africa, providing views on the **latest industry trends** as well as **commentary on the context** within which these trends are observed."

Cost of Living: Fuel Price (R/litre 93 Octane inland)

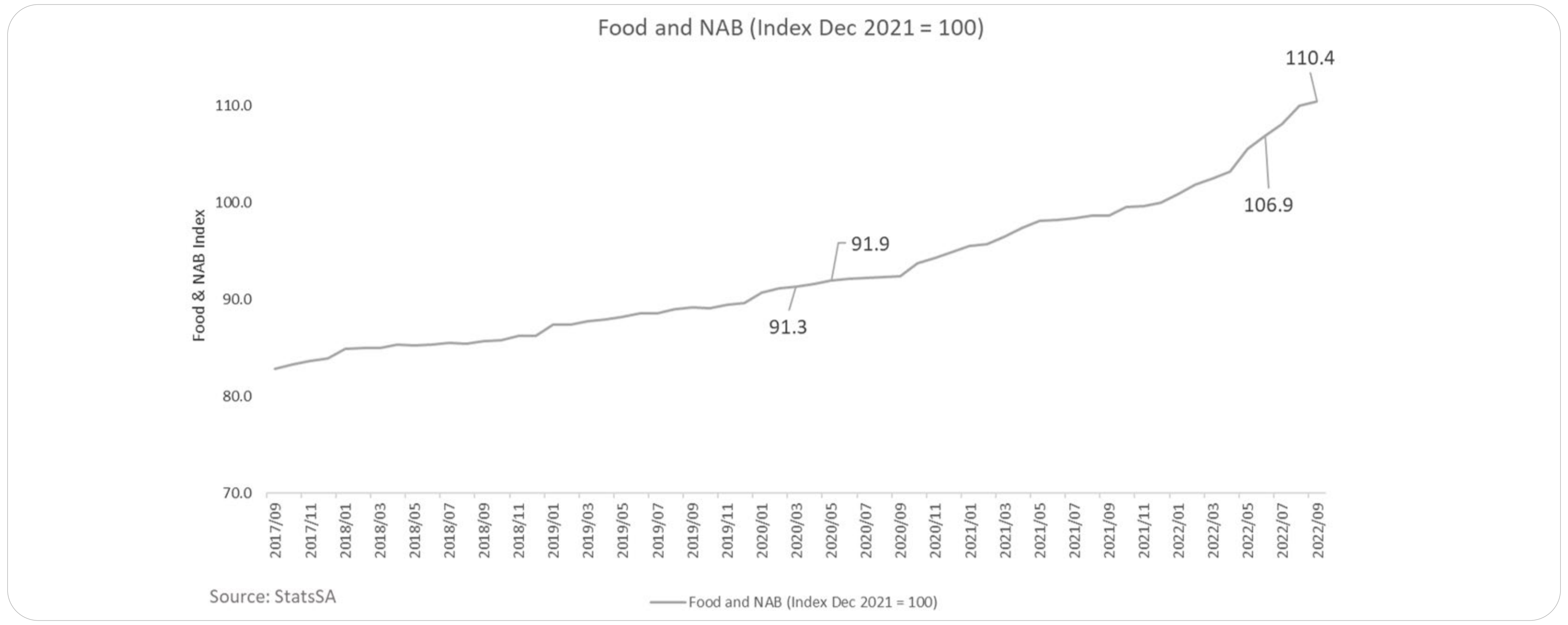


In spite of the drop in some fuel prices in South Africa during the 3rd quarter, November 2022 has already seen a return to the upward trend seen over the last 2 years. This upward pressure on fuel prices is seen worldwide, as the world's economies continue to re-open from COVID lockdowns. Furthermore, the **Ukrainian conflict** has exacerbated the pressures on global oil supplies, in effect contributing to inflationary and cost-of-living pressures on households globally.



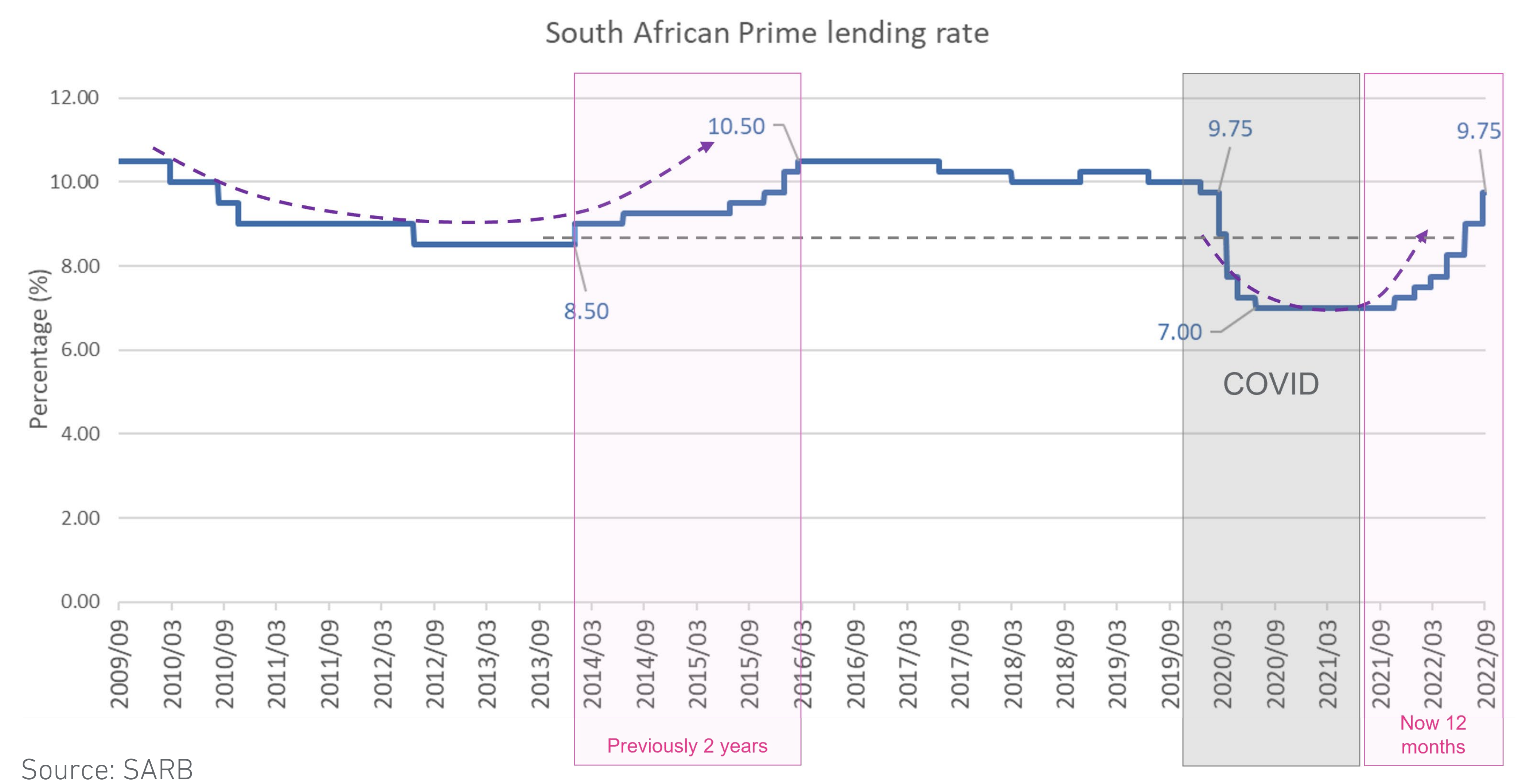
The Q3 decrease in CPI is linked to the decreasing fuel price increase South Africa has seen. Some relief was seen recently (August 2022), and various **fuel tax relaxation** measures have been announced by Government to contain the impact on consumers. Still, the increasing trend we have seen since the latter parts of the COVID lockdown period in fuel prices is expected to resume before the end of 2022. This will add to the woes of the already sad state of consumer affairs – especially regarding general living expenses (as typically measured in the CPI).

Food and Non-Alcoholic Beverages price index



It is concerning, however, to see how the price of food and non-alcoholic beverages (NAB) has increased – almost exponentially – over the last year. One of the major drivers of this increase has been the surge in global grain and oilseed prices. The weakening Rand, increasing cost of fertilizers and load shedding (which leads to increased costs along the supply chain) are some of the other drivers of this increase in food prices.

Interest rates

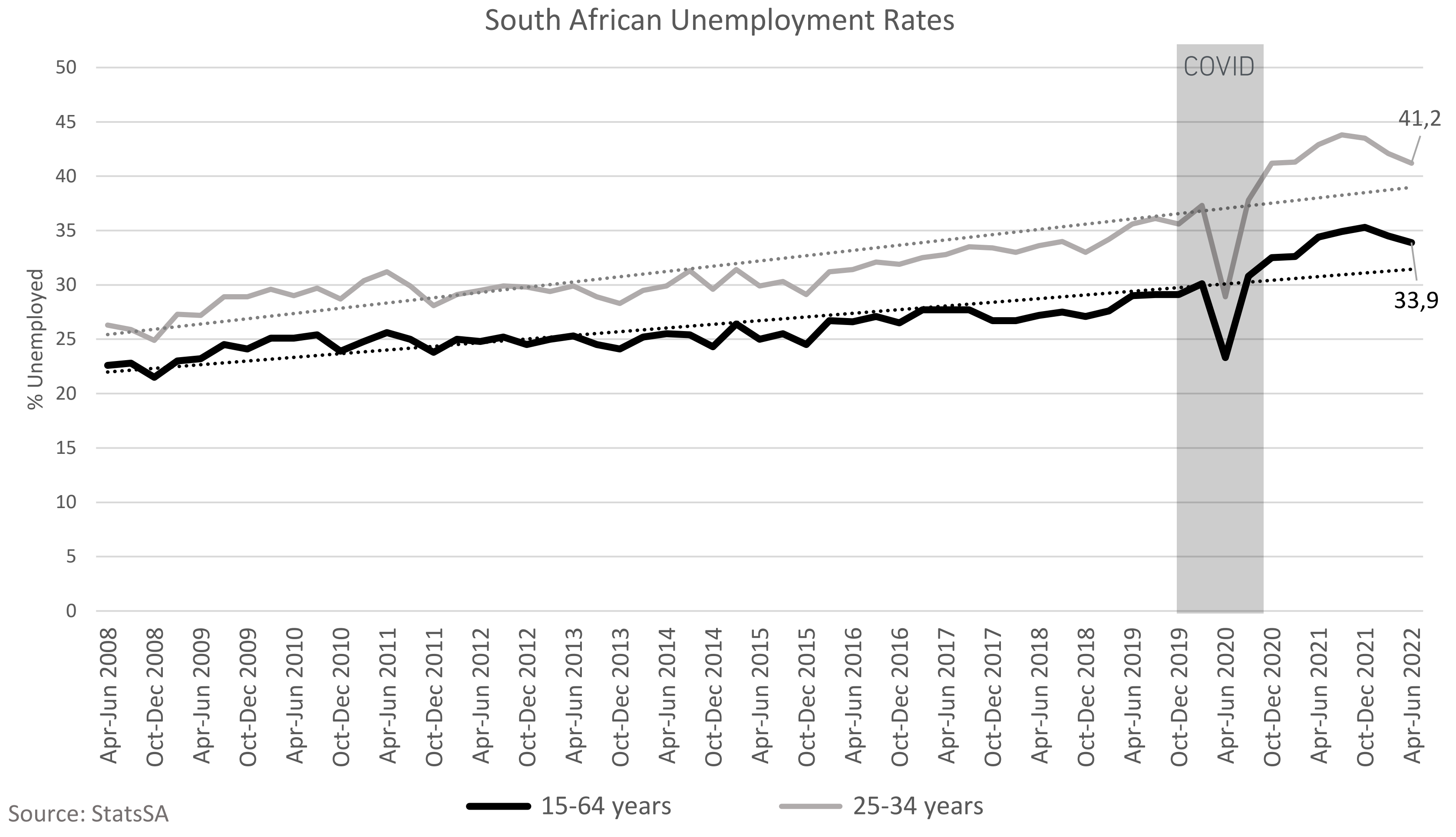


Source: SARB

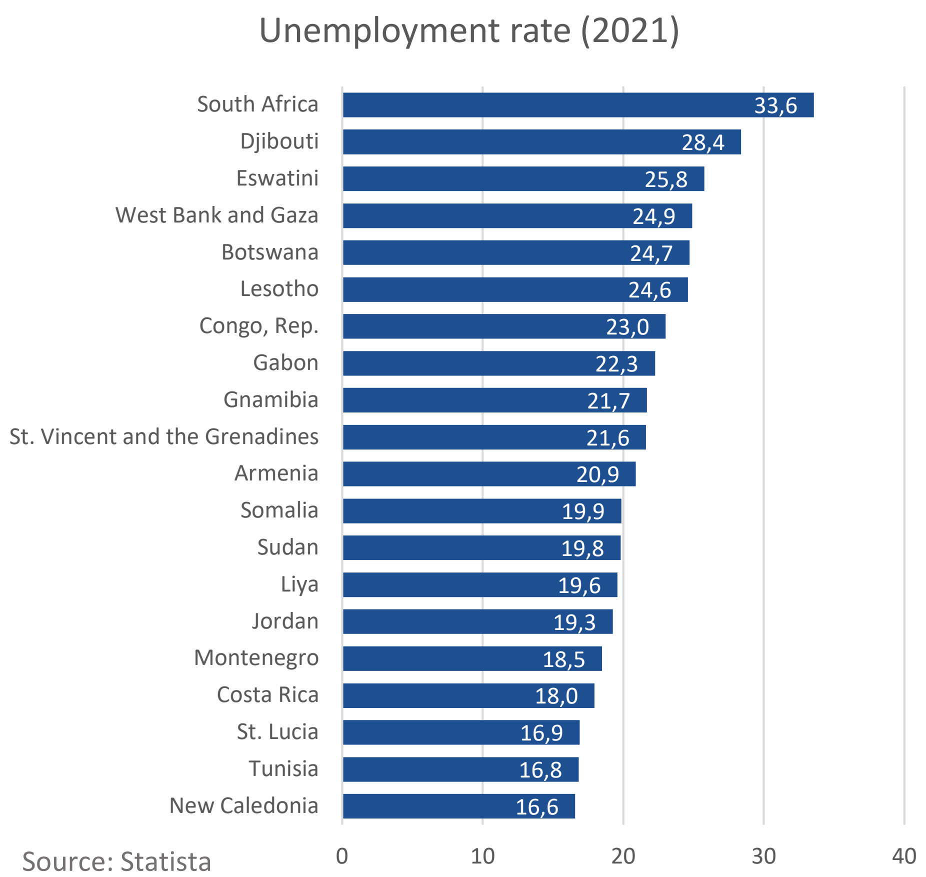
In the 2022 Q2 CDIx, we reported that during the previous upcycle, the SARB established a 200 basis point increase in interest rates over 9 months in the latest upcycle, whereas in the previous cycle it was phased in much more gradually in the span of 2 years.

As at the end of 2022 Q3, interest rates have increased by a total of 275 basis points over the last 12 months, with **further rate increases** likely to be seen for a while still. Indeed, based on the SARB Governor's comments, the central bank will continue to use interest rates to curb the South African inflation rate.

Unemployment



Source: StatsSA



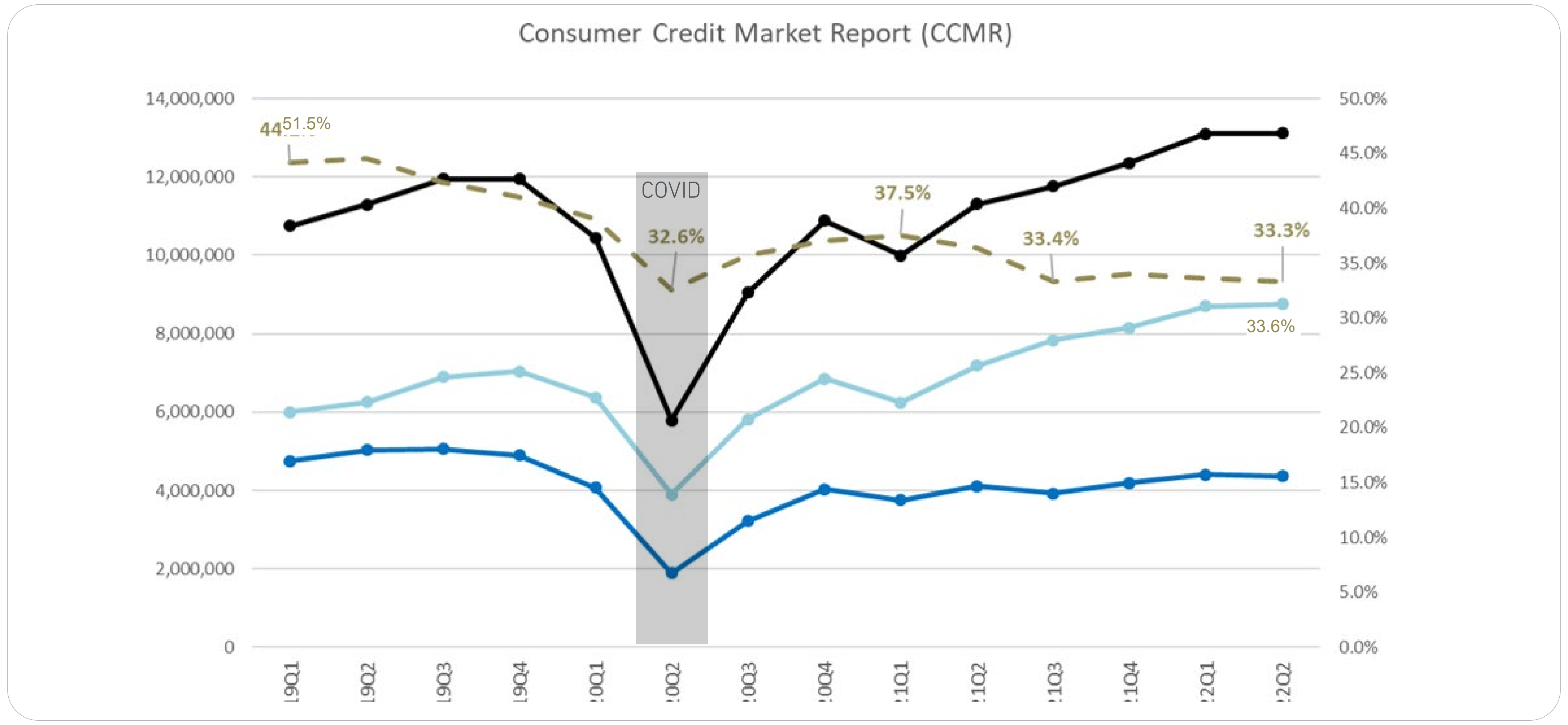
Source: Statista

South Africa has been faced with very high unemployment rates for decades. This has been exacerbated by the COVID lockdown regulations so that at an overall level, South African unemployment currently stands at 34.5% (even more worrying is the more rapidly increasing **youth unemployment** rate).

Globally, South Africa has the **highest unemployment** rate. For the credit industry, this observation is very concerning – not only from a credit **qualification** perspective but also from a **continued affordability** perspective, when looking at existing credit consumers.

Market Appetite

An increasing trend in appetite but a decrease in approval



Not only has the South African market appetite recovered to pre-COVID levels, but it continues to exceed it ever since 2021 Q4. This aligns with what we have seen from a macroeconomic perspective, where consumers are under increasing pressure just to make ends meet.

The lowering trend in acceptance rates has continued into the second quarter of 2022 – as per the National Credit Regulator's publication. Note that the volume of accepted applications had not yet recovered by 2022 Q2 to levels seen in 2019. This points to a continuation of the trend of increasing non-qualification of credit applicants.

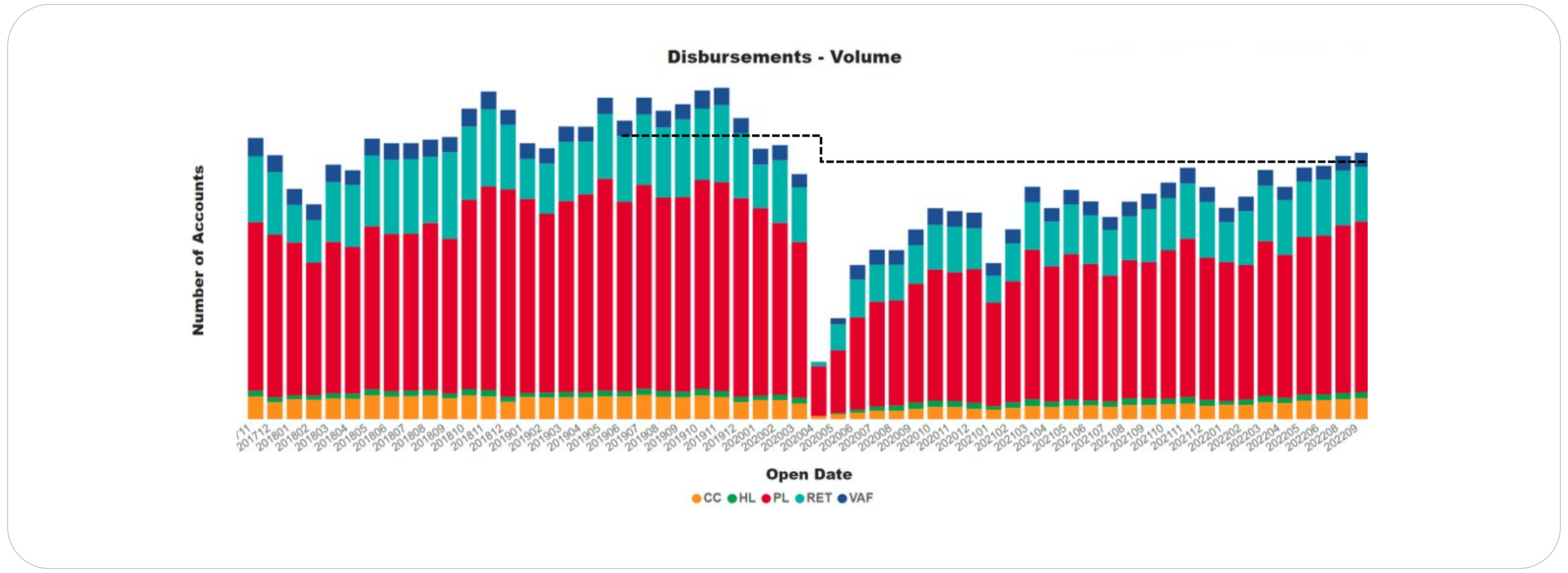
> The lowering **trend in acceptance rates** has continued into the second quarter of 2022.

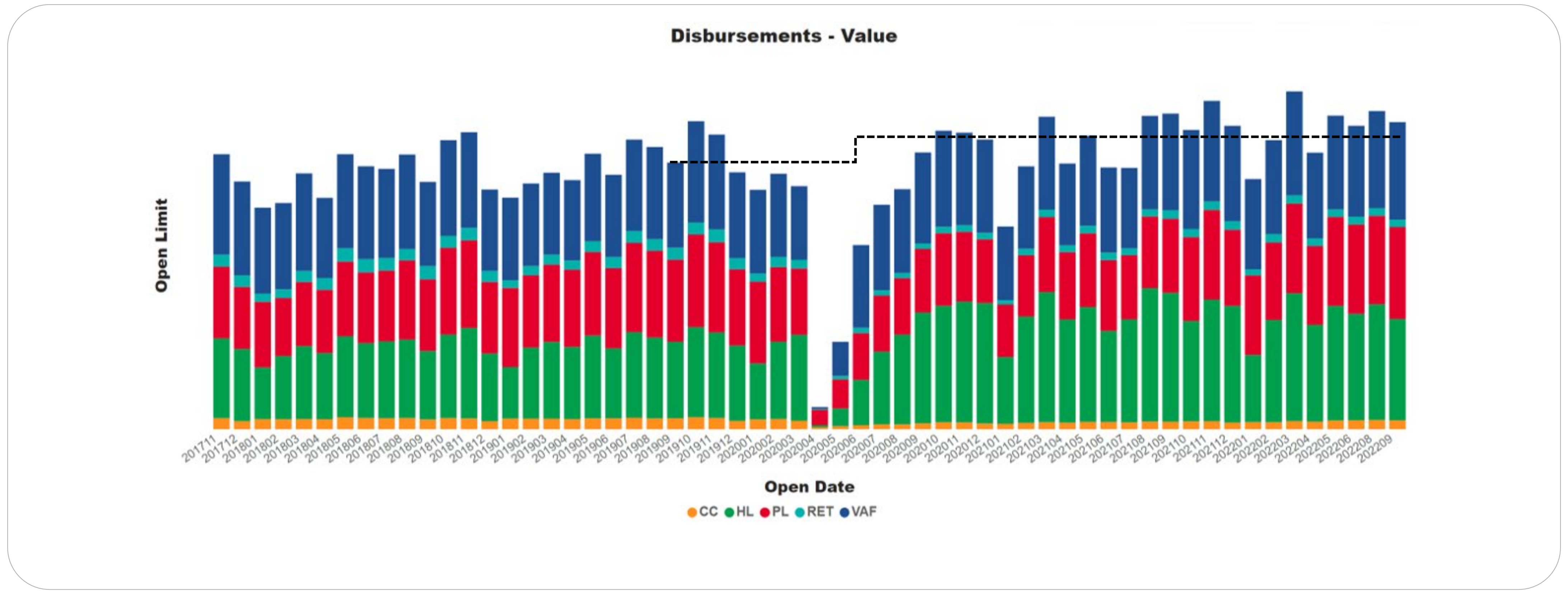
Market Growth

New Business

Overall, New Business **volumes** have continued along the recovery in the 3rd quarter – albeit at a very slow rate. Disbursement volumes are still recovering to the levels seen in 2019. This stems from the fact that unsecured lending has not yet fully recovered.

