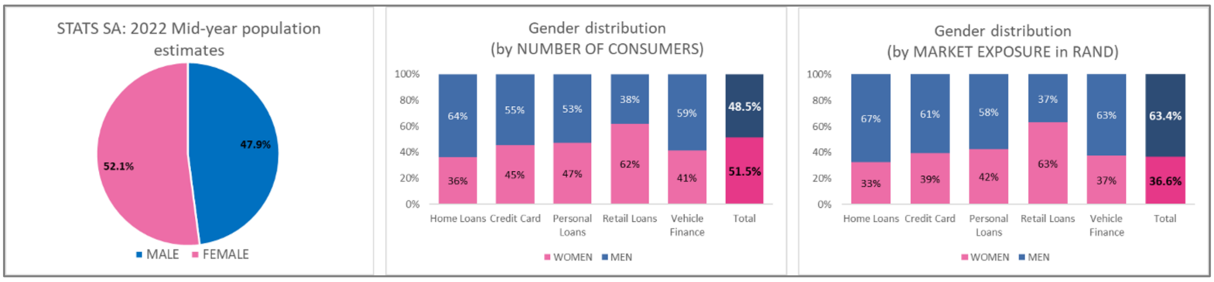
news release

An increasing number of South African women are using credit – Experian Report

Retail loans remain the credit product mostly used by credit active women in South Africa

Johannesburg, 30 August 2023: According to the latest Experian Consumer Default Index (CDIx) for Q2, South African women account for half of the total amount of consumers on the credit bureau. This means that in terms of being credit active, women are fairly represented in the credit economy. From a credit exposure perspective however, only R0.8 trillion out of the full R2.18 trillion in outstanding debt is associated with women.

"In fact, women are disproportionately underrepresented in secured loan products, both in terms of consumer numbers and market exposure with only 33% of home loans and 37% of vehicle loans exposure being associated with women. Interestingly however, the data shows that women constitute approximately two-thirds of the market for retail loans, both in terms of volume and value. This is the single credit product that is mostly used by South African women who are credit active", **says Ans Gerber,** Head of Data Insights at Experian.



Despite the under-representation in secured credit, the number of women in credit has shown a proportional increase in the last three years. This has been echoed for most of the individual credit products, except for personal loans, where women have seen a slight reduction in representation. Encouragingly, female representation for secured credit has increased meaningfully over the last three years, with home loans representation moving from 36.2% to 37.7% (+1.5%) and vehicle finance increasing from 41.3% to 43.3% (+ 2.0%).

Overall Market - Credit appetite remains high with decreasing approval rates.

Despite a slight Q-o-Q reduction in appetite for consumer credit for the first time in no less than two years, as per data prepared by the National Credit Regulator (NCR), credit appetite remains high. This emphasizes the fact that, in general, consumers are looking to credit to cover the shortages in their cost-of-living expenses. In addition, approval levels have dropped, resulting in the approval rate now being below 30%. This means that over 70% of applications are rejected. This non-approval partly stems from consumers' affordability which has come under pressure in the context of the high consumer price inflation rates as well as the high interest rate prevailing in the market.

The composite CDI exhibited a Q-o-Q deterioration from 4.56 in March 2023 to 4.89 in June 2023 predominantly due to the persisting high and increasing interest rates of Q2. Y-o-Y the CDI saw a significant deterioration from 3.83 to 4.89, which demonstrates that the high cost of living as well as other influences, such as the increased need for alternative energy solutions, have also had a negative impact on the consumers' ability to honour debt commitments.