New Business **values** have returned to and have in fact been exceeding pre-COVID levels since early 2022. This is for the most part due to inflationary pressures and not due to increased volumes (as seen from the disbursement volume chart below).





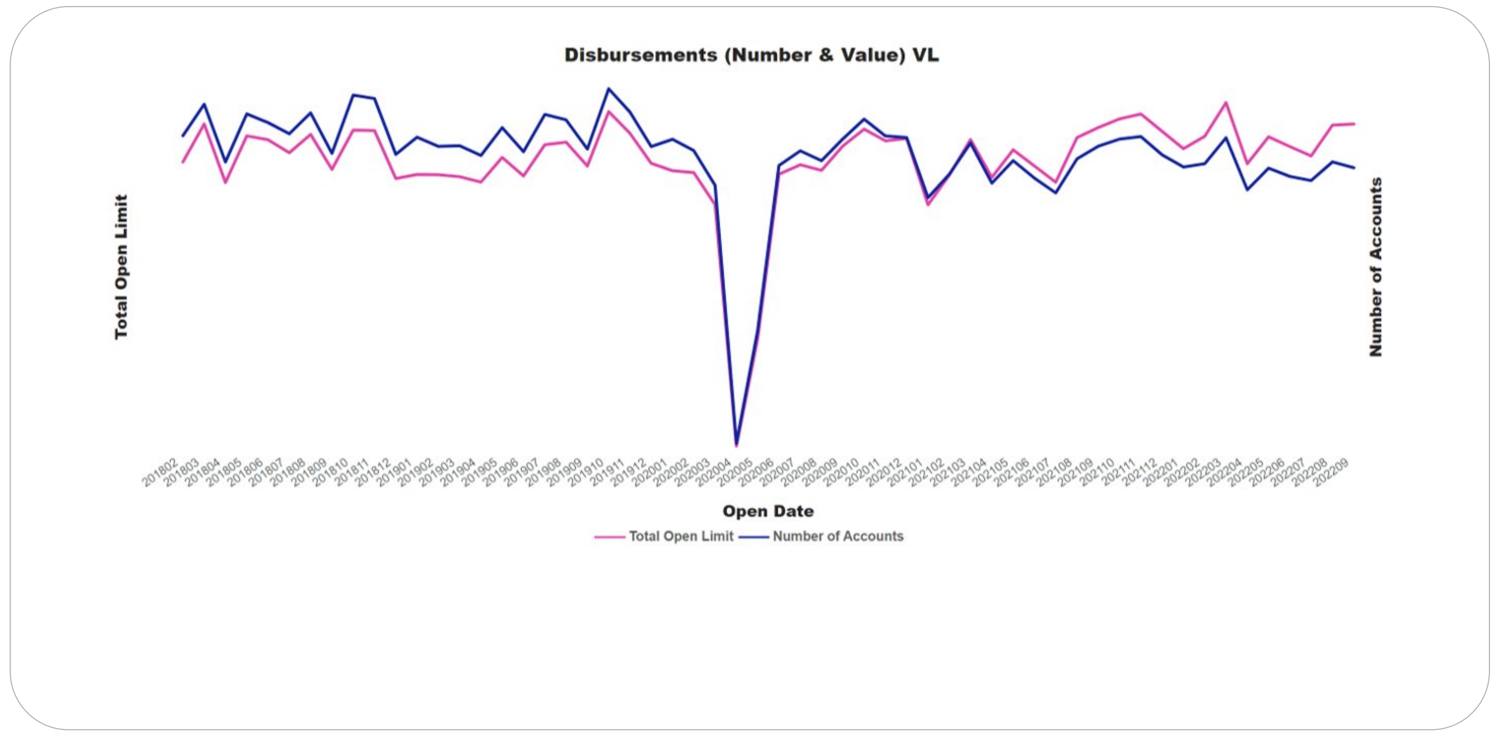
New business by product

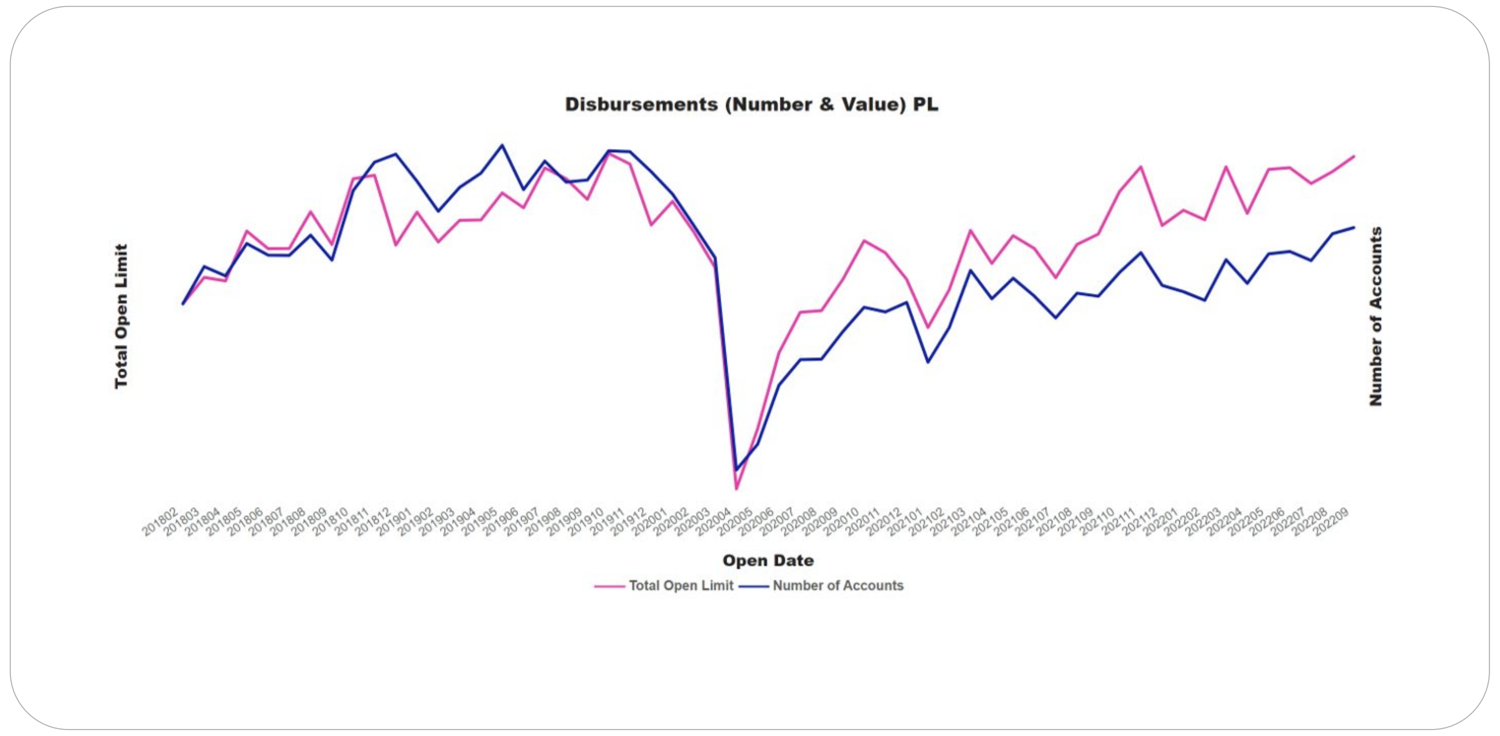
From an **unsecured loans** perspective, Personal and Retail Loans have not yet recovered to new business volumes observed in 2019. Personal Loan limits, however, have been exceeding pre-COVID levels over the last 5 months now. This points to the fact that higher affluence consumers have been increasingly dependent on Loans to maintain their standard of living. It would be interesting to see how the 2022 Black Friday sales impact new business volumes in this space – also considering the current situation of increasing cost of living.

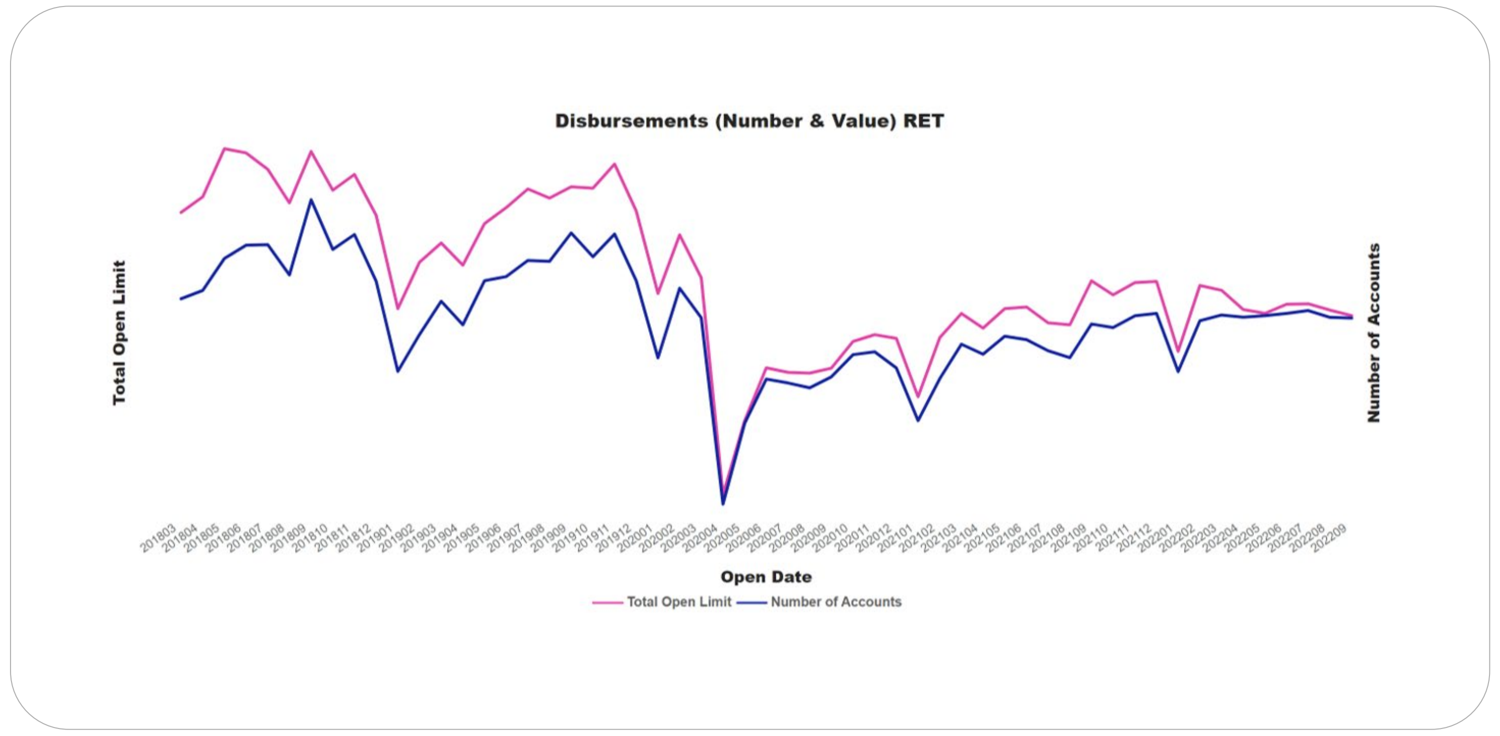
Credit Cards show the most rapid and continued recovery of unsecured products. High affluence consumers (FAS 1 and 2) typically hold >75% of the total exposure in this market. These results again suggest that these high-affluence (and typically low-risk) consumers are highly dependent on this product to meet the demands of their standard of living.

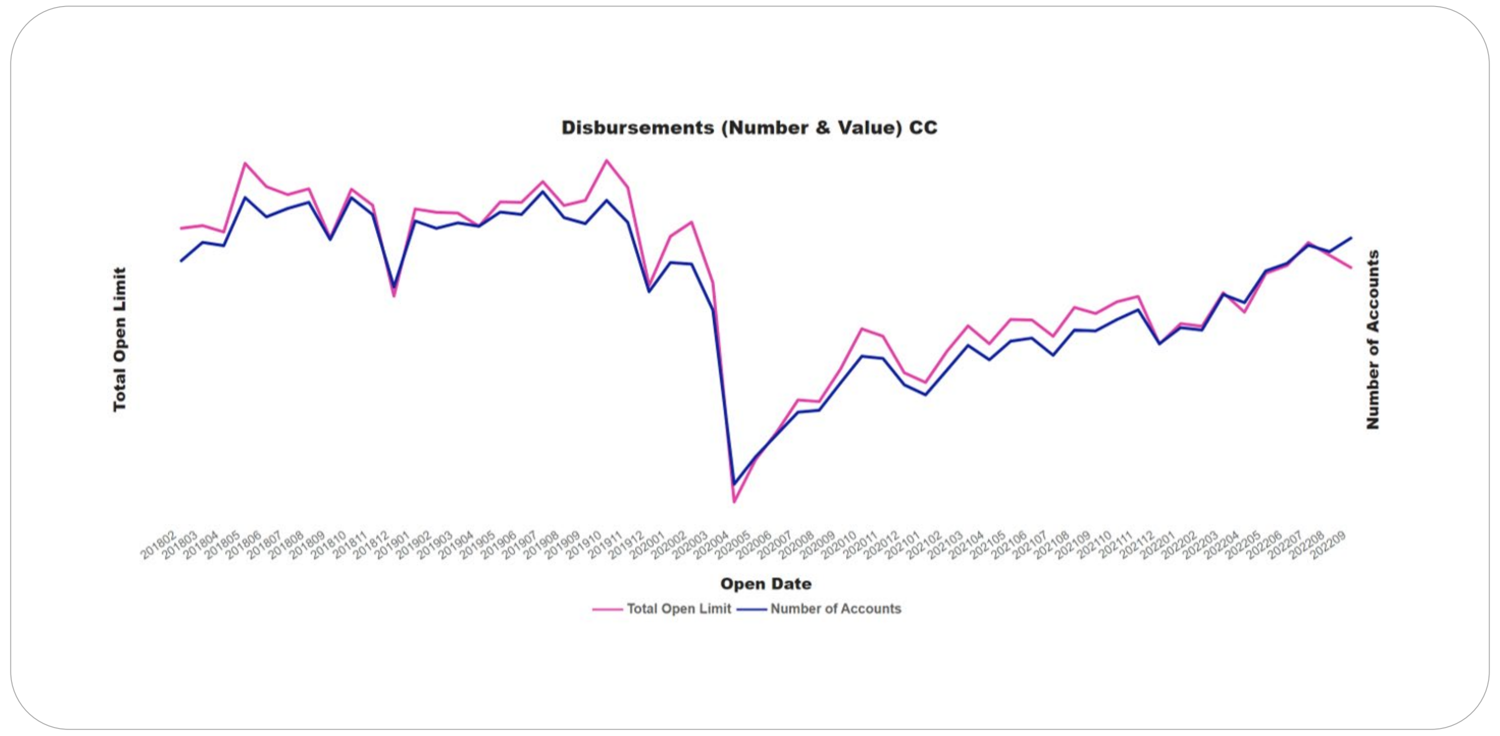
The fact that many lenders have opted for a more **conservative approach** to the approval of credit applications, coupled with the increasing trend of **unemployment**, have been some of the key drivers of this trend. It is encouraging, though, that the trend since the initial hard lockdown in April and May of 2020, has **continued to increase** in terms of the volume of new credit extended.

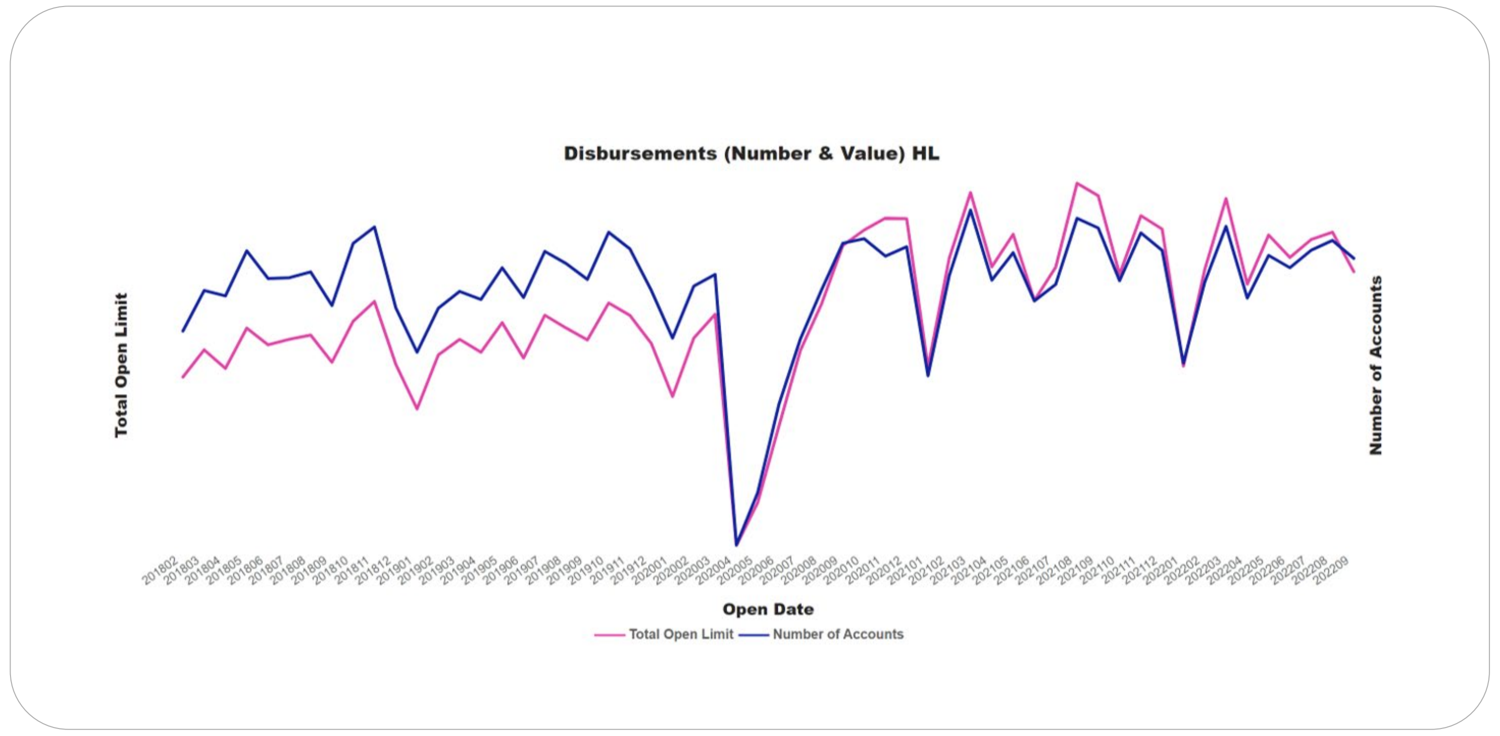
In the case of **secured lending**, new business volumes have for the most part returned to the levels observed prior to the onset of COVID. For Vehicle Loans, we have seen the total limits exceeding those pre-COVID. This points to inflationary pressures on the vehicle market. Home Loans have exceeded pre-COVID levels both in terms of value and volume, signifying that lenders have been relying heavily on this product to grow or even just sustain their business.









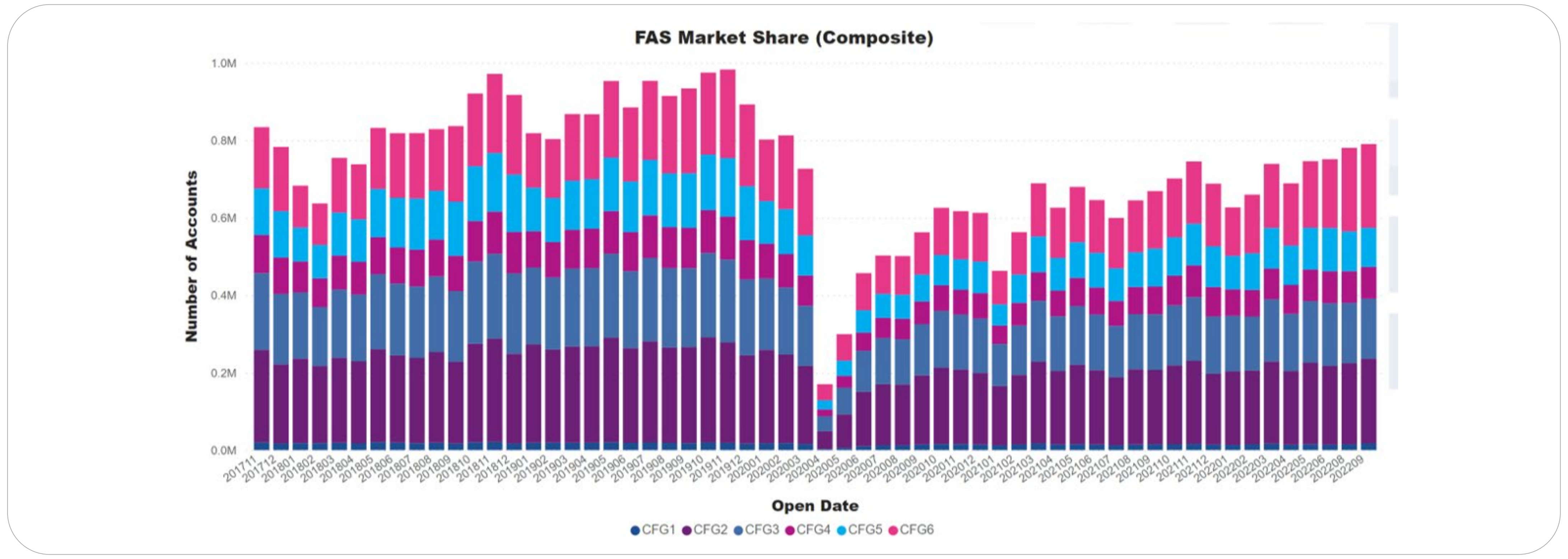


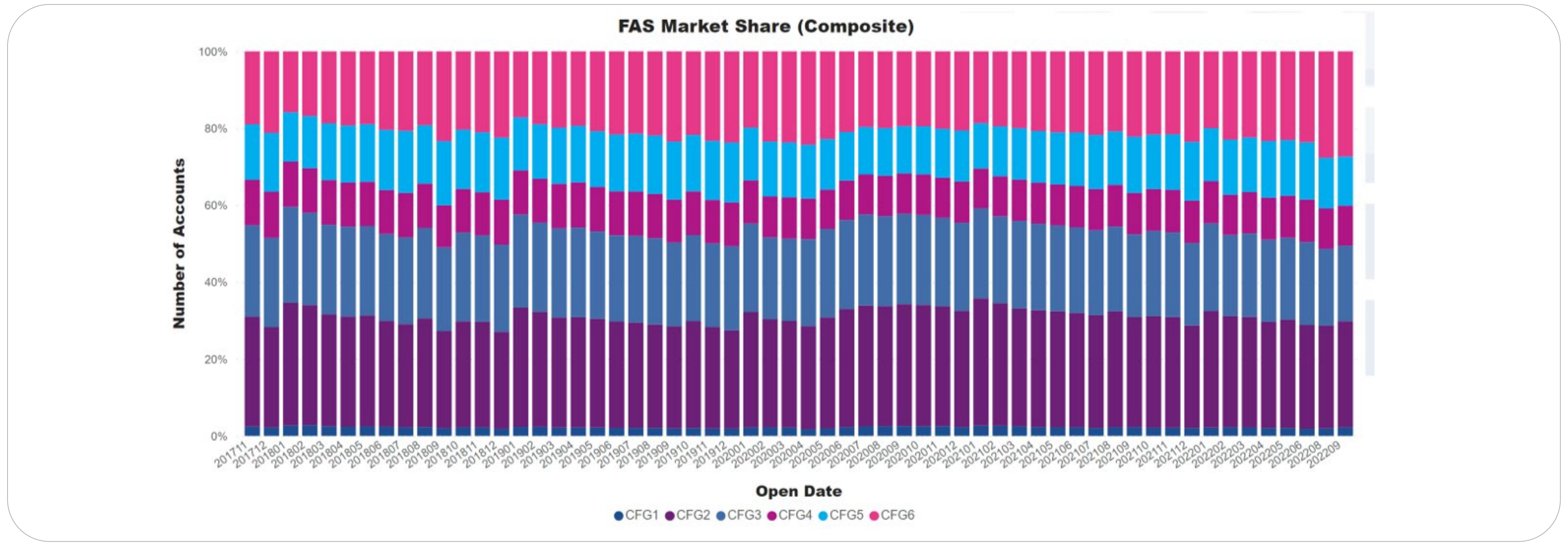
New business by FAS Group

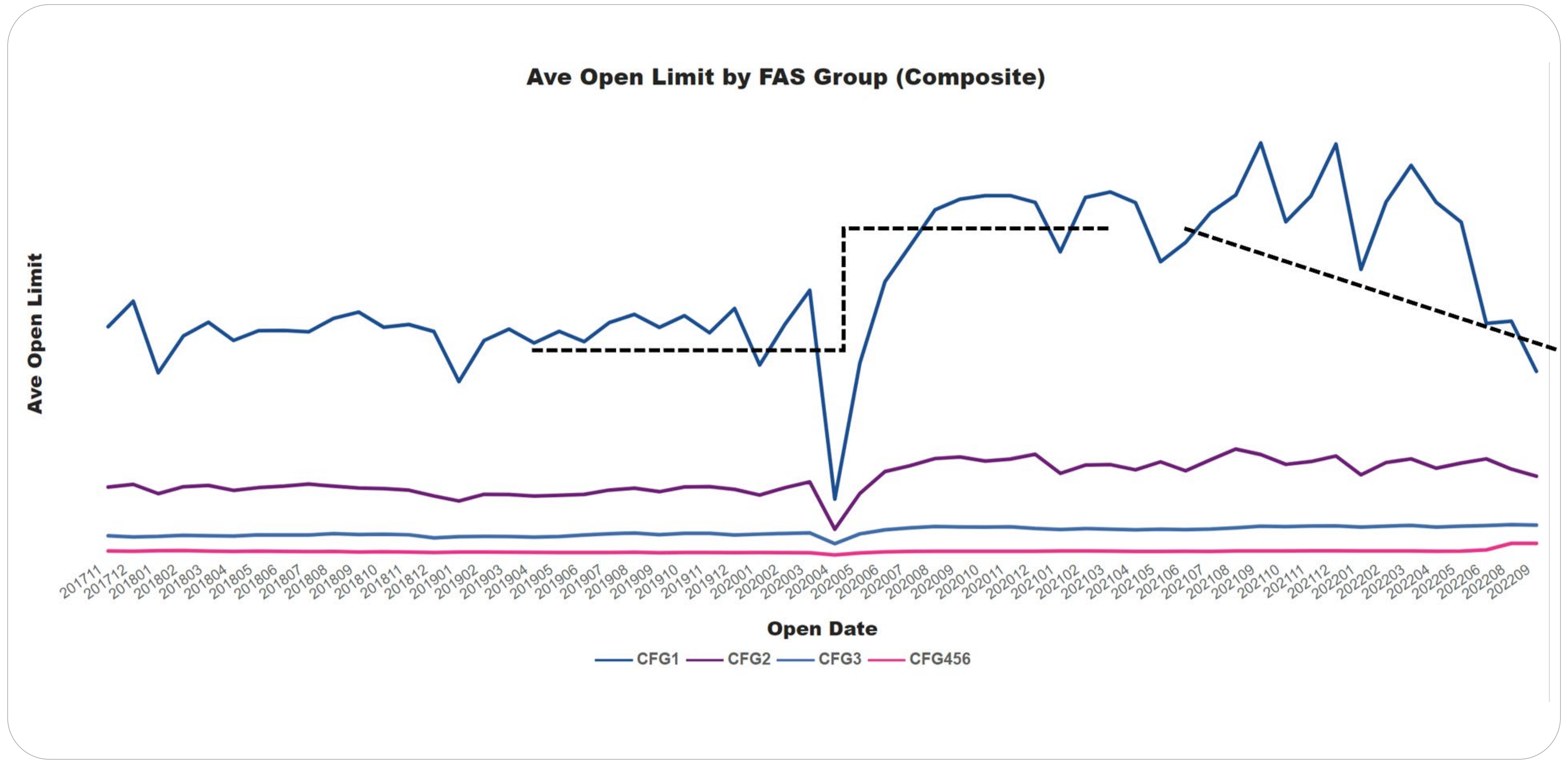
Looking at the distribution of New Business across consumer segments, we see that at a composite level, there are some fluctuations in relative representation over time, but as a general observation, these fluctuations have not been as exaggerated overall. Instead, it is when one considers FAS distribution at a product level, that shifts in representativity becomes more prevalent.

From an average open limit perspective, the inflation-related increase in loan value has particularly impacted the more affluent consumers (FAS Groups 1 and 2), where we saw a continued increase in average loan value. For lower affluence groups, we have seen a stable average loan value.

More recently, we have seen the composite average open limit of the most affluent consumer group (FAS Group 1) decreasing quite rapidly - returning to limits seen in pre-COVID times. This probably relates to this mature and credit-savvy consumer group taking more care in deciding on the secured credit products they take up - especially considering the interest rate upcycle we are currently facing. These consumers are typically well aware that interest rate upcycles greatly impacting the monthly servicing costs associated with secured credit and as such would be the most likely to take particular care in deciding on the monthly commitments they make - especially considering the present high cost of living.





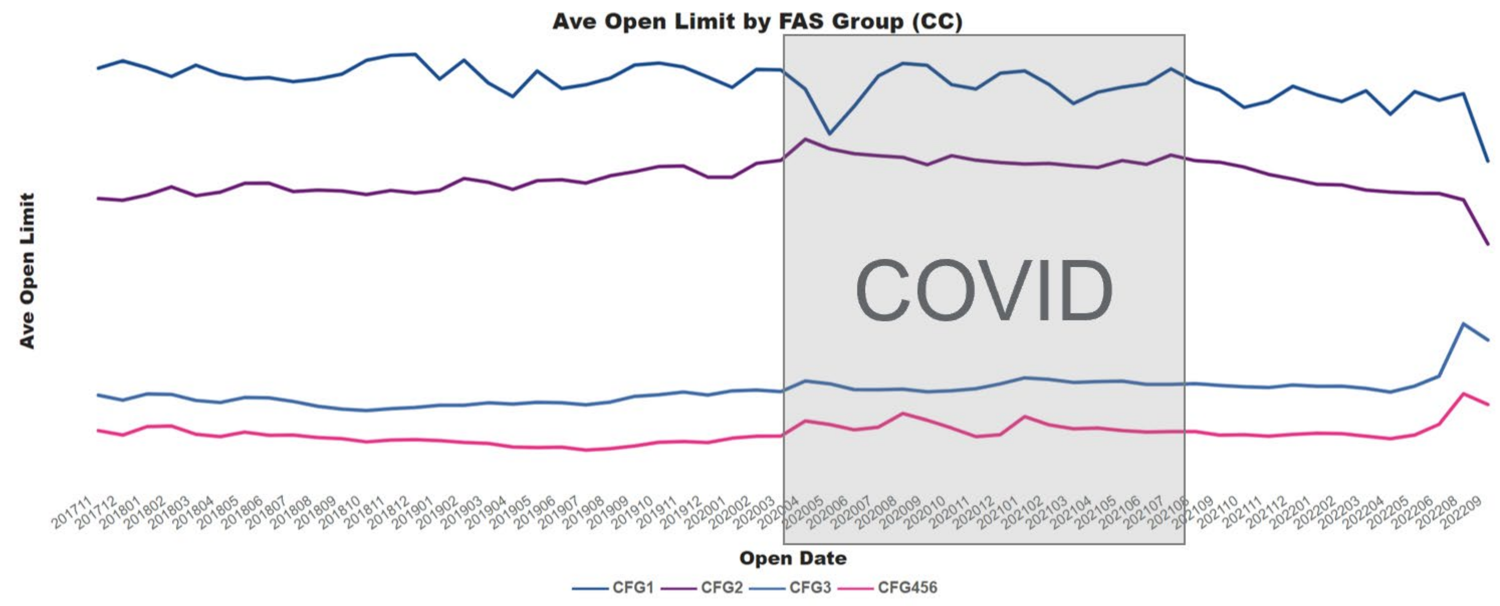


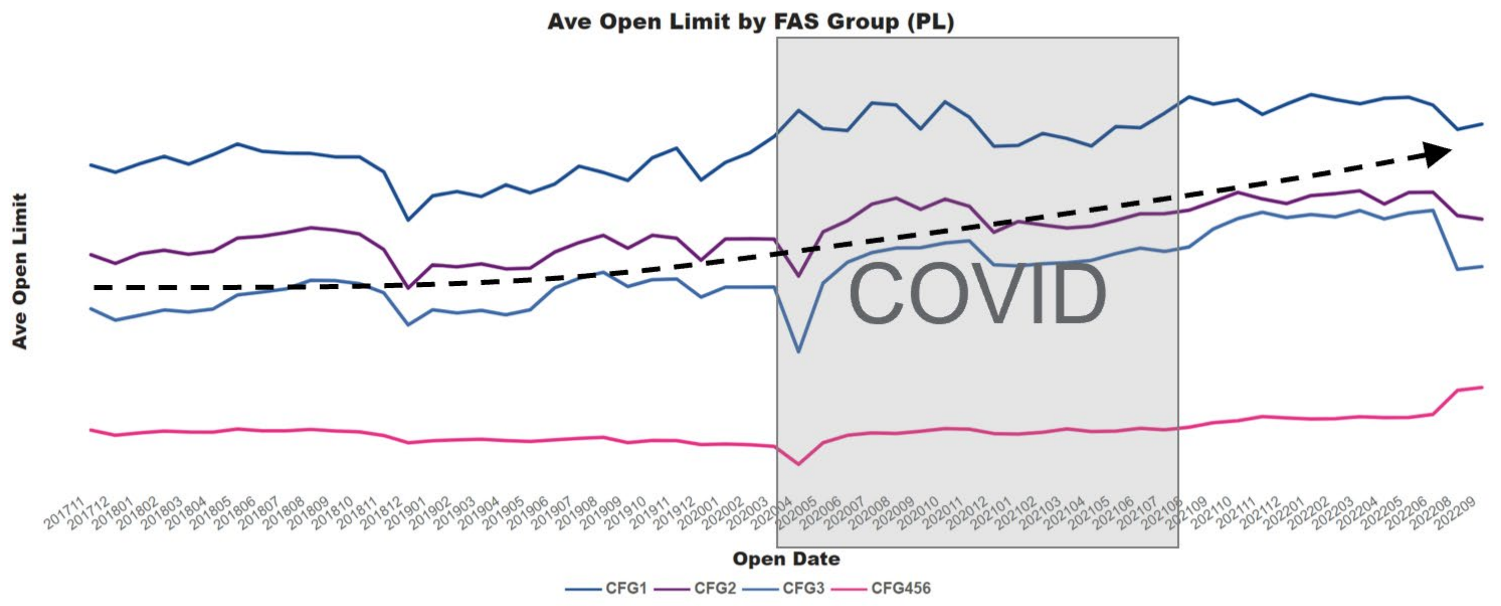
> From an average open limit perspective, the **inflation-related increase in loan value** has particularly impacted the more affluent consumers.

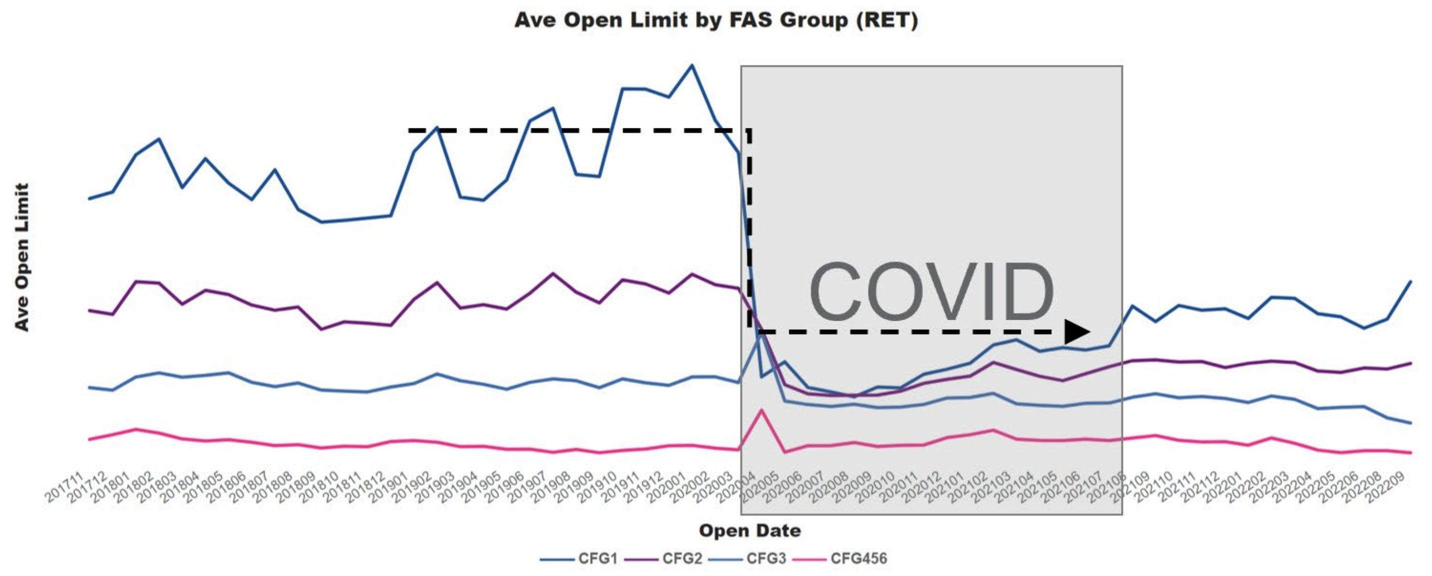
New business by Product by FAS Group

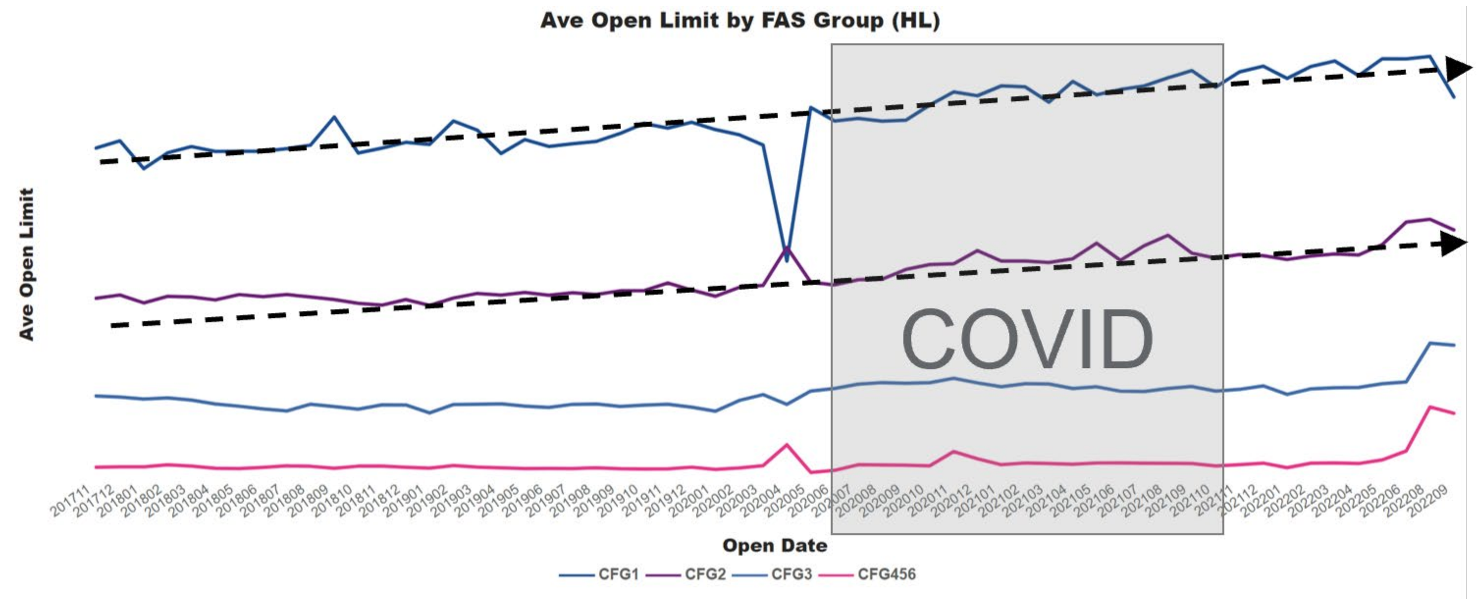
Considering **unsecured loans**, we have mostly seen a stable trend in limits across FAS Groups for **Card**. In the instance of **Personal Loans**, however, a steep increase set in over the last 2 years – even more significant than what was observed pre-COVID.

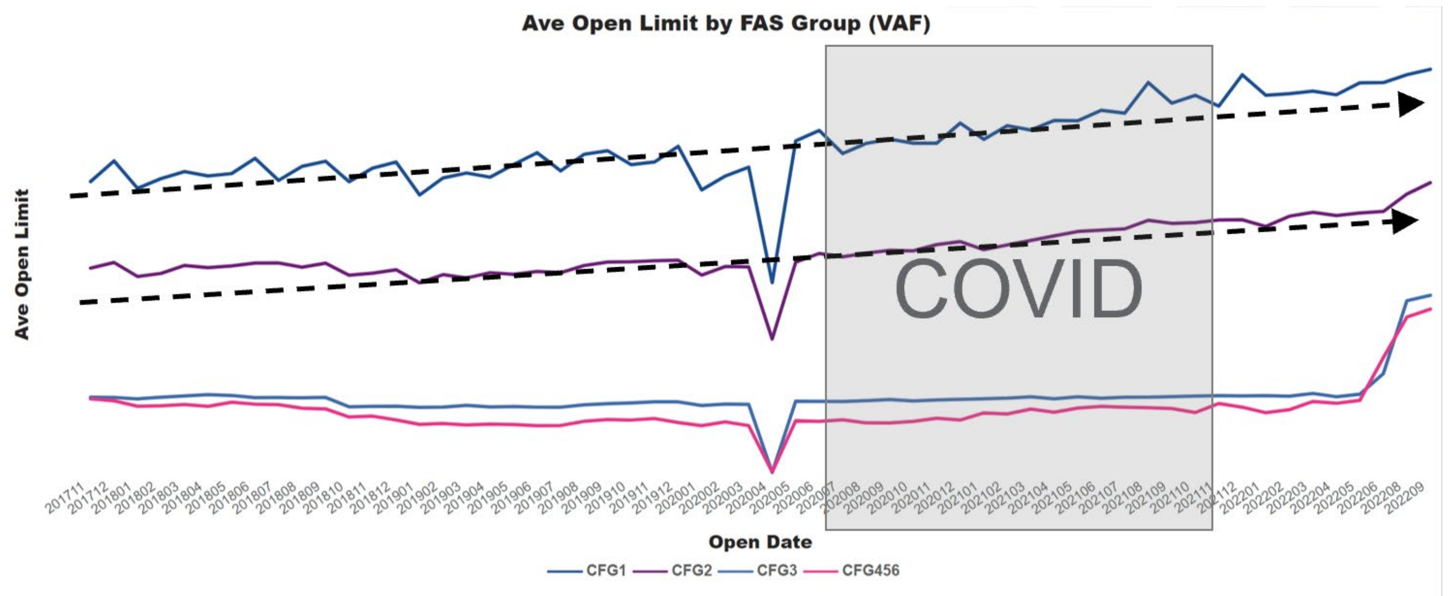
For **Retail Loans**, a drastic step-change was observed in the average open balance for higher affluence consumers. This was probably due to a combination of these consumers (who are typically more credit-savvy) opting to not take on much of this credit in their portfolio as well as retail lenders cutting back significantly on their credit business. Interestingly, though, the average open limit of lower affluence consumers in groups 4, 5 & 6 remained relatively stable.











For **secured loans**, an increasing trend in opening balance was observed for higher affluence groups (similar to the trend observed in Personal Loans), whilst average loan values for FAS Groups 3 – 6 did not show a similarly increasing pattern. Over the last quarter, however, we have seen Average Open Limits for Home Loans issued to FAS Group 1 showing the most sizable drop since the drop observed in the initial hard lockdown period of COVID.

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 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 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 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.

23.5m consumers with Credit Card, Personal Loan, Vehicle Loan, Home Loan and/or Retail Loan accounts.

28.6m active accounts across Credit Card, Personal Loan, Vehicle Loan, Home Loan and/or Retail Loan.

R2.07 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."

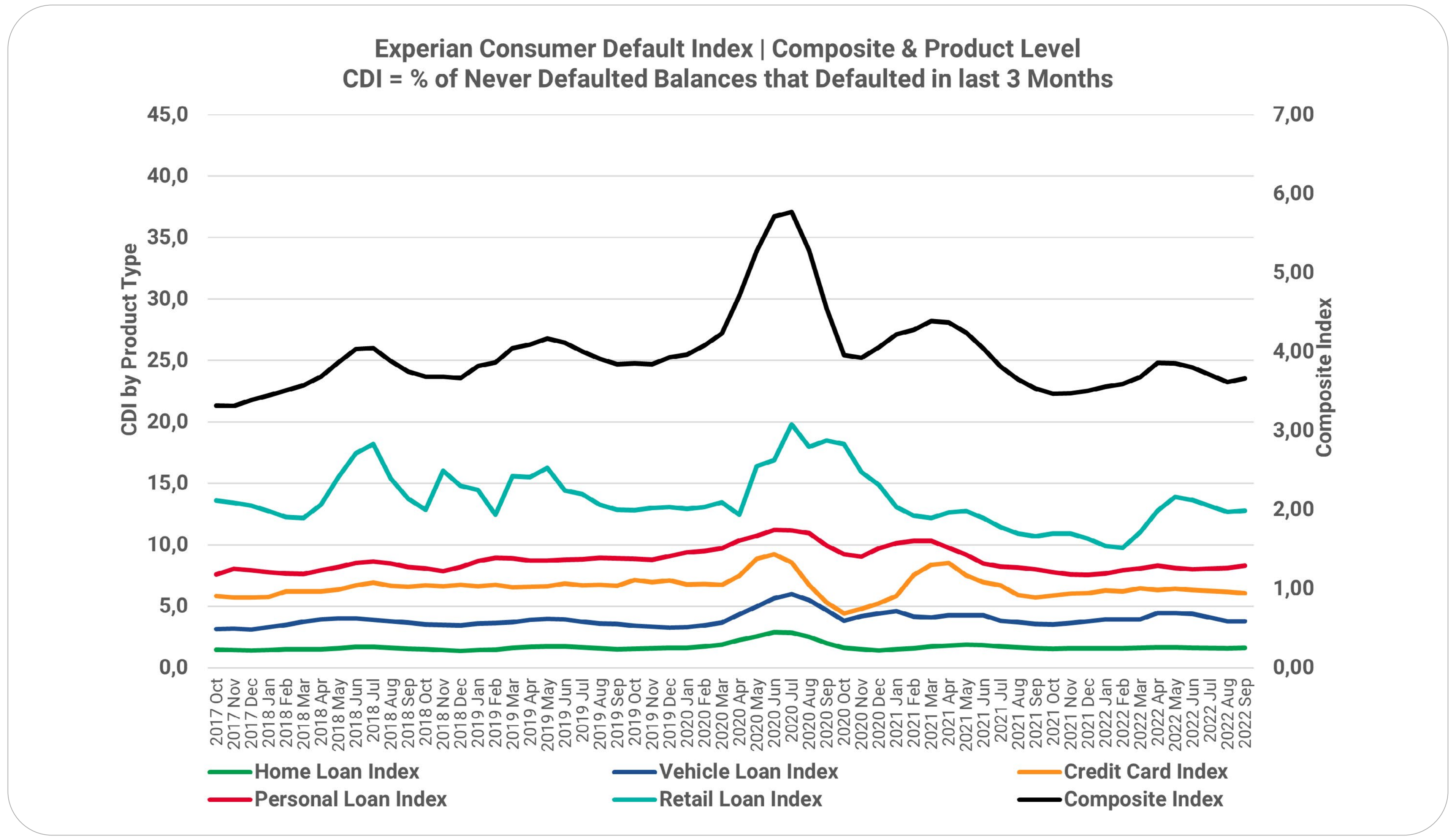
Composite Consumer Default Index

The CDI exhibited a Q-o-Q improvement from 3.80 in June 2022 to 3.66 in September 2022. This movement, although seemingly encouraging, is in fact aligned with the typical seasonal nature of the index, where we observe an annual maximum around April/May and an annual minimum around October/November.

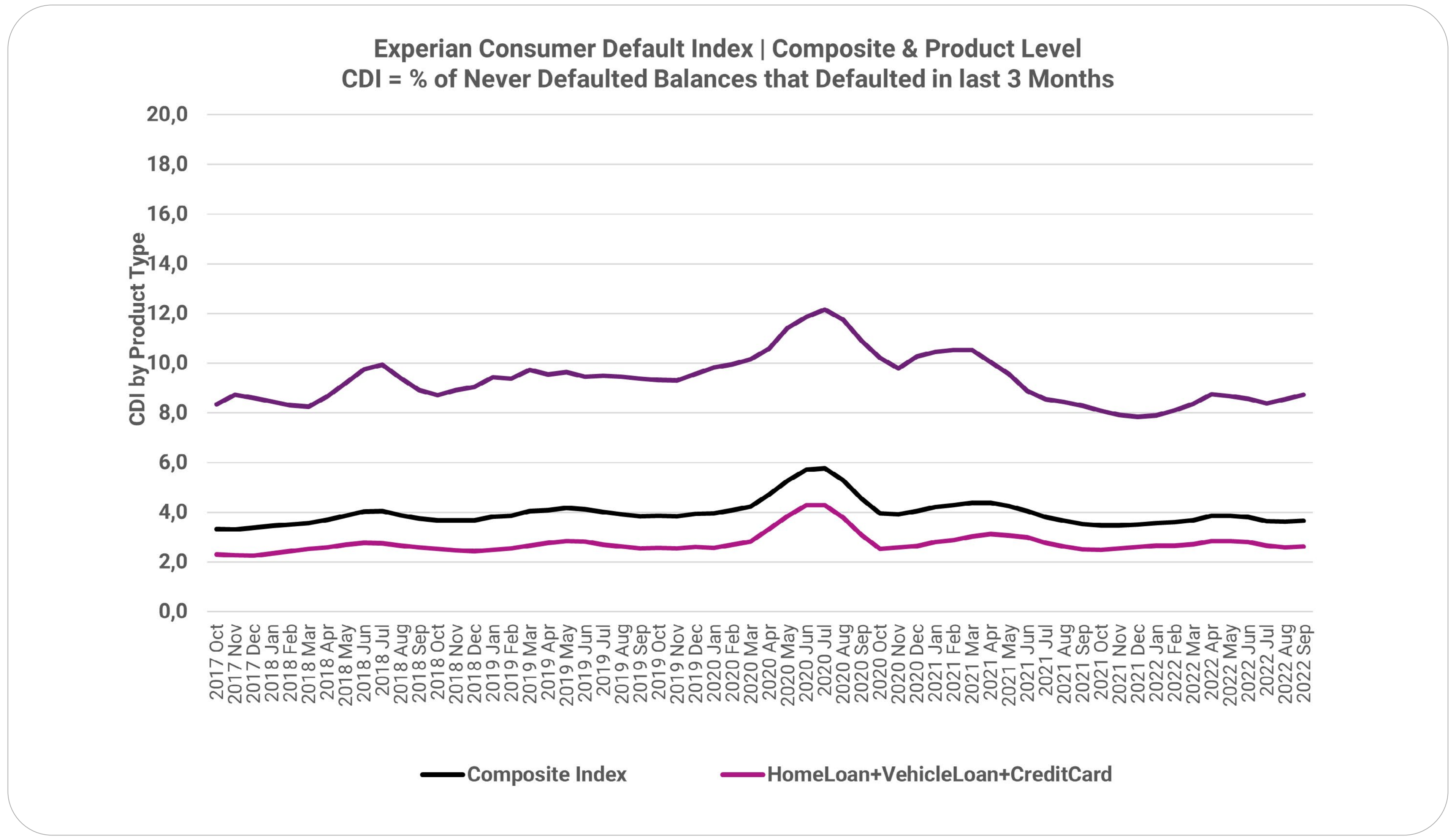
Y-o-Y, however, we now see the CDI deteriorating at a Composite level, but also for all individual products. The latest CDI showed a Y-o-Y of 4% overall, moving from 3.53 in September 2021 up to 3.66. This movement suggests that the CDI has now returned to its former trajectory of long-term deterioration.

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.

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



	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%



Composite Consumer Default Index by Macro-FAS

The 6 groups that make up macro-FAS include:

FAS Group 1: Luxury Living (2.5% of the 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 the 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.

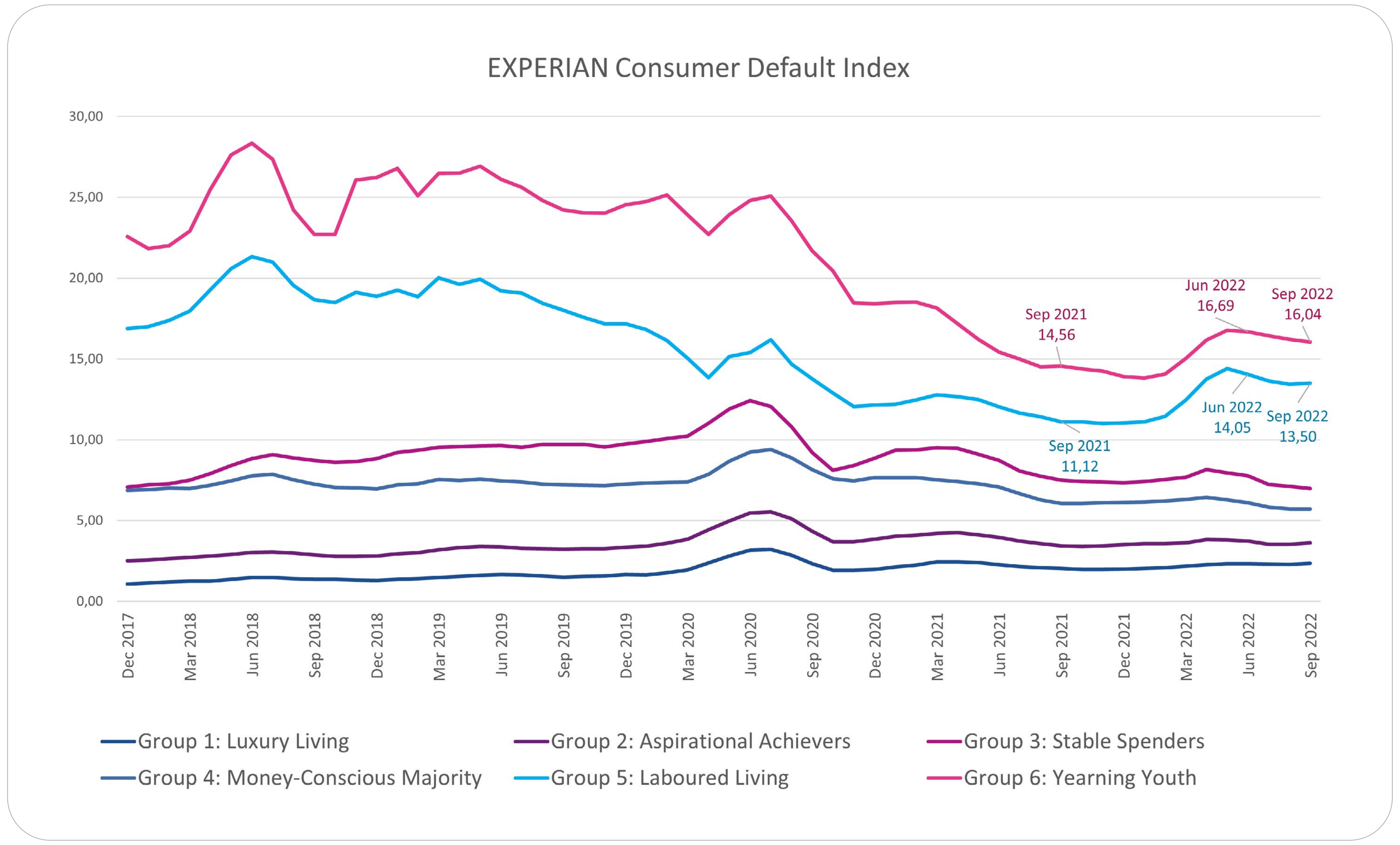
FAS Group 3: Stable Spenders (7.2% of the credit-active population) - Young adults that rely on financial products to assist in making ends meet or to afford specific necessities such as clothing and school fees, or seasonal luxuries.

FAS Group 4: Money-Conscious Majority (40.0% of the credit-active population) - Older citizens that are conscious of where and how they spend their money; often seeking out financial products to cover basic needs or for unforeseen expenses.

FAS Group 5: Laboured Living (24.6% of the credit-active population) - Financially limited individuals 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 the 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.

Composite CDI	CDI Sep' 21	CDI Sep' 22	Average Oustanding 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%



Composite CDI at the macro-FAS level

2022 Q3 continued to show that the most affluent consumers continue to be under more financial strain (relatively speaking) than their less affluent counterparts. Indeed, FAS **Group 1 (Luxury Living)** showed 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 2 years after the initial COVID lockdown conditions. This is for the most part related to the meaningful increase in new business volumes that was seen for Retail over the 2021 Festive season (this sector shows the biggest representation of these least affluent consumer groups, who typically are significantly less likely to qualify for secured credit products). The latest results saw a Q-o-Q improvement in CDI for these segments – in line with the reduced new business written for these segments since 2021 Q4.

Composite Consumer Default Index by FAS Type

FAS		CDI		
FAS Type Name	Description	Sep'22	Sep'21	Year on Year Δ
01. Independent Investors	The most affluent members of South Africa the majority of which are directors and financially savvy individuals that understand how to make their money work for them.	2,38	1,80	0,58
02. Affluent Couples	Well-educated power couples that understand the importance of investments, the correct handling of finances, and protecting their assets.	2,19	2,08	0,11
03. Professional Players	Career-driven and well-educated individuals with exceptional entrepreneurial abilities that know how to work hard to support their lifestyles.	2,54	2,18	0,36
04. Logged-On Lifestyles	Young professionals that are very active when it comes to online retail buying but understand the value investments such as property carry.	1,72	1,97	-0,25
05. Liquid Living	Upper-middle-class, mature individuals with strong family tendencies that rely on financing to afford the extra necessities in life.	2,70	2,76	-0,07
06. Successful Singles	Young and unmarried but successful individuals that are driven by prestige and seek to further their personal and professional accomplishments.	3,35	2,69	0,66
07. Lifestyle Lending	Established individuals that are eager to spend but are still somewhat reliant on credit to support their lifestyles.	4,02	3,39	0,63
08. Comfortable Retirees	Stable, mature individuals either approaching or in retirement that are set up for comfortable retirement.	3,66	3,92	-0,26
09. Secure Singles	Young singles that are setting up their lives and with the potential to become a more affluent type as they age and their incomes increase.	5,71	3,56	2,16
10. Comfortable Couples	Couples leading enjoyable lives and whose basic needs are met; however, they are not prepared for the odd financial hiccough.	6,24	5,97	0,28
11. Steady Entrepreneurs	Middle-aged small business entrepreneurs that can support themselves but would struggle to afford more expensive assets.	9,34	9,69	-0,35
12. Stand-Alone Singles	Young money-savvy and independent singles that are building their personal lives and careers by climbing the ranks and that understand the importance of assets.	4,79	5,42	-0,63
13. Plugged-In Purchasers	Having grown up with the development of technology, most have not known a world without the internet and would leverage technology in their careers.	4,98	5,61	-0,64
14. Payday Pursuers	Living from month to month, these middle-aged individuals rely on finance to bridge the gap between paydays.	5,94	6,94	-1,00
15. Deficient Directors	Owners of small enterprises that are unlikely to see any significant increase in income and whose financial limits impact their ability to budget for unforeseen financial needs.	8,17	8,09	0,07
16. Credit-Reliant Consumers	Young adults are relying on financing to cover monthly expenses, especially for retail purchases; most likely to elevate their level of lifestyle.	12,01	12,66	-0,66
17. Secure Seniors	Senior citizens who are mostly in their retirement with enough income to provide for the basics and financial security.	2,88	3,39	-0,51
18. Coping Couples	Mature couples in the late stages of their careers as employees with enough income to cover basic needs until they retire.	2,69	3,50	-0,80
19. Restricted Retirees	Senior citizens who struggle to afford the basics, and therefore need to continue working despite being in retirement.	5,21	6,03	-0,82
20. Low Earners	With some of the lowest salaries, these middle-aged individuals are severely restricted in terms of access to financing and purchasing power.	10,82	9,63	1,19
21. Misfortunate Mature	Approaching retirement age, these wage-based employees would need to continue working well into retirement to supplement their state pensions.	7,50	7,74	-0,24
22. Concerning Citizens	Late middle-aged employees that are ill-equipped to accumulate adequate savings or investments for retirement, instead they use salaries to cover basic needs.	6,40	6,65	-0,26
23. Money-Wise Mature	Mature individuals that are not financially secure and may even need to work part-time during retirement to supplement any pensions received.	6,05	6,78	-0,73
24. Depleted Resources	Employees, probably in the unskilled worker sector, with low resources which restrict access to financial services to afford monthly necessities.	8,03	8,29	-0,27
25. Strained Adults	Low finances leave these middle-aged individuals strained to afford little more than the basics.	9,72	11,17	-1,45
26. Online Survivors	Young adult unskilled or shift workers that are likely cohabiting with significant others or family and are unable to afford more than their basic needs.	12,75	9,33	3,42
27. Struggling Earners	While these individuals struggle to make ends meet, which has led to a reliance on financing to supplement their income, they do understand the value of insuring the little they have.	8,76	8,74	0,02
28. Minimum-Money Workers	Unskilled labourers, with salaries barely above the minimum wage for South Africa, whose meagre salaries are a huge obstacle in obtaining finance with which to buy assets.	14,96	13,67	1,29
29. Inexperienced Earners	Young salaried employees that are new to the job market and are beginning to set up their lives; however, they are likely still residing with family or are renting cheaper accommodation.	15,44	13,61	1,83
30. Eager Youth	The youngest entry-level employees that are beginning to realise the cost of living and are likely reliant on family for support or accommodation.	17,40	16,61	0,79

In 2022 Q2 FAS Types 09 and 26 (Secure Singles and Online Survivors) again showed the most substantial deterioration in CDI this quarter. This aligns with the observations since 2022 Q1. Notable Y-o-Y improvements were seen for FAS types 25 and 14 (Strained Adults and Payday Pursuers).

Overall, though, the table to the left re-iterates the observation that most affluent consumers saw a deterioration in CDI. The least affluent consumer types constituting FAS Groups 5 and 6, also saw hefty deteriorations Y-o-Y.

The increased exposure of FAS Groups 5 and 6 in unsecured credit over the last few months since 2021 Q4, has led to higher CDIs for these consumer groups. Furthermore, the increased cost of living has also had a particularly detrimental impact on these consumers' ability to honour their debt commitments.

- **Online Survivors (26):** This consumer type has an average age of 34 years, comprising of mostly unskilled or shift workers that are likely cohabiting with significant others or family and are unable to afford more than their basic needs. They continue to be the FAS Type with the largest retail loan credit exposure, having 11% of the total market value.
- **Online Survivors** deteriorated from 9.33 in 2021 Q3 to 12.75 in 2022 Q3. This was the greatest Y-o-Y deterioration in CDI of all the FAS Types.

These consumers form part of FAS Group 5 and reflect the less affluent end of the market. Although this consumer type is the single most represented type in the Retail Loan space (~11% of total exposure), they have been under increased pressure to honour their debt commitments – particularly following the recent increased cost of living.

Strained Adults (25): These consumers have an average age of 48 years and earn an average annual income of just under R140 000. They are likely to be office employees or shop stewards and only 12% of Strained Adults have a home loan. With almost half of these consumers being married, spousal contributions to the household would improve their financial capabilities. 99% of these consumers make use of unsecured loans - mostly retail credit, but also unsecured banking credit products – to afford basic living expenses.

- **Strained Adults** showed a significant Y-o-Y improvement in CDI from 11.17 in 2021 Q3 to 9.72 in 2022 Q3.
- These consumers are deemed to be high credit risk. However, due to their age maturity, these consumers might be more conscientious when it comes to managing their finances than their younger counterparts in the less affluent groups.

> In 2022 Q2 FAS Types 09 and 26 (**Secure Singles and Online Survivors**) again showed the **most substantial deterioration** in CDI this quarter.

Composite Consumer Default Index by Province

At a provincial level, the Y-o-Y improvement in CDI was most significant in the Western Cape. There are 4 provinces, however, where slight deteriorations were observed. These were Limpopo, Eastern Cape, North West and the Free State.

- The CDI in the **Western Cape** continues to be the lowest, at 2.57, down from 2.72 observed in September 2021. The Western Cape with its high representation of more affluent consumers remains the province with the lowest CDI overall.
- At the opposite end of the scale, **Limpopo** is the province with the highest CDI, also showing a Y-o-Y deterioration from 4.50 in September 2021 to 5.05 in September 2022. Considering the relatively high representation of less affluent consumer groups in this province, it is understandable that Limpopo exhibits the highest CDI overall. This was also the worst deterioration at a provincial level.

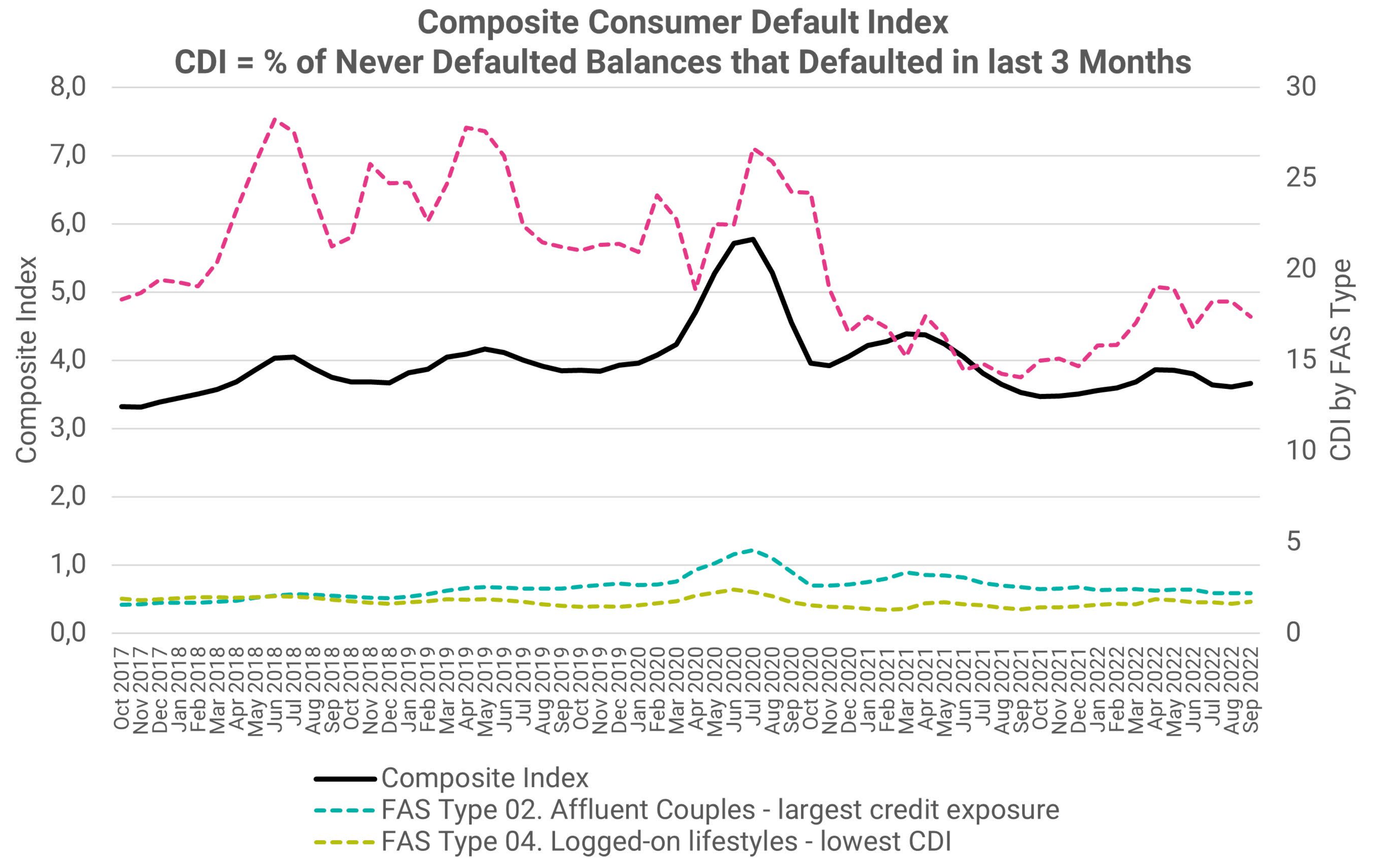
R18.88bn

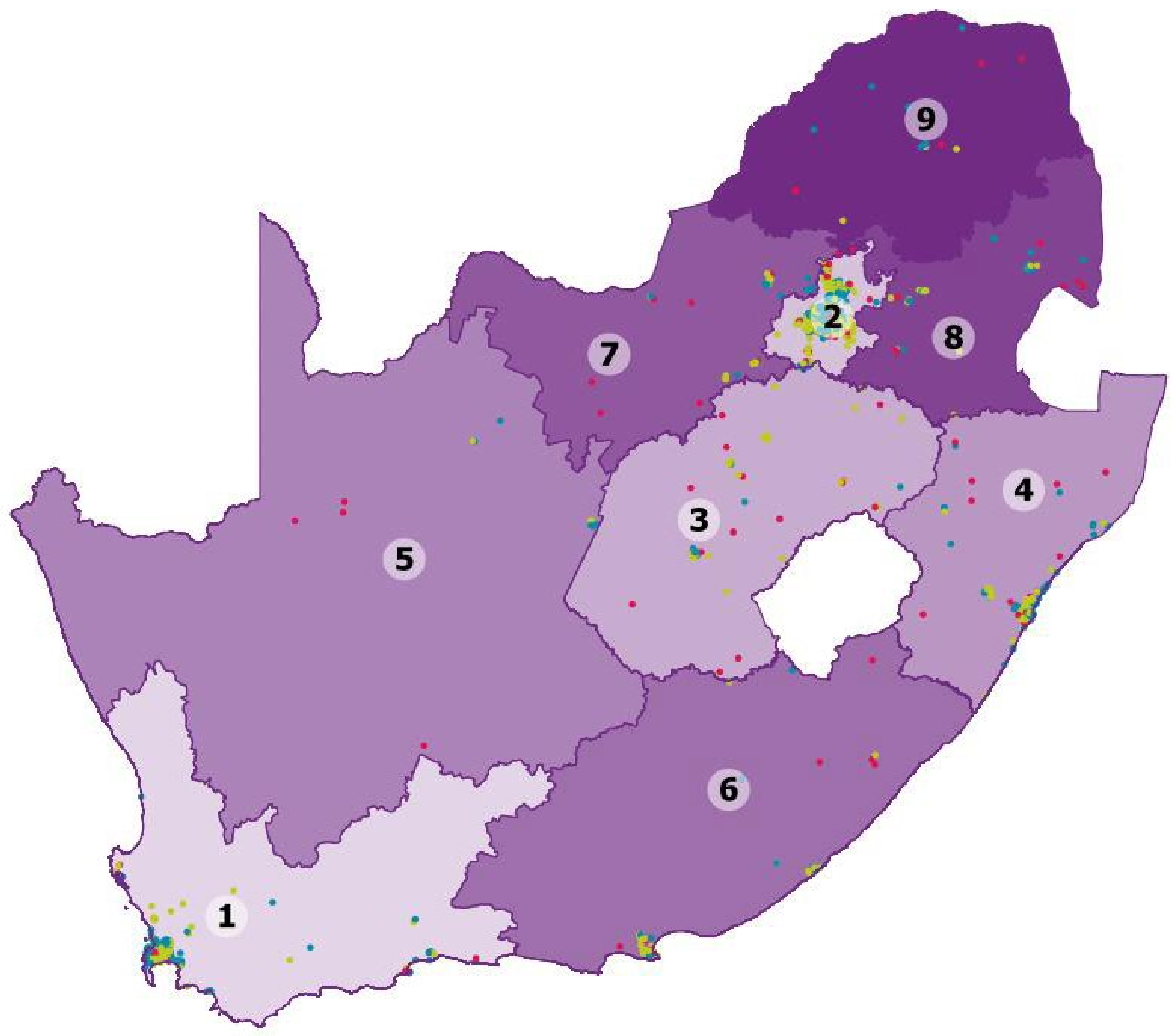
in value defaulted for first time over the period Jul 2022 to Sep 2022.

3.66%

of balances on an annualized basis defaulted for first time over the period Jul 2022 to Sep 2022.

	CDI Sep'22	CDI Sep'21	New Default Balances Jul'22-Sep'22
Composite Index	3,66	3,53	R18 878 401 145
FAS Type 2 - largest credit exposure	2,19	2,08	R1 946 638 833
FAS Type 4 - lowest CDI	1,72	1,97	R641 140 926
FAS Type 30 - highest CDI	17,40	16,61	R120 662 538





- FAS Type 2 - Largest Credit Exposure
- FAS Type 4 - Lowest CDI
- FAS Type 30 - Highest CDI

Composite	CDI	
Rank & Province	Sep'21	Sep'22
1. Western Cape	2,72	2,57
2. Gauteng	3,38	3,42
3. Free State	3,64	4,02
4. KwaZulu-Natal	4,10	4,16
5. Northern Cape	3,93	4,21
6. Eastern Cape	3,80	4,27
7. North West	4,12	4,55
8. Mpumalanga	4,67	4,78
9. Limpopo	4,50	5,05

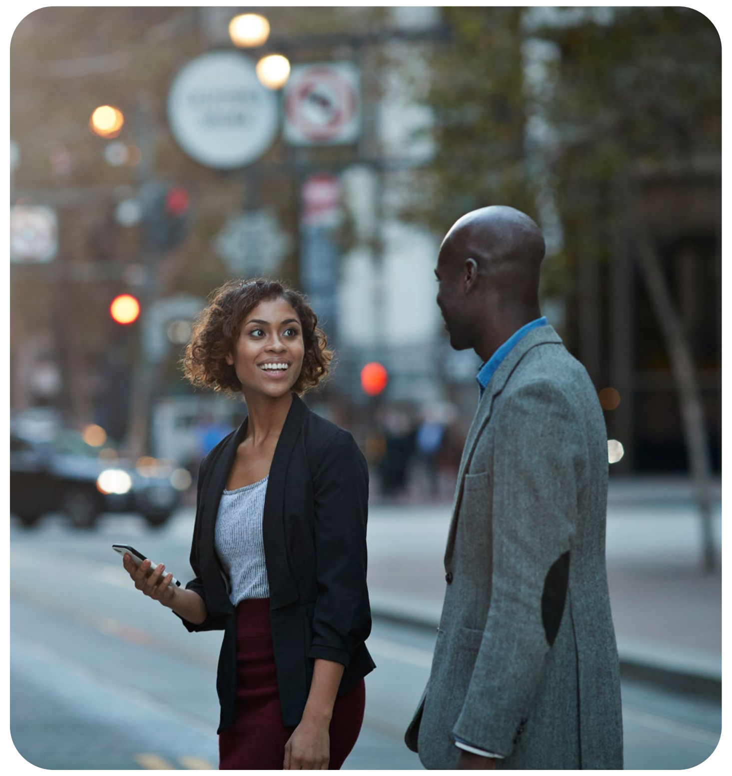
Composite Consumer Default Index by FAS Type

FAS groups 1 and 2 jointly had over 80% of the total Banking and Retail market exposure in South Africa in 2022 Q3. This is due to their large exposure to the high-value products associated with secured credit. These consumers are also generally deemed to be of lower credit risk. As such, their CDI is typically at the lower end of the scale. We have seen, though that the most affluent segments in the market – although still exhibiting the lowest CDI generally speaking, have been under more pressure to honour their debt commitment since the onset of COVID. This is mainly because these consumers typically continued to qualify for new credit throughout lockdown periods, and now are coming under pressure due to increased interest rates and cost of living expenses.

- **Affluent Couples (02),** who are well-educated power couples that understand the importance of investments, finances, and insurance have the ***largest credit exposure*** across all segments. This deteriorated Y-o-Y in CDI-terms moving from 2.08 in 2021 Q3 to 2.19 in 2022 Q3.
- **Logged-on Lifestyles (04)** are young professionals that are very active when it comes to online retail buying but understand the value of investments such as property. They have the ***lowest CDI*** and are showing improvement in CDI from 1.97 in 2021 Q3 to 1.72 in 2022 Q3.
- **Eager Youth (30)**, who are the youngest entry-level employees that are beginning to realise the cost of living and are likely reliant on their family for support or accommodation, have the ***highest CDI***. This consumer type has typically not qualified for new credit in the tightening environment but given the increased exposure in Retail Loans towards the end of 2021, together with the increased cost of living, saw a Y-o-Y deterioration in CDI from 16.61 to 17.40 in 2022 Q3.

	CDI Sep'22	CDI Sep'21	New Default Balances Jul'22-Sep'22
Composite Index	3,66	3,53	R18 878 401 145
FAS Type 2 - largest credit exposure	2,19	2,08	R1 946 638 833
FAS Type 4 - lowest CDI	1,72	1,97	R641 140 926
FAS Type 30 - highest CDI	17,40	16,61	R120 662 538

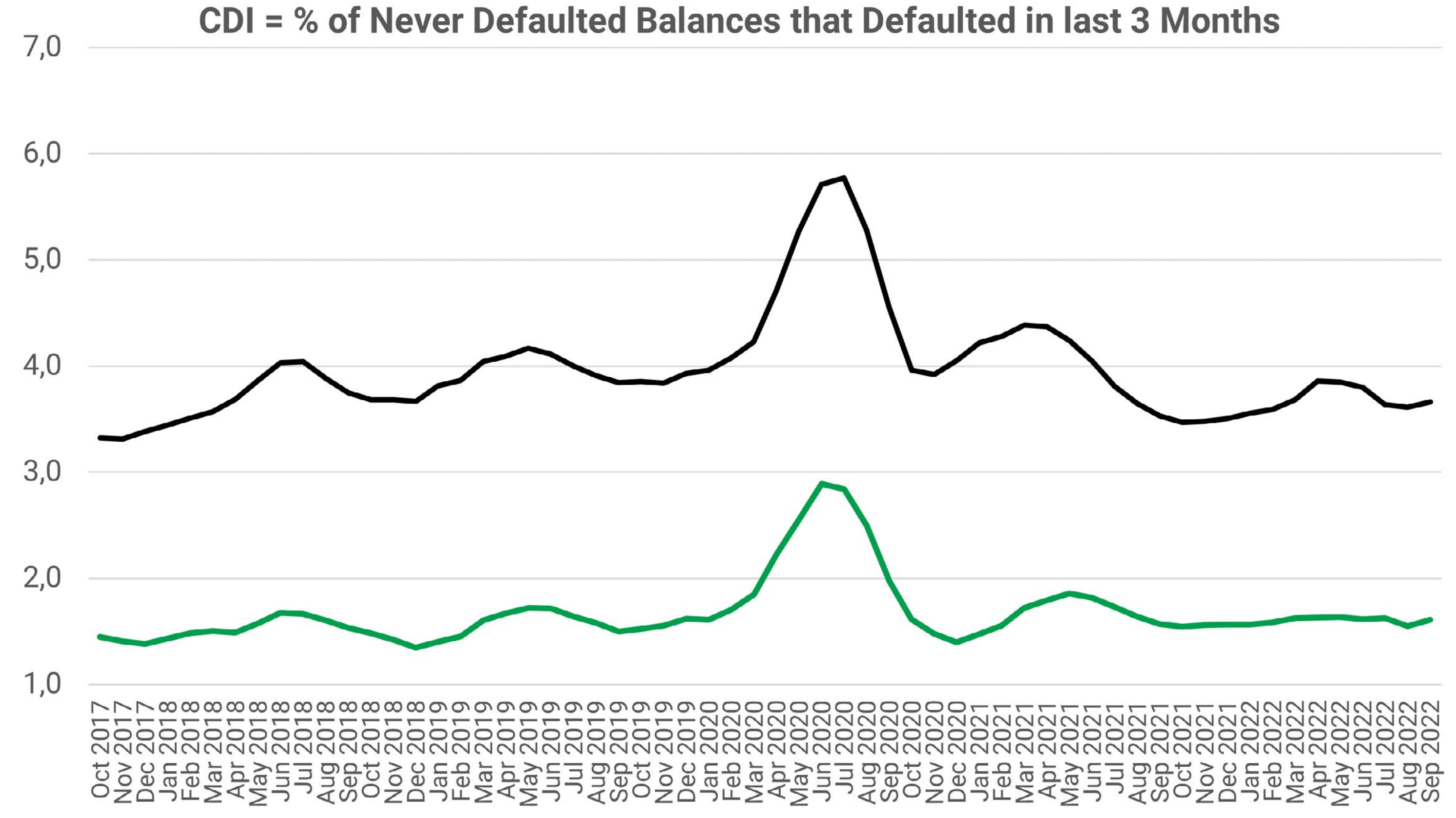
FAS	CDI		
FAS Type Name	Sep'22	Sep'21	Year on Year Δ
01. Independent Investors	2,38	1,80	0,58
02. Affluent Couples	2,19	2,08	0,11
03. Professional Players	2,54	2,18	0,36
04. Logged-On Lifestyles	1,72	1,97	-0,25
05. Liquid Living	2,70	2,76	-0,07
06. Successful Singles	3,35	2,69	0,66
07. Lifestyle Lending	4,02	3,39	0,63
08. Comfortable Retirees	3,66	3,92	-0,26
09. Secure Singles	5,71	3,56	2,16
10. Comfortable Couples	6,24	5,97	0,28
11. Steady Entrepreneurs	9,34	9,69	-0,35
12. Stand-Alone Singles	4,79	5,42	-0,63
13. Plugged-In Purchasers	4,98	5,61	-0,64
14. Payday Pursuers	5,94	6,94	-1,00
15. Deficient Directors	8,17	8,09	0,07
16. Credit-Reliant Consumers	12,01	12,66	-0,66
17. Secure Seniors	2,88	3,39	-0,51
18. Coping Couples	2,69	3,50	-0,80
19. Restricted Retirees	5,21	6,03	-0,82
20. Low Earners	10,82	9,63	1,19
21. Misfortunate Mature	7,50	7,74	-0,24
22. Concerning Citizens	6,40	6,65	-0,26
23. Money-Wise Mature	6,05	6,78	-0,73
24. Depleted Resources	8,03	8,29	-0,27
25. Strained Adults	9,72	11,17	-1,45
26. Online Survivors	12,75	9,33	3,42
27. Struggling Earners	8,76	8,74	0,02
28. Minimum-Money Workers	14,96	13,67	1,29
29. Inexperienced Earners	15,44	13,61	1,83
30. Eager Youth	17,40	16,61	0,79



Home Loan Consumer Default Index by Province

Home Loans showed a slight Y-o-Y deterioration in CDI, moving from 1.57 in 2021 Q3 to 1.61 in 2022 Q3. Q-o-Q the Home Loans CDI remained flat, with the 2022 Q2 Home Loan CDI recorded at 1.62. The Y-o-Y deterioration constituted a relative change of 3% for the Home Loans CDI and contributes ~50% to the Composite CDI due to the high exposure associated with this product. The Q-o-Q move was flat, with the 2021 Q2 Home Loans CDI having been 1.62.

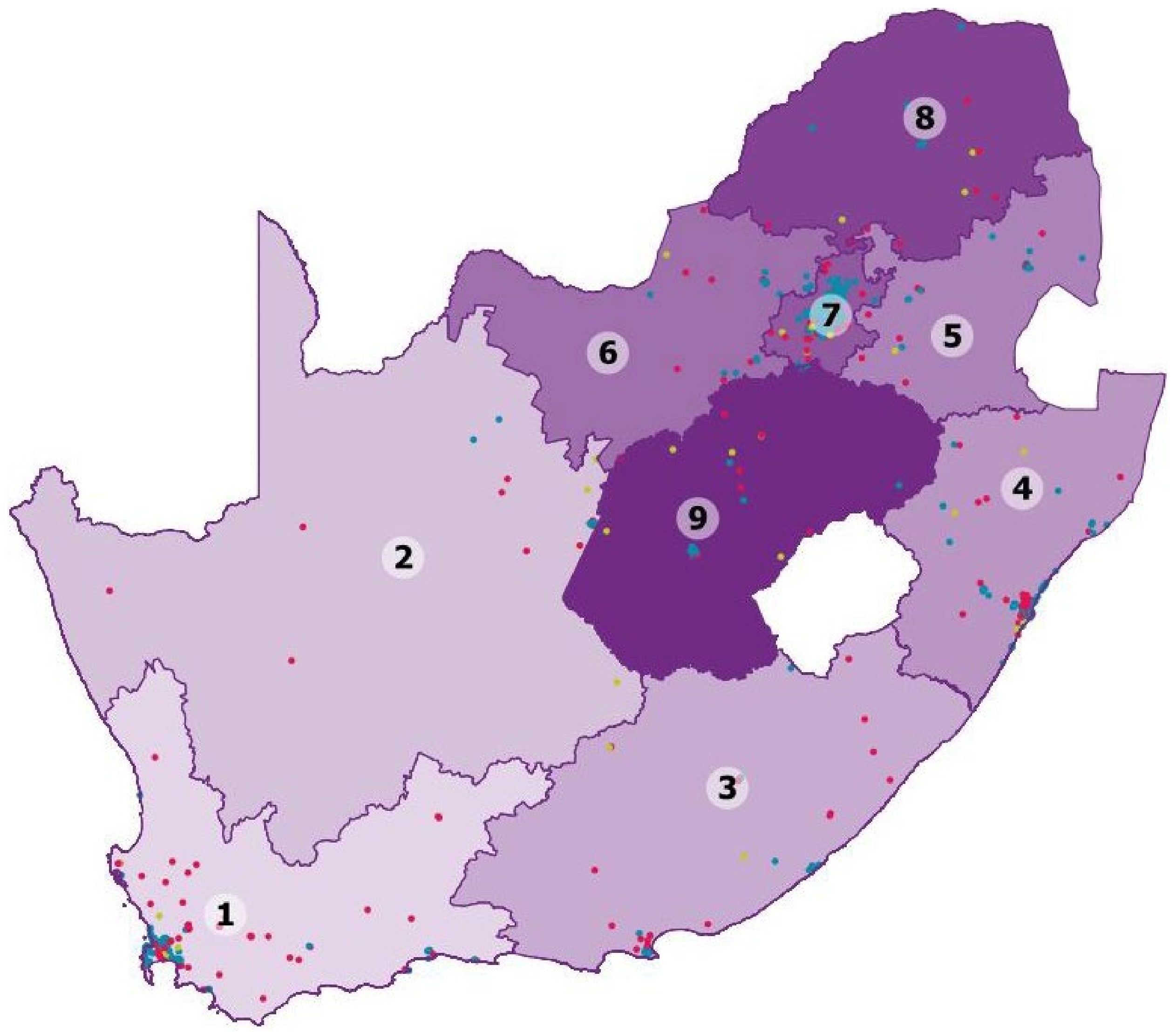
- Four provinces saw a Y-o-Y improvement: Mpumalanga, KwaZulu-Natal, Northern Cape and the Western Cape.
- The Home Loans CDI in the **Western Cape** remained the lowest and showed a slight improvement from 1.09 in Sept 2021 to 1.06 in Sept 2022.
- **Mpumalanga** saw the most significant improvement in Home Loans CDI, coming down from1.82 from 1.73 Y-o-Y.
- At the opposite end of the scale, the **Free State** had the highest Home Loans CDI and was also the province with the greatest Y-o-Y deterioration in CDI, moving from 1.69 in 2021 Q3 to 2.05 in 2022 Q3.



R4.37bn in value defaulted for first time over the period Apr 2022 to Jun 2022.

1.61% of home loan balances on an annualized basis defaulted for first time over the period Apr 2022 to Jun 2022.

	CDI Sep'22	CDI Sep'21	New Default Balances Jul'22-Sep'22
Home Loan Index	1,61	1,57	R 4 368 448 056
FAS Type 2 - largest credit exposure	1,40	1,48	R 829 390 711
FAS Type 27 - lowest CDI	0,68	0,54	R 416 354
FAS Type 29 - highest CDI	7,71	6,20	R 2 549 604



- FAS Type 2 - Largest Credit Exposure
- FAS Type 27 - Lowest CDI
- FAS Type 29 - Highest CDI

Composite Rank & Province	CDI Sep'21	CDI Sep'22
1. Western Cape	1,09	1,06
2. Northern Cape	1,32	1,25
3. Eastern Cape	1,33	1,59
4. KwaZulu-Natal	1,71	1,63
5. Mpumalanga	1,82	1,73
6. North West	1,48	1,76
7. Gauteng	1,75	1,78
8. Limpopo	1,58	1,84
9. Free State	1,69	2,05

Home Loan Consumer Default Index by FAS Type

By far the largest credit exposure (> 90%) from a home loans perspective falls in the FAS Groups 1 and 2. While not immune to the distressed environment, consumers with access to home loans have a lower likelihood of defaulting and thus these high-affluence consumers typically continued to qualify for new credit during the period of more strict credit risk criteria being applied by many lenders.

- **Affluent Couples (02)** are typically well-educated power couples that understand the importance of investments, the correct handling of finances, and protecting their assets have by far ***the largest credit exposure*** in Home Loans. While financially mature, this type experienced an improvement in Home Loan CDI from 1.48 in 2021 Q3 to 1.40 in 2022 Q3.
- **Struggling Earners (27)** struggle to make ends meet and as such only 7% of them have Home Loans, with a maximum opening balance of R310 000. Although they have the ***lowest Home Loan CDI***, this is purely the result of very low product ownership (0.02% exposure to the Home Loan market) in this type.
- **Inexperienced Earners (29)** have deteriorated from a CDI of 6.20 in 2021 Q3 to 7.71 in 2022 Q3 and are the consumer type with the highest first-time default rate in Home Loans. Remember that this type consists of young salaried employees that are new to the job market and are beginning to set up their lives, and as a result, are exhibiting the ***highest Home Loans CDI***.

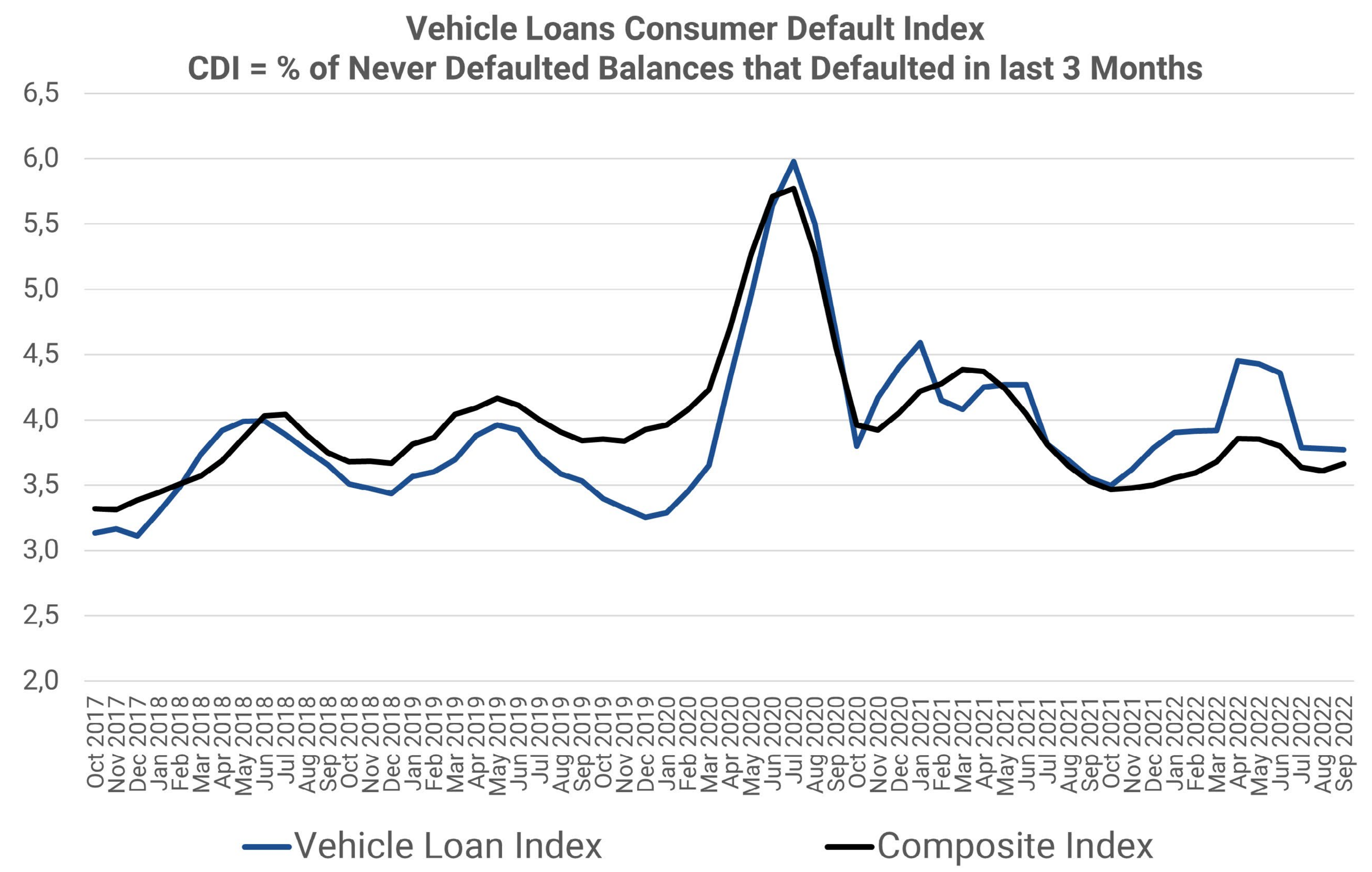
	CDI Sep'22	CDI Sep'21	New Default Balances Jul'22-Sep'22
Home Loan Index	1,61	1,57	R 4 368 448 056
FAS Type 2 - largest credit exposure	1,40	1,48	R 829 390 711
FAS Type 27 - lowest CDI	0,68	0,54	R 416 354
FAS Type 29 - highest CDI	7,71	6,20	R 2 549 604

FAS	CDI		
FAS Type Name	Sep'22	Sep'21	Year on Year Δ
01. Independent Investors	1,86	1,43	0,42
02. Affluent Couples	1,40	1,48	-0,08
03. Professional Players	1,35	1,20	0,15
04. Logged-On Lifestyles	1,45	1,51	-0,06
05. Liquid Living	1,45	1,58	-0,13
06. Successful Singles	1,42	1,16	0,25
07. Lifestyle Lending	2,55	2,17	0,38
08. Comfortable Retirees	1,68	2,32	-0,64
09. Secure Singles	2,98	1,63	1,36
10. Comfortable Couples	2,61	2,40	0,21
11. Steady Entrepreneurs	3,17	11,27	-8,10
12. Stand-Alone Singles	1,69	2,30	-0,61
13. Plugged-In Purchasers	3,24	2,04	1,20
14. Payday Pursuers	2,09	3,45	-1,36
15. Deficient Directors	3,65	2,51	1,14
16. Credit-Reliant Consumers	4,08	3,53	0,55
17. Secure Seniors	1,99	2,35	-0,37
18. Coping Couples	1,85	2,15	-0,30
19. Restricted Retirees	2,29	2,93	-0,64
20. Low Earners	1,42	2,75	-1,33
21. Misfortunate Mature	3,55	2,44	1,11
22. Concerning Citizens	1,57	2,72	-1,14
23. Money-Wise Mature	1,89	2,37	-0,48
24. Depleted Resources	2,97	2,93	0,04
25. Strained Adults	3,68	1,41	2,26
26. Online Survivors	5,94	2,86	3,07
27. Struggling Earners	0,68	0,54	0,14
28. Minimum-Money Workers	4,72	8,20	-3,48
29. Inexperienced Earners	7,71	6,20	1,51
30. Eager Youth	2,61	10,68	-8,07

Vehicle Loan Consumer Default Index by Province

Vehicle Loans CDI has shown Y-o-Y deterioration, moving from 3.56 in September 2021 to 3.77 in September 2022. Q-o-Q the Vehicle Loan CDI improved sharply, moving from 4.36 in June 2022 to the present 3.77.

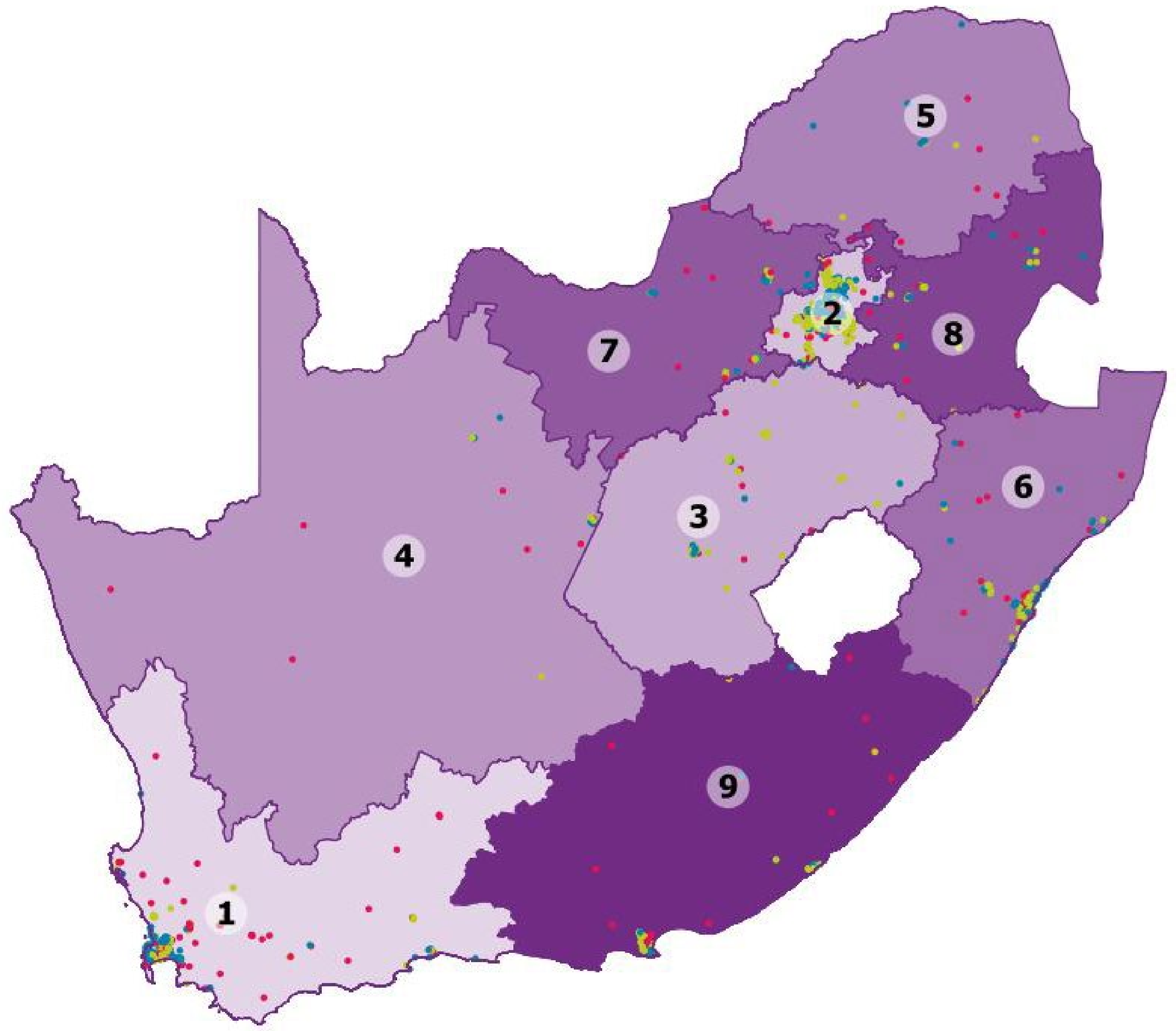
- The Vehicle Loans CDI in the **Western Cape** ranked the lowest of all the South African provinces. This is reflective of the high representation of the more affluent FAS Groups 1 and 2 in the province. The Western Cape showed an improvement Y-o-Y, moving from 2.93 in September 2021 to 2.54 in September 2022.
- The **Eastern Cape** has shown the highest CDI for Vehicle Loans, worsening Y-o-Y from 3.75 in September 2021 to 4.54 in September 2022. This was also the most substantial Y-o-Y provincial deterioration in Vehicle Loans CDI.



R4.39bn in value defaulted for first time over the period Jul 2022 to Sep 2022.

3.77% of vehicle loan balances on an annualized basis defaulted for first time over the period Jul 2022 to Sep 2022.

	CDI Sep'22	CDI Sep'21	New Default Balances Jul'22-Sep'22
Vehicle Loan Index	3,77	3,56	R 4 389 159 581
FAS Type 2 - largest credit exposure	2,43	2,31	R 424 708 845
FAS Type 4 - lowest CDI	1,70	2,21	R 68 180 900
FAS Type 29 - highest CDI	12,57	6,70	R 2 314 945



FAS Type 2 - Largest Credit Exposure
FAS Type 4 - Lowest CDI
FAS Type 29 - Highest CDI

Composite	CDI	
Rank & Province	Sep'21	Sep'22
1. Western Cape	2,93	2,54
2. Gauteng	3,45	3,50
3. Free State	3,02	3,74
4. Northern Cape	3,42	3,95
5. Limpopo	3,56	4,24
6. KwaZulu-Natal	4,05	4,28
7. North West	3,66	4,29
8. Mpumalanga	4,36	4,53
9. Eastern Cape	3,75	4,54

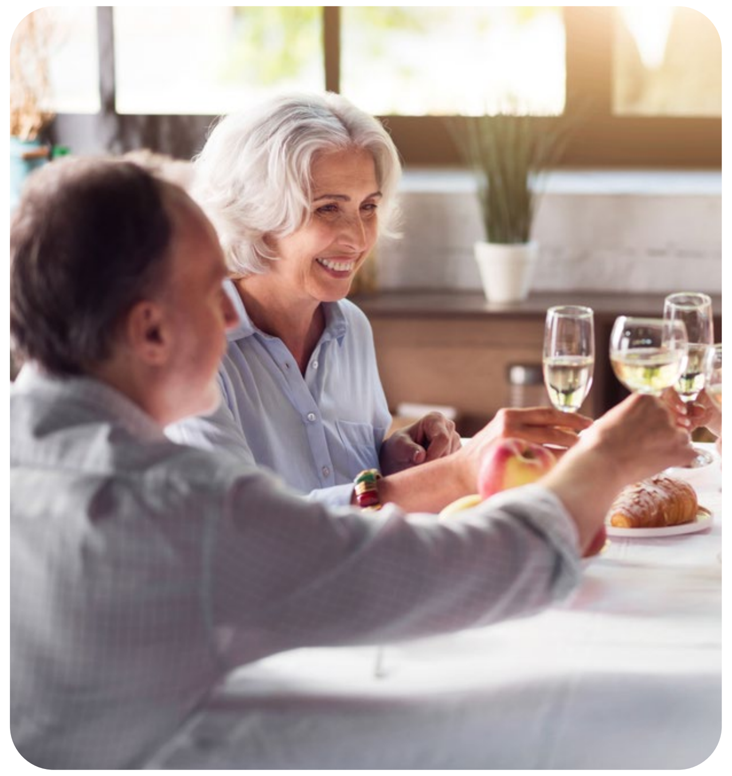
Vehicle Loan Consumer Default Index by FAS Type

Access to vehicle loans is predominantly targeted at macro-FAS Groups 1 and 2. The largest credit exposure is in FAS Group 2, who holds ~45% of the market.

- **Affluent Couples (02)** who can best be described as well-educated power couples that understand the importance of investments, the correct handling of finances, and protecting their assets have the ***largest credit exposure*** in Vehicle Loans of all consumer segments. While financially mature, this type (as was the case with most other FAS types) experienced a deterioration in CI from 2.81 in June 2021 to 2.91 in June 2022.
- **Logged-on Lifestyles (04)**, who are young professionals that are very active when it comes to online retail buying, but understand the value of investments such as property, have the ***lowest Vehicle Loans CDI*** and are showing an improvement in their Vehicle Loan CDI from 2.21 in September 2021 to 1.70 in September 2022.
- **Inexperienced Earners (29)** have deteriorated from a CDI of 6.70 in September 2021 to 12.57 in September 2022. This is the consumer type with the ***highest Vehicle Loans CDI***. Keep in mind that this type consists of young salaried employees that are new to the job market and are beginning to set up their lives.

	CDI Sep'22	CDI Sep'21	New Default Balances Jul'22-Sep'22
Vehicle Loan Index	3,77	3,56	R 4 389 159 581
FAS Type 2 - largest credit exposure	2,43	2,31	R 424 708 845
FAS Type 4 - lowest CDI	1,70	2,21	R 68 180 900
FAS Type 29 - highest CDI	12,57	6,70	R 2 314 945

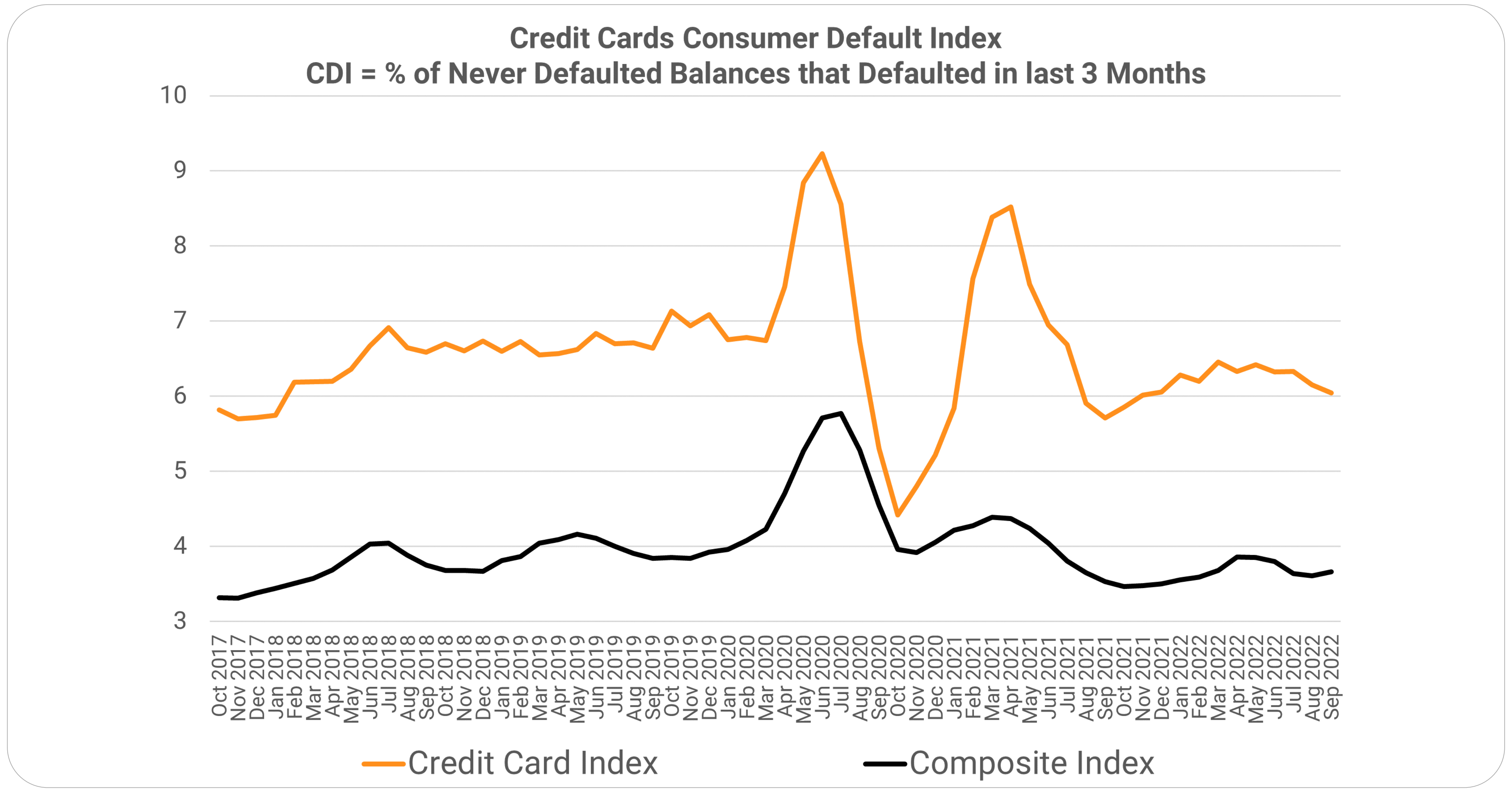
FAS	CDI		
FAS Type Name	Sep'22	Sep'21	Year on Year Δ
01. Independent Investors	2,63	2,16	0,47
02. Affluent Couples	2,43	2,31	0,12
03. Professional Players	3,39	2,83	0,56
04. Logged-On Lifestyles	1,70	2,21	-0,51
05. Liquid Living	3,08	2,87	0,21
06. Successful Singles	4,72	3,56	1,15
07. Lifestyle Lending	3,37	2,91	0,46
08. Comfortable Retirees	3,03	3,18	-0,16
09. Secure Singles	4,58	3,04	1,54
10. Comfortable Couples	5,29	4,28	1,01
11. Steady Entrepreneurs	8,02	7,84	0,18
12. Stand-Alone Singles	4,77	5,23	-0,46
13. Plugged-In Purchasers	4,75	4,74	0,01
14. Payday Pursuers	6,38	8,86	-2,49
15. Deficient Directors	7,28	7,83	-0,55
16. Credit-Reliant Consumers	8,31	6,34	1,97
17. Secure Seniors	3,54	4,05	-0,51
18. Coping Couples	2,86	4,17	-1,31
19. Restricted Retirees	7,74	9,74	-1,99
20. Low Earners	3,40	5,84	-2,44
21. Misfortunate Mature	4,25	10,15	-5,90
22. Concerning Citizens	3,95	8,25	-4,30
23. Money-Wise Mature	6,94	8,01	-1,07
24. Depleted Resources	6,27	6,80	-0,53
25. Strained Adults	7,03	5,43	1,60
26. Online Survivors	5,46	4,79	0,66
27. Struggling Earners	6,86	5,04	1,82
28. Minimum-Money Workers	10,87	8,47	2,40
29. Inexperienced Earners	12,57	6,70	5,87
30. Eager Youth	2,12	4,71	-2,59



Credit Card Consumer Default Index by Province

The Credit Card CDI has shown a notable deterioration Y-o-Y (moving from 7.71 in September 2021 to 6.04 in September 2022). Q-o-Q the Credit Card CDI has, however, seen improvement, moving down from 6.33 in June 2022 to the present 6.04.

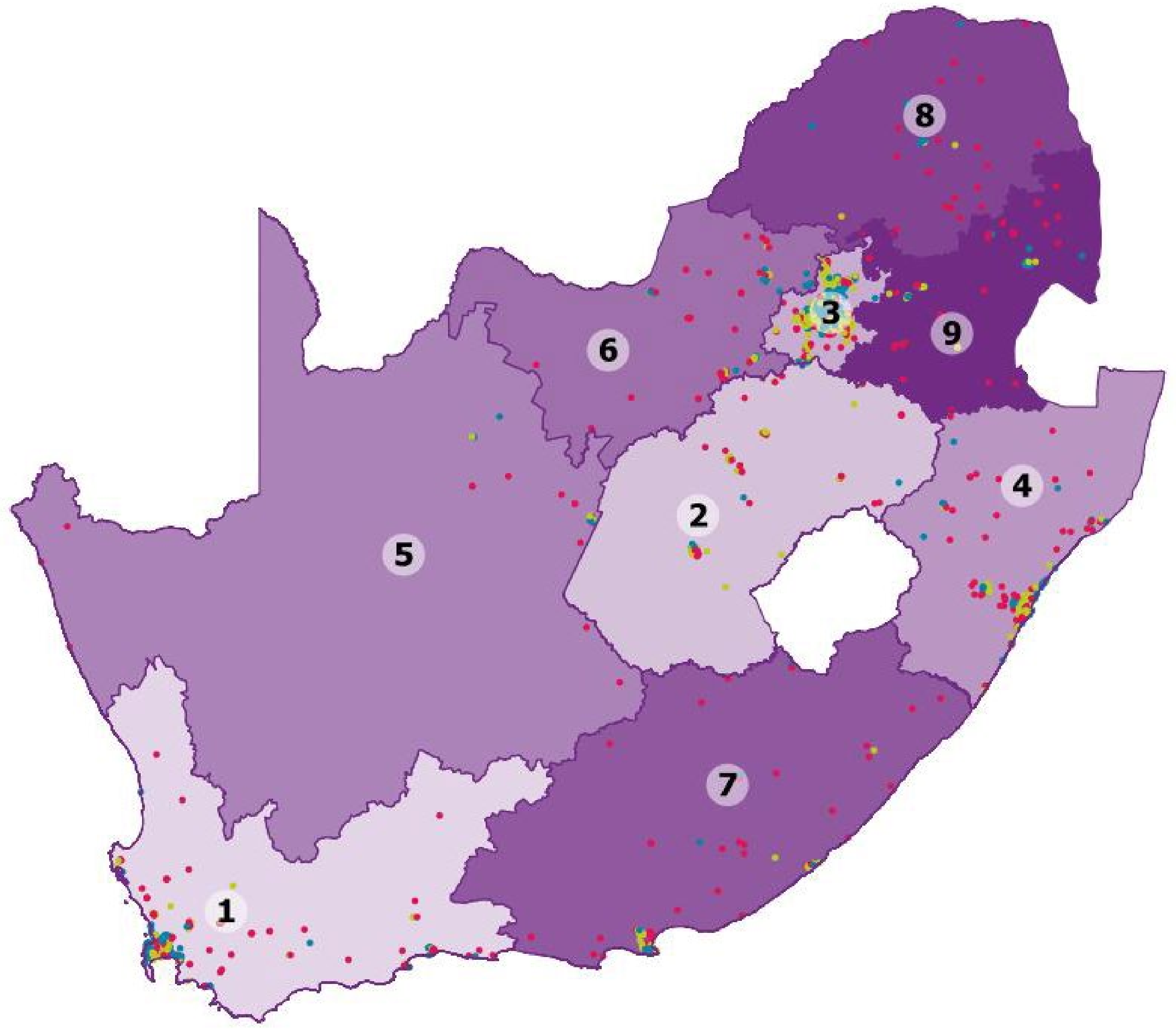
- Except for the Western Cape, all of the other provinces have shown a Y-o-Y deterioration in the Credit Card CDI in September 2022.
- The Credit Card CDI in the **Western Cape** continues to be the lowest from a provincial perspective, at 5.20 in September 2022. This proved to be the only improvement at a provincial level, moving from the 5.27 observed in September 2021.
- The most substantial deterioration was for the **Eastern Cape**, moving up from 6.08 in September 2021 to 7.04 in September 2022.
- The highest Credit Card CDI was observed in **Mpumalanga**. This province saw a deterioration in Credit Card CDI, moving from 7.03 in September 2021 up to 7.40 in September 2022.



R2.40bn in value defaulted for first time over the period Jul 2022 to Sep 2022.

6.04% of credit card balances on an annualized basis defaulted for first time over the period Jul 2022 to Sep 2022.

	CDI Sep'22	CDI Sep'21	New Default Balances Jul'22-Sep'22
Credit Card Index	6,04	5,71	R 2 401 653 285
FAS Type 2 - largest credit exposure	4,69	3,70	R 309 052 919
FAS Type 4 - lowest CDI	3,26	4,65	R 31 526 913
FAS Type 28 - highest CDI	14,42	11,29	R 10 289 871



FAS Type 2 - Largest Credit Exposure
FAS Type 4 - Lowest CDI
FAS Type 28 - Highest CDI

Composite	CDI	
Rank & Province	Sep'21	Sep'22
1. Western Cape	5,27	5,20
2. Free State	5,37	5,51
3. Gauteng	5,53	5,71
4. KwaZulu-Natal	6,04	6,51
5. Northern Cape	6,31	6,54
6. North West	6,39	6,98
7. Eastern Cape	6,08	7,04
8. Limpopo	6,25	7,05
9. Mpumalanga	7,03	7,40

Credit Card Consumer Default Index by FAS Type

The wider access to credit cards across the various FAS segments results in the Credit Card CDI being substantially higher than what is seen for secured credit products. Still, FAS Groups 1 and 2 have the biggest value exposure to Credit Cards, constituting roughly 75% of the total Credit Card exposure in the market.

- **Affluent Couples (02)**, who can best be described as well-educated power couples that understand the importance of investments, the correct handling of finances, and protecting their assets have by far the ***largest Credit Card exposure*** across all segments. Their Credit Card CDI deteriorated Y-o-Y from 5.71 in September 2021 to 6.04 in September 2022.
- **Logged-on Lifestyles (04)**, who are young professionals that are very active when it comes to online retail buying, but understand the value of investments such as property, have the ***lowest Credit Card CDI*** but are showing deterioration in their Credit Card CDI from 3.70 in September 2021 to 4.69 in September 2022.
- **Minimum-Money Workers (28)**, who are young adults (average age 34) that earn the lowest average annual income and have very low exposure to banking products, have the ***highest Credit Card CDI***. This reflects the low exposure of this segment to banking products and hence the relative high volatility in their CDI.

	CDI Sep'22	CDI Sep'21	New Default Balances Jul'22-Sep'22
Credit Card Index	6,04	5,71	R 2 401 653 285
FAS Type 2 - largest credit exposure	4,69	3,70	R 309 052 919
FAS Type 4 - lowest CDI	3,26	4,65	R 31 526 913
FAS Type 28 - highest CDI	14,42	11,29	R 10 289 871

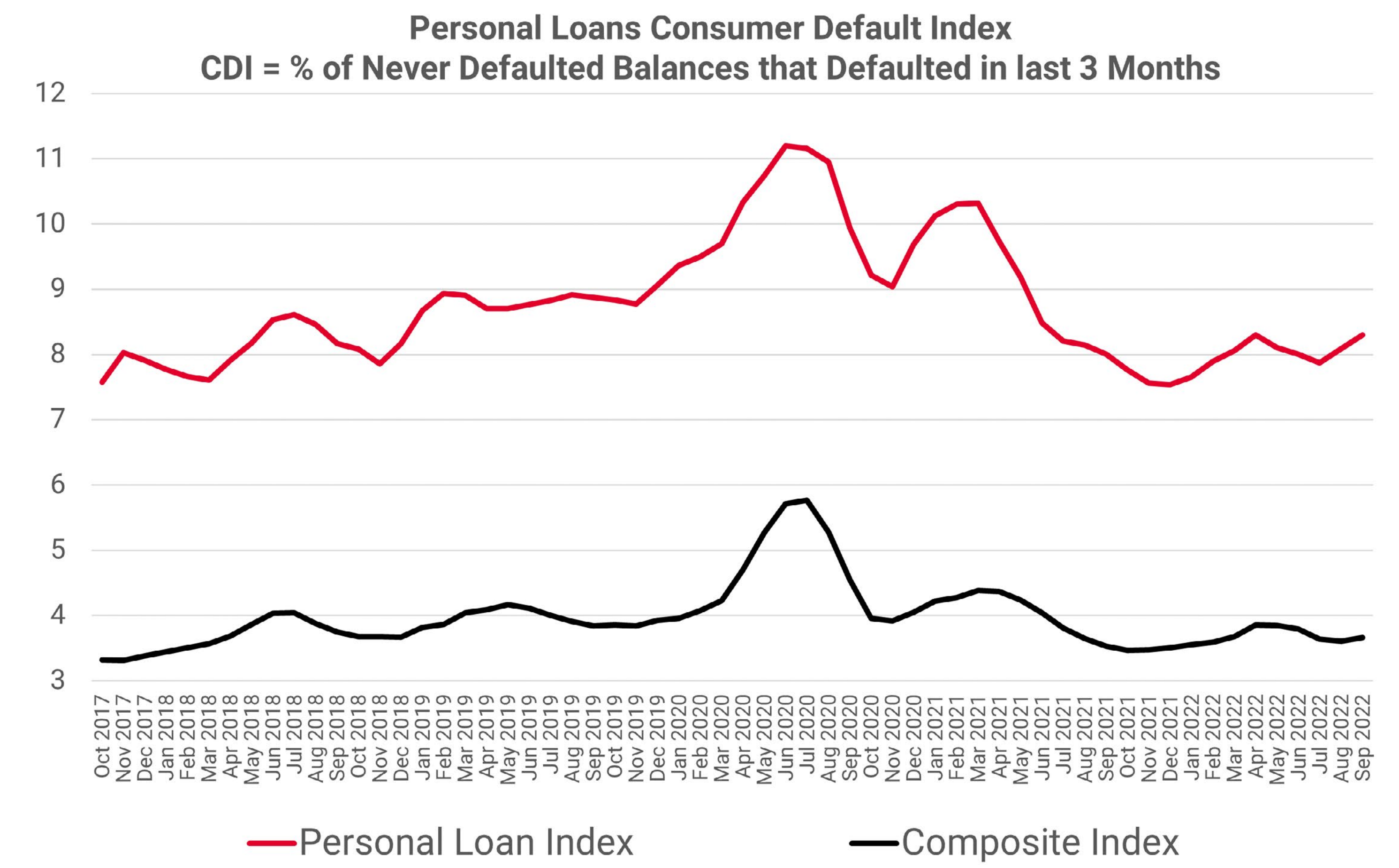
FAS	CDI		
FAS Type Name	Sep'22	Sep'21	Year on Year Δ
01. Independent Investors	4,22	2,55	1,66
02. Affluent Couples	4,69	3,70	0,99
03. Professional Players	6,22	5,04	1,18
04. Logged-On Lifestyles	3,26	4,65	-1,40
05. Liquid Living	4,41	5,01	-0,60
06. Successful Singles	7,10	6,27	0,82
07. Lifestyle Lending	7,07	6,34	0,72
08. Comfortable Retirees	5,40	5,50	-0,10
09. Secure Singles	9,61	6,33	3,27
10. Comfortable Couples	8,53	8,52	0,01
11. Steady Entrepreneurs	10,91	12,40	-1,49
12. Stand-Alone Singles	5,80	7,42	-1,61
13. Plugged-In Purchasers	4,61	6,90	-2,28
14. Payday Pursuers	3,74	8,13	-4,39
15. Deficient Directors	9,39	9,46	-0,07
16. Credit-Reliant Consumers	14,29	12,84	1,46
17. Secure Seniors	3,32	3,92	-0,59
18. Coping Couples	3,65	5,45	-1,80
19. Restricted Retirees	5,76	7,22	-1,47
20. Low Earners	6,67	7,22	-0,55
21. Misfortunate Mature	6,07	7,66	-1,59
22. Concerning Citizens	3,64	7,13	-3,49
23. Money-Wise Mature	8,00	5,29	2,71
24. Depleted Resources	9,67	7,80	1,88
25. Strained Adults	10,34	10,16	0,18
26. Online Survivors	6,89	11,71	-4,83
27. Struggling Earners	9,79	7,05	2,73
28. Minimum-Money Workers	14,42	11,29	3,13
29. Inexperienced Earners	13,64	12,09	1,54
30. Eager Youth	9,86	14,79	-4,93

Personal Loan Consumer Default Index by Province

The Personal Loans CDI continued to show Y-o-Y deterioration, moving up from 8.00 in September 2021 to 8.30 in September 2022. Indications are that the Personal Loan CDI has returned to the pre-COVID trajectory of long-term deterioration.

From a market-exposure and credit-active population penetration perspective, the primary FAS segments that actively engage with credit providers for Personal Loans exhibit a higher representation of the FAS Groups 4, 5 and 6 (> 33%).

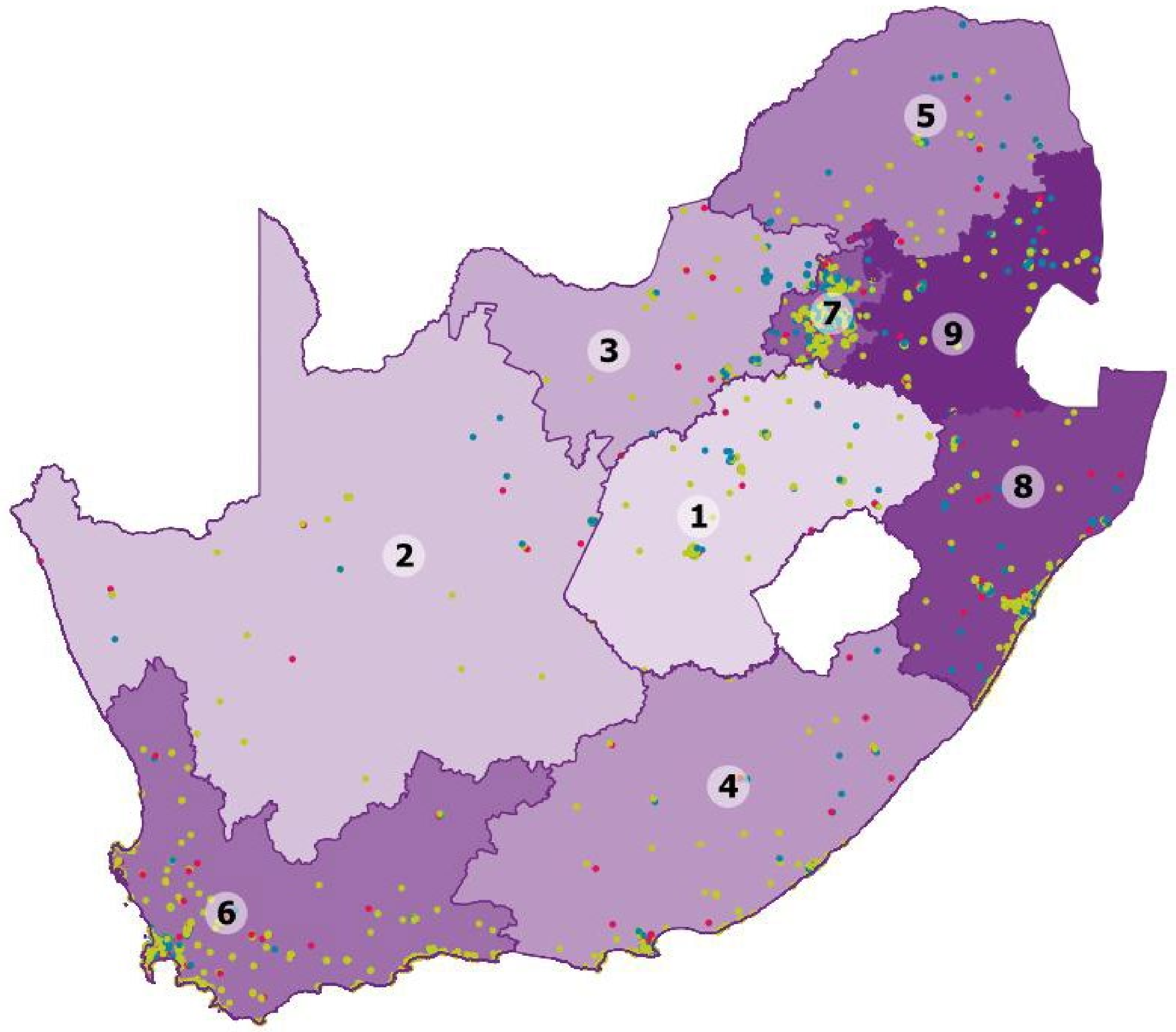
- The **Free State** had the lowest CDI in September 2022, moving up from 7.02 to 7.30 Y-o-Y. Although this was a deterioration, it was by no means the worst deterioration. Keep in mind, though, that this province has a high representation of lower-affluence consumers.
- **Limpopo** saw the worst deterioration in Personal Loan CDI, moving from 7.38 in September 2021 to 8.01 in September 2022.
- The province with the highest Personal Loans CDI this quarter was **Mpumalanga**, moving up from 8.35 in September 2021 to 8.70 in September 2022.



R6.61bn in value defaulted for first time over the period Jul 2022 to Sep 2022.

8.30% of personal loans on an annualized basis defaulted for first time over the period Jul 2022 to Sep 2022.

	CDI Sep'22	CDI Sep'21	New Default Balances Jul'22-Sep'22
Personal Loan Index	8,30	8,00	R 6 609 007 403
FAS Type 5 - largest credit exposure	6,32	6,52	R 417 540 743
FAS Type 17 - lowest CDI	4,12	5,52	R 22 054 197
FAS Type 29 - highest CDI	14,50	13,10	R 194 081 462



FAS Type 5 - Largest Credit Exposure
FAS Type 17 - Lowest CDI
FAS Type 29 - Highest CDI

Composite Rank & Province	CDI Sep'21	CDI Sep'22
1. Free State	7,02	7,30
2. Northern Cape	6,99	7,63
3. North West	7,32	7,74
4. Eastern Cape	7,39	8,01
5. Limpopo	7,38	8,01
6. Western Cape	8,34	8,05
7. Gauteng	8,19	8,31
8. KwaZulu-Natal	8,26	8,47
9. Mpumalanga	8,35	8,70

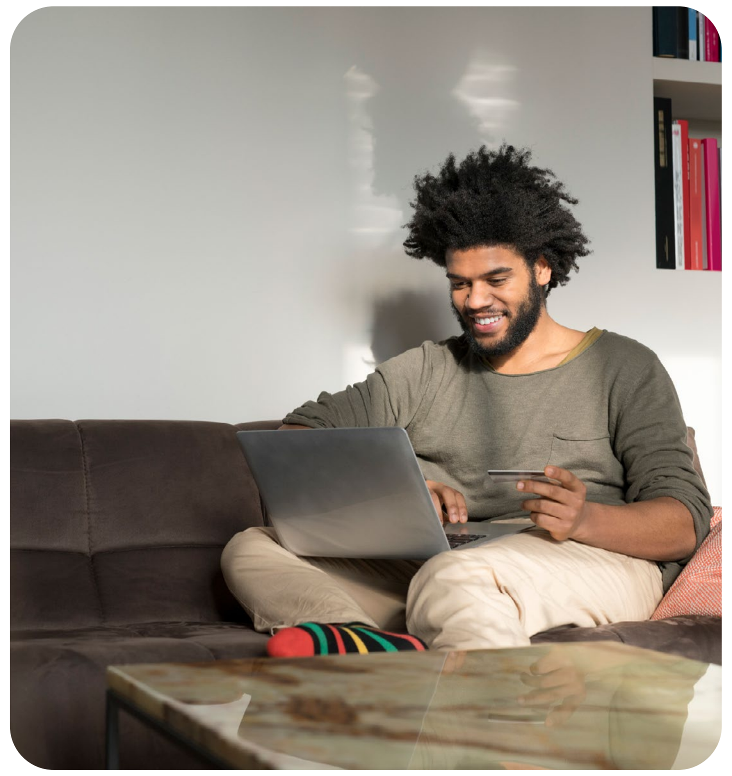
Personal Loan Consumer Default Index by FAS Type

The wider access to personal loans across lower affluence FAS Groups 4, 5 and 6 (~33% of total exposure), results in the overall Personal Loans CDI being substantially higher than that of other traditional banking products.

- **Liquid Living (05)**, upper-middle-class mature individuals, have an average age of 52. 69% of them are married, probably having children in their late teens and early twenties. With an average annual income of R415 000, these consumers have the ***largest credit exposure*** in Personal Loans and are typically deemed to be of relatively low credit risk. This type saw an improvement in Personal Loan CDI Y-o-Y, moving from 6.52 in September 2021 to 6.32 in September 2022.
- **Secure Seniors (17)** are the oldest FAS type, ranging between 60 and 85 years of age. Their average monthly income – mostly from a pension – comes to R179k p.a. 32% of Secure Seniors are homeowners. Due to their age, many Secure Seniors do not qualify for new credit products and as such, only 58% of Secure Seniors have unsecured loans. They have the ***lowest Personal Loans CDI*** and showed improvement from 5.52 in September 2021 to 4.12 in September 2022.
- **Inexperienced Earners (29)**, have deteriorated in Personal Loan CDI, moving from 13.10 in September 2021 to 14.50 in September 2022. Remember that this type consists of young salaried employees that are new to the job market and are beginning to set up their lives, and as a result, are exhibiting the ***highest Personal Loans CDI***.

	CDI Sep'22	CDI Sep'21	New Default Balances Jul'22-Sep'22
Personal Loan Index	8,30	8,00	R 6 609 007 403
FAS Type 5 - largest credit exposure	6,32	6,52	R 417 540 743
FAS Type 17 - lowest CDI	4,12	5,52	R 22 054 197
FAS Type 29 - highest CDI	14,50	13,10	R 194 081 462

FAS	CDI		
FAS Type Name	Sep'22	Sep'21	Year on Year Δ
01. Independent Investors	5,46	3,77	1,69
02. Affluent Couples	6,80	5,61	1,19
03. Professional Players	7,84	6,62	1,22
04. Logged-On Lifestyles	5,10	6,07	-0,97
05. Liquid Living	6,32	6,52	-0,20
06. Successful Singles	9,45	7,09	2,36
07. Lifestyle Lending	8,20	6,98	1,22
08. Comfortable Retirees	6,17	6,50	-0,33
09. Secure Singles	10,06	6,09	3,97
10. Comfortable Couples	8,17	8,79	-0,63
11. Steady Entrepreneurs	10,66	11,60	-0,94
12. Stand-Alone Singles	6,93	7,34	-0,40
13. Plugged-In Purchasers	7,59	8,44	-0,85
14. Payday Pursuers	6,84	6,00	0,83
15. Deficient Directors	9,02	8,82	0,20
16. Credit-Reliant Consumers	11,93	13,41	-1,47
17. Secure Seniors	4,12	5,52	-1,40
18. Coping Couples	4,79	5,97	-1,19
19. Restricted Retirees	4,92	6,12	-1,19
20. Low Earners	9,92	8,75	1,17
21. Misfortunate Mature	7,06	7,99	-0,93
22. Concerning Citizens	7,12	7,21	-0,10
23. Money-Wise Mature	6,35	7,47	-1,12
24. Depleted Resources	8,59	9,04	-0,45
25. Strained Adults	9,58	11,33	-1,76
26. Online Survivors	9,04	7,21	1,83
27. Struggling Earners	8,35	7,40	0,95
28. Minimum-Money Workers	13,87	13,09	0,78
29. Inexperienced Earners	14,50	13,10	1,40
30. Eager Youth	11,05	12,48	-1,43

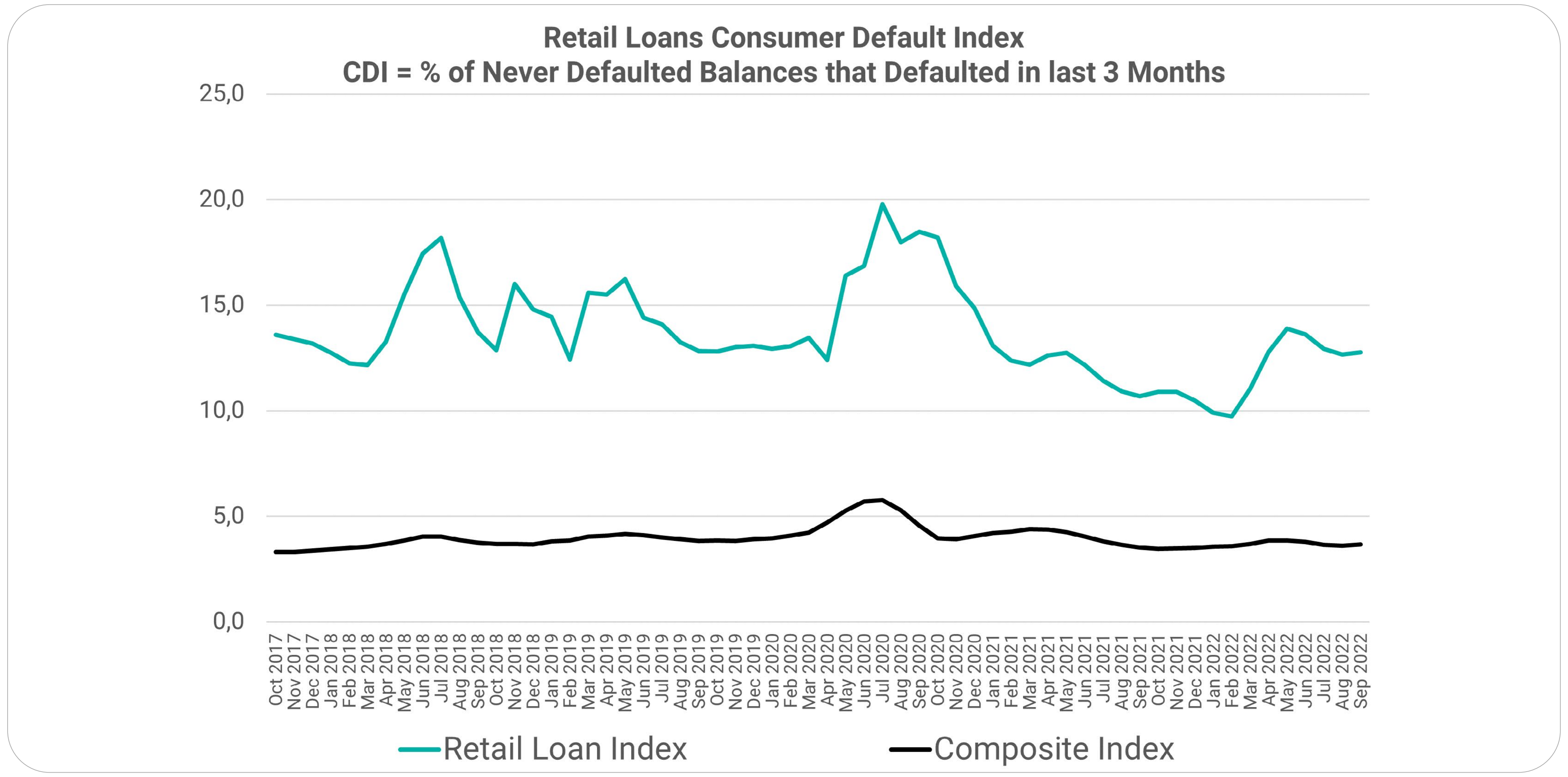


Retail Loans Consumer Default Index by Province

Retail Loans CDI has shown deterioration in CDI from a Y-o-Y perspective, moving up from 10.68 in September 2021 to 12.76 in September 2022. Looking at the Retail Loans CDI Q-o-Q, we saw an improvement from 13.63 to 12.76. Keep in mind, though, 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 lower affluence groups.

All the provinces have shown a deterioration in Retail Loans CDI Y-o-Y.

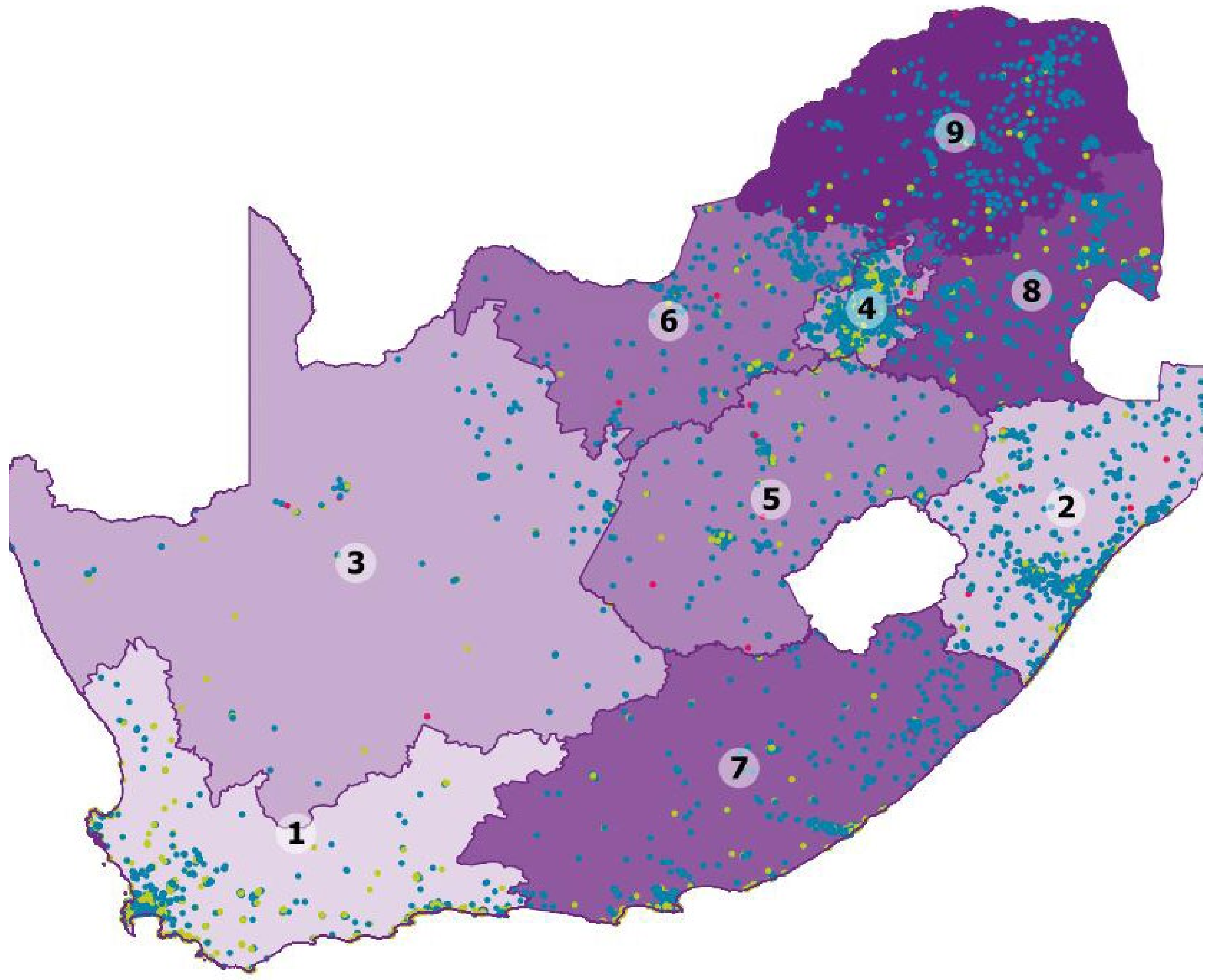
- **Western Cape** again represents the lowest Retail Loans CDI, despite the deterioration from 9.14 in September 2021 to 10.59 in September 2022.
- The smallest deterioration was observed for **KwaZulu-Natal**. This province moved from 11.36 in September 2021 to 11.87 in September 2022.
- **Limpopo** fared the worst in the provincial Retail Loans CDI ranking, also showing the biggest deterioration Y-o-Y from 11.94 in September 2021 to 14.31 in September 2022.



R1.11bn in value defaulted for first time over the period Jul 2022 to Sep 2022.

12.76% of retail loans on an annualized basis defaulted for first time over the period Jul 2022 to Sep 2022.

	CDI Sep'22	CDI Sep'21	New Default Balances Jul'22-Sep'22
Retail Loan Index	12,76	10,68	R 1 110 132 820
FAS Type 26 - largest credit exposure	18,38	16,07	R 178 777 004
FAS Type 17 - lowest CDI	4,93	4,77	R 13 706 583
FAS Type 30 - highest CDI	27,78	22,76	R 84 962 189



FAS Type 26 - Largest Credit Exposure
FAS Type 17 - Lowest CDI
FAS Type 30 - Highest CDI

Composite	CDI	
Rank & Province	Sep'21	Sep'22
1. Western Cape	9,14	10,59
2. KwaZulu-Natal	11,36	11,87
3. Northern Cape	10,47	11,89
4. Gauteng	10,23	11,92
5. Free State	10,26	11,97
6. North West	10,46	12,06
7. Eastern Cape	10,88	12,29
8. Mpumalanga	12,09	13,71
9. Limpopo	11,94	14,31

Retail Loans Consumer Default Index by FAS Type

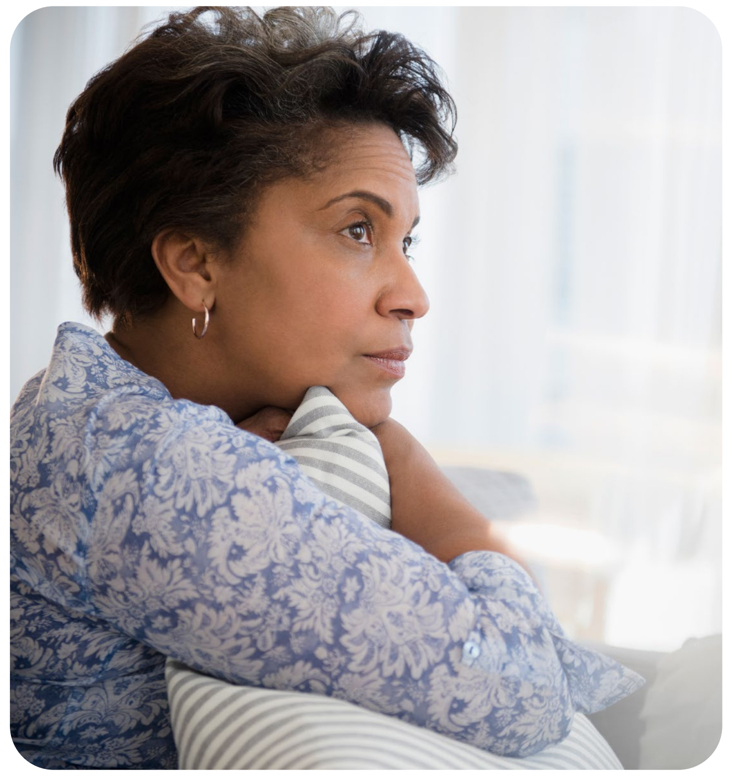
On a Y-o-Y basis, the Retail CDI increased (and thus deteriorated) in September 2022, moving from 10.68 in September 2021 to 12.76 in September 2022. Q-o-Q this index showed further deterioration, moving from 13.63 in June 2022 to 12.76 in September 2022.

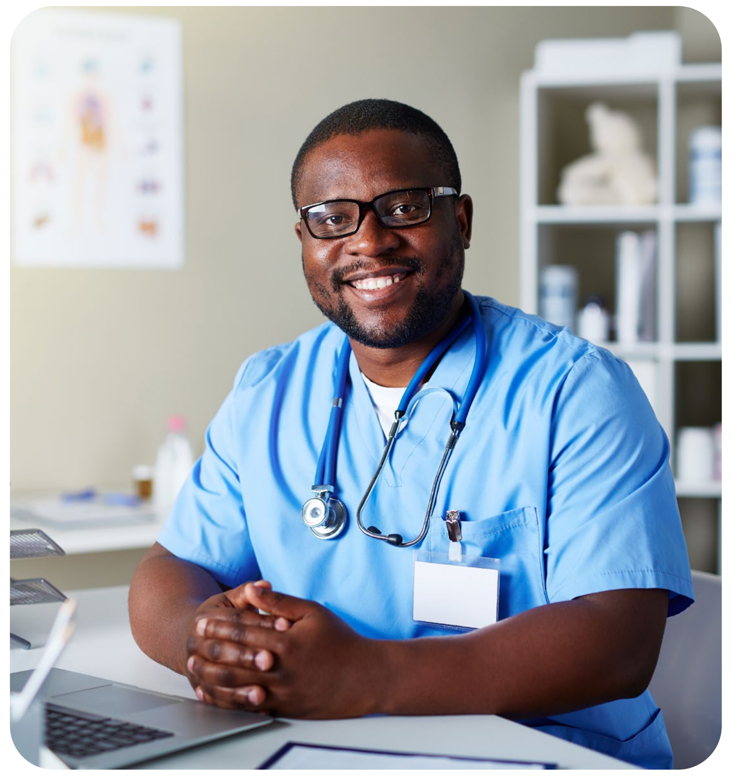
When looking at the FAS type level segmentation, we observe the following:

- **Online Survivors (26)**, who are young adult unskilled or shift workers that are likely cohabiting with significant others or family and are unable to afford more than their basic needs, still have the ***largest Retail Loans credit exposure*** and they also saw a deterioration in CDI from 16.07 in September 2021 to 18.38 in September 2022.
- **Secure Seniors (17)** are the oldest FAS type, ranging between 60 and 85 years of age. Their average monthly income – mostly from a pension – comes to R179k p.a. 32% of Secure Seniors are homeowners. Due to their age, many Secure Seniors do not qualify for new credit products and as such, only 58% of Secure Seniors have unsecured loans. They have the ***lowest Retail Loans CDI*** but still showed deterioration from 4.77 in September 2021 to 4.93 in September 2022.
- **Eager Youth (30)** are the youngest entry-level employees that are beginning to realise the cost of living. They are likely reliant on family for support or accommodation and 94% are likely to have Retail clothing accounts. This FAS type has the ***highest Retail Loan CDI***, also showing drastic deterioration from 22.76 in September 2021 to 27.78 in September 2022.

	CDI Sep'22	CDI Sep'21	New Default Balances Jul'22-Sep'22
Retail Loan Index	12,76	10,68	R 1 110 132 820
FAS Type 26 - largest credit exposure	18,38	16,07	R 178 777 004
FAS Type 17 - lowest CDI	4,93	4,77	R 13 706 583
FAS Type 30 - highest CDI	27,78	22,76	R 84 962 189

FAS	CDI		
FAS Type Name	Sep'22	Sep'21	Year on Year Δ
01. Independent Investors	7,53	3,22	4,30
02. Affluent Couples	6,75	4,64	2,10
03. Professional Players	8,57	5,68	2,89
04. Logged-On Lifestyles	6,24	6,85	-0,61
05. Liquid Living	6,34	5,54	0,81
06. Successful Singles	10,49	7,96	2,53
07. Lifestyle Lending	10,44	7,45	2,99
08. Comfortable Retirees	6,70	5,93	0,77
09. Secure Singles	13,86	10,22	3,64
10. Comfortable Couples	10,98	9,53	1,45
11. Steady Entrepreneurs	14,63	14,23	0,40
12. Stand-Alone Singles	10,92	11,36	-0,44
13. Plugged-In Purchasers	10,35	10,36	-0,01
14. Payday Pursuers	9,49	10,46	-0,97
15. Deficient Directors	13,18	11,93	1,24
16. Credit-Reliant Consumers	18,60	15,03	3,57
17. Secure Seniors	4,93	4,77	0,17
18. Coping Couples	5,08	6,10	-1,02
19. Restricted Retirees	9,31	9,42	-0,11
20. Low Earners	16,13	14,07	2,06
21. Misfortunate Mature	9,78	9,18	0,60
22. Concerning Citizens	13,29	10,62	2,67
23. Money-Wise Mature	9,74	9,47	0,26
24. Depleted Resources	11,19	7,68	3,51
25. Strained Adults	15,08	12,69	2,39
26. Online Survivors	18,38	16,07	2,31
27. Struggling Earners	14,16	16,50	-2,34
28. Minimum-Money Workers	24,85	18,46	6,39
29. Inexperienced Earners	27,32	19,02	8,30
30. Eager Youth	27,78	22,76	5,02

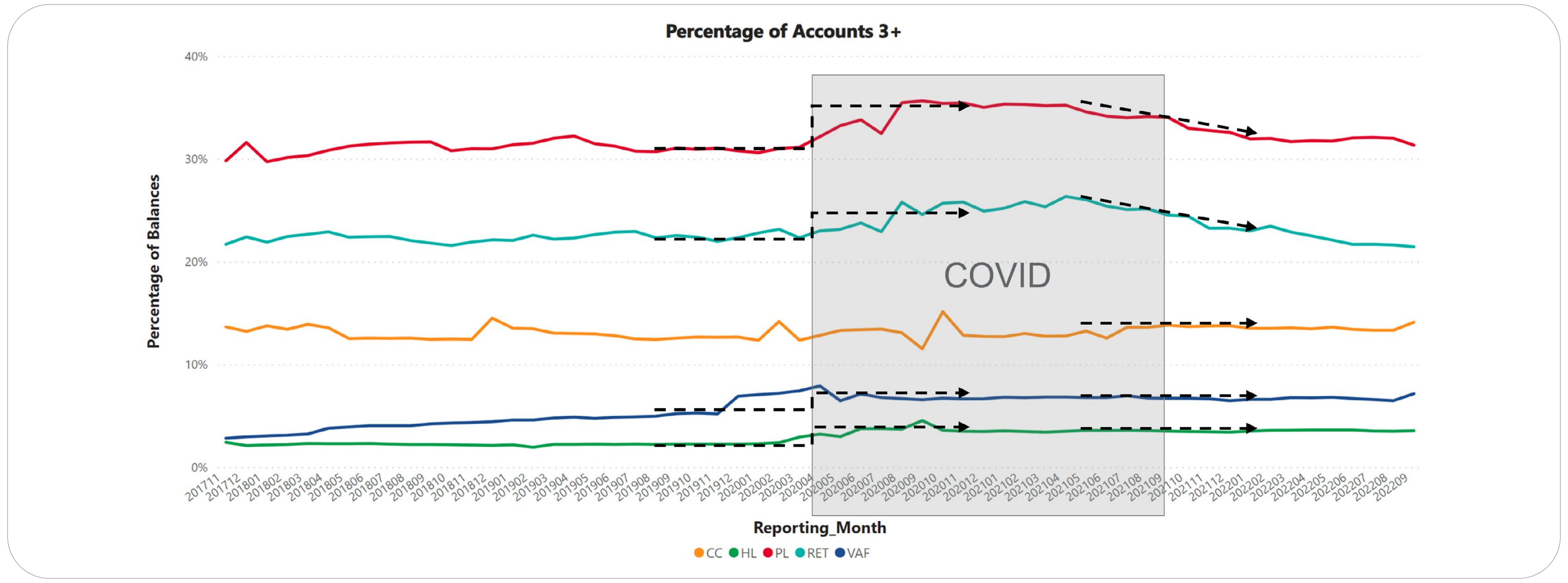




Arrears & Vintages

Performance by Product

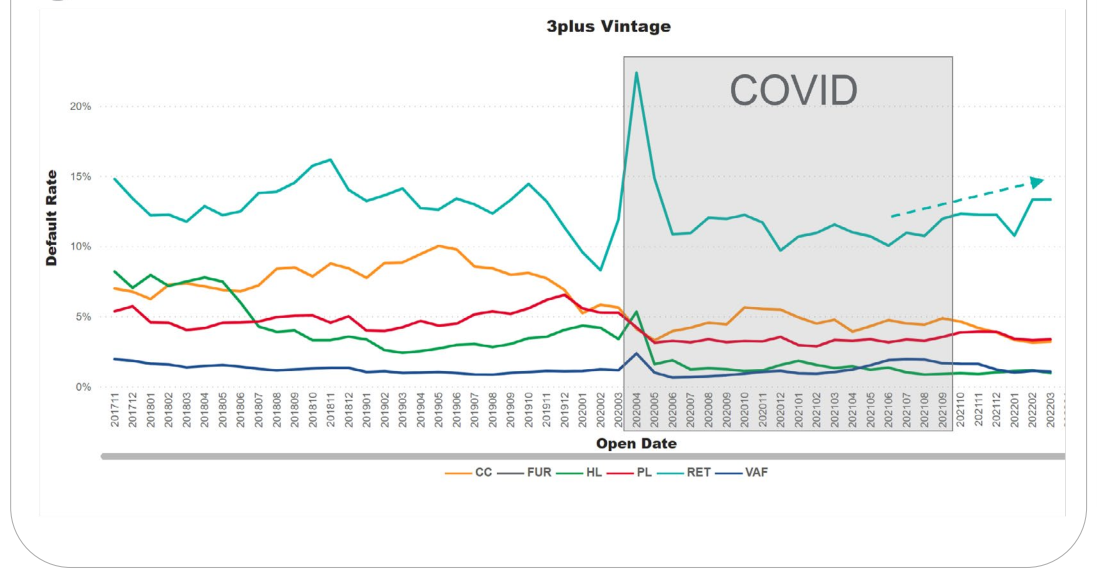
3+ Arrears (volume based)



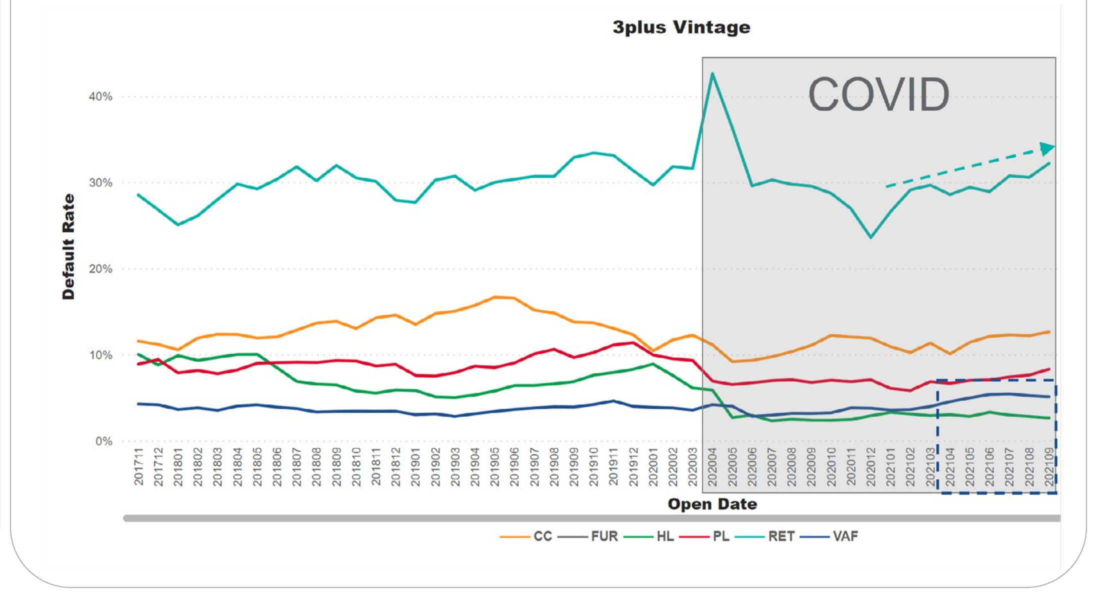
Over the last two years, we have seen a continued steady decline in the % of balances in 3+ arrears for the Personal Loans and Retail Loans portfolios. In the case of Card and Secured Loans, however, the movement has been less pronounced from a volume perspective. Having observed a step-increase with the onset of COVID, Vehicle and Home Loans have remained at the higher Arrears percentage, while Credit Cards have also remained mostly stable. In the last month, we have observed a slight uptick in Percentage Arrears of Credit Card and Vehicle Loans. Considering that these are products where high-affluence consumers have the most exposure, it is clear that the increased cost of living is affecting these employed, high-earning consumers as well.

> It would be interesting to see how the **2022 Black Friday sales** impact both new business volumes and the vintages down the line.

@ 6 months



@ 12 months



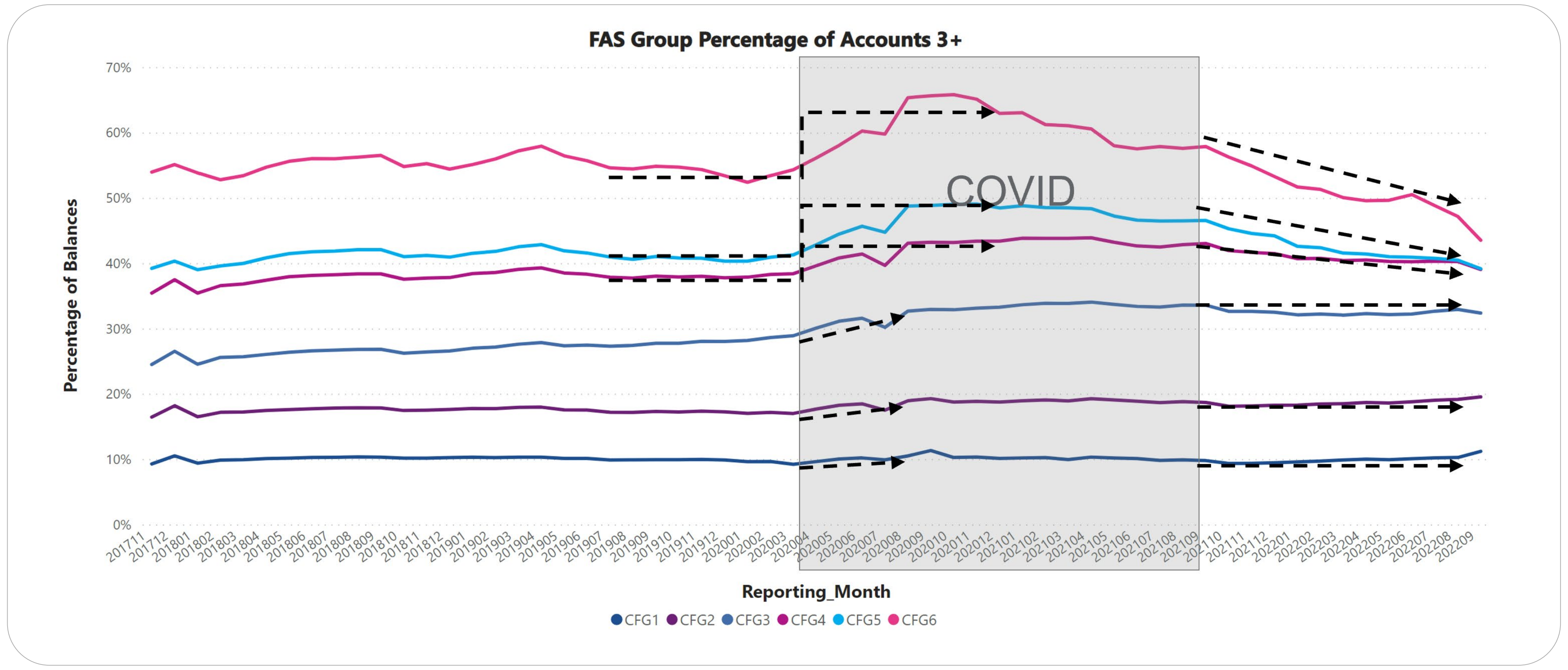
Vintage analyses indicate that **Retail Loans** have been under increasing pressure, as lenders have been opening up to allow for more credit to be extended. Although new business levels have not yet returned to that observed pre-COVID, retailers have been steadily ramping up to it – particularly since the 2021 Festive season. It would be interesting to see how the 2022 Black Friday sales impact both new business volumes and the vintages down the line, as many retailers would be hoping to capitalize from the end-of-year spending spree – although possibly subdued by the current state of increasing cost of living.

The other unsecured products (**Personal Loans and Credit Card**) have started to show an increasing trend @ 12 months for business written subsequent to June 2021 – also pointing towards increasing pressure on consumers to make ends meet.

Regarding **Vehicle Finance**, we commented last month on the increased default rate observed for business written between April 2021 and September 2021 has shown an increased default rate. This seems to have stabilized at a high level now (@ 12 months) and actually come down again (@ 6 months). Home loans have remained steady, following the drop observed shortly after the onset of COVID.

Performance by FAS Group

3+ Arrears (volume based)



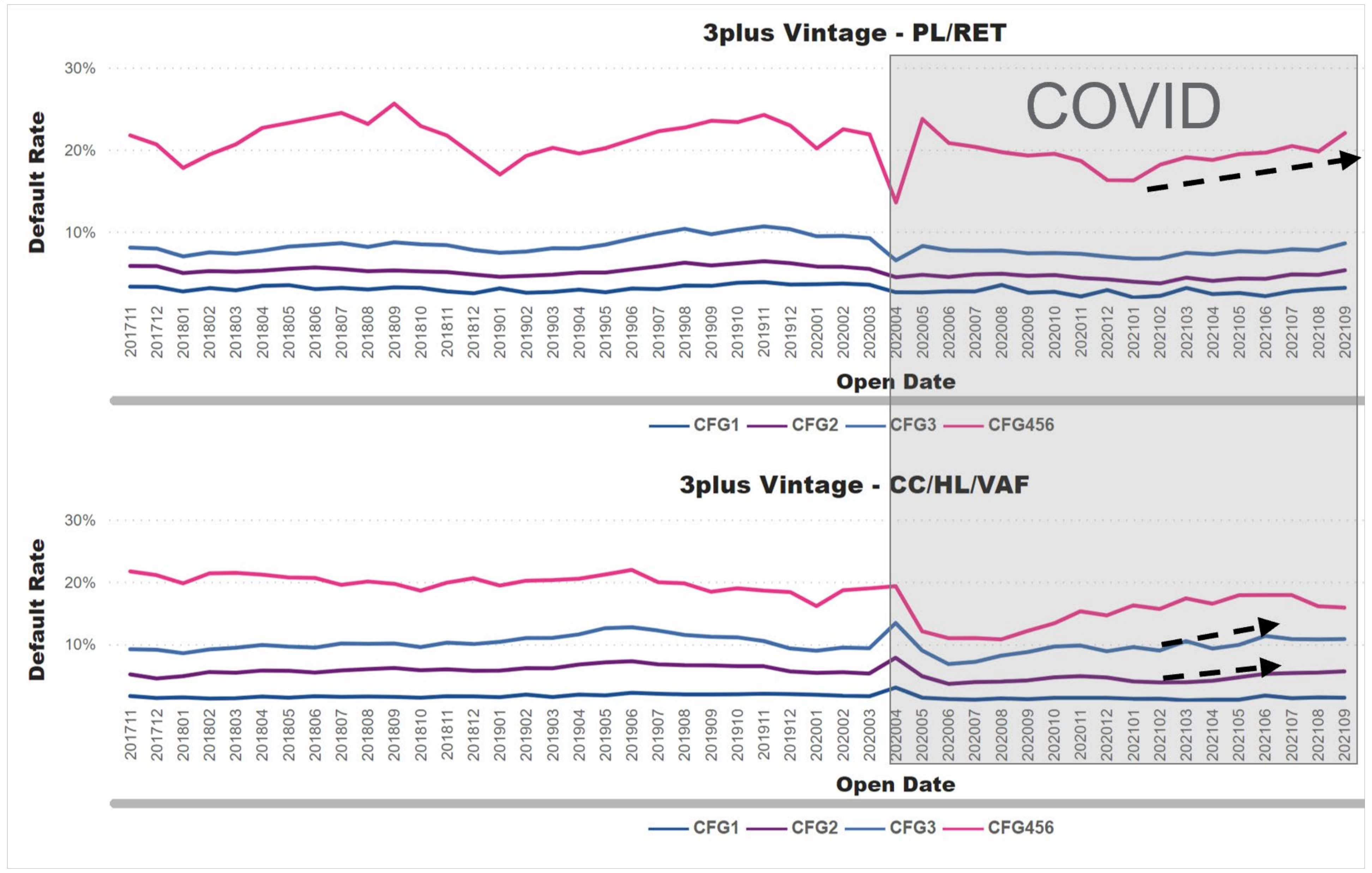
Although in the immediate aftermath of the COVID lockdown, all FAS Groups saw a deterioration in terms of 3+ Arrears, it did not take long for the less affluent **FAS Groups 4, 5 & 6** to start showing significant improvement in their arrears. This was mainly the result of these consumers' relatively low exposure to secured long-term credit and the fact that lenders in the unsecured market opted for a riskier approach to credit decisioning. This downward trend has now led to the least affluent consumers (**FAS Groups 5 and 6**) now being at the lowest arrears percentages they have been in more than four years. On the other hand, FAS Groups 1, 2 and 3 have remained relatively stable after the initial shock, which brought on a higher percentage of arrears.

3+ Arrears Vintages (volume based)

The vintages associated with high-affluence consumers (FAS 1) have been mostly stable – regardless of product type. However, we have seen an increasing default rate for FAS Groups 4, 5 & 6 in Personal and Retail Loans portfolios. Keep in mind that these products typically exhibit higher exposure to these consumers than secured and card products do.

In the case of Card, Home and Vehicle Loans portfolios, higher affluence consumers (FAS Groups 2 and 3) have been showing a slight upward trend in default rate – probably linked to increased interest rates and cost of living.

@ 12 months



Summary of the CDIx

- Although there has been a temporary slowing in CPI and fuel cost increases, the **cost of living** remains on an upward trend.
- Market **appetite remains very high** as consumers look to credit to bridge the gap in covering living expenses.
- The increased cost of living also leads to decreased consumer affordability:
  - Likely increased inability of consumers to meet debt obligations.
  - Likely reduction in qualification for new credit.
- **Qualification** for credit is still not back to pre-COVID levels.
- **New product volumes continue to recover:**
  - Personal and Retail Loan volumes still have some way to go in returning to former levels.
  - Values have recovered, though (to some extent as the result of increased CPI).
  - High affluence consumers (FAS Groups1 and 2) typically qualified for and took up much higher value loans (these consumers typically still qualify for new products – even though many lenders have opted for a more risk-averse strategy in loan approval).
- The **Composite CDI** has shown an overall deterioration Y-o-Y:
  - This **deterioration** was seen **across all products**, but most particularly for Retail Loans.
  - Only FAS Groups 3 and 4 showed Y-o-Y improvement.
- **Vintages** in the Retail Loan portfolio have shown a deteriorating trend of late – both from a 6- and 12-months perspective.
  - This is particularly relevant to **business written since 2021 Q4**.
  - The **FAS Groups 3 – 6**, due to their relatively high exposure to Retail Loans and retailers starting to open up their credit business again, following drastic risk-averse policies having been put in place since 2020.

> “The Experian Consumer Default Index (CDI), first published in 2017, 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.”

Experian Solutions used in the CDI and CDIx

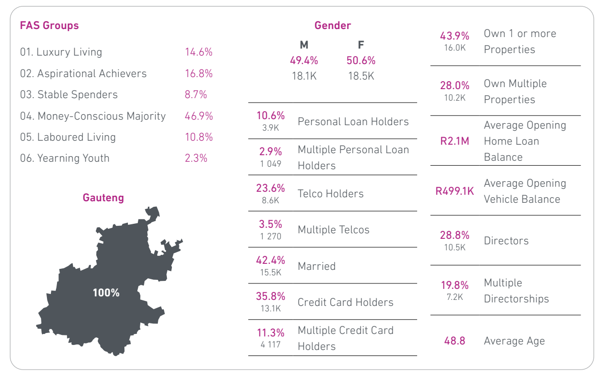
This report leverages Experian data, analytics and technology solutions to bring you insights into consumers in South Africa.

Our solutions used to develop the CDI and CDIx include:

- Consumer macro- and micro-segmentation (FAS)
- Bespoke CDI views (benchmarking your business against the rest of the 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)

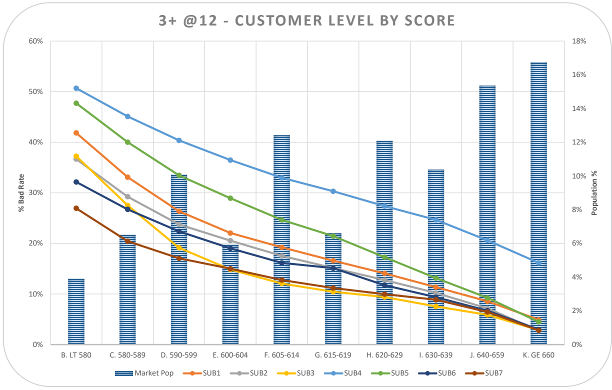
Understanding your Customers

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.



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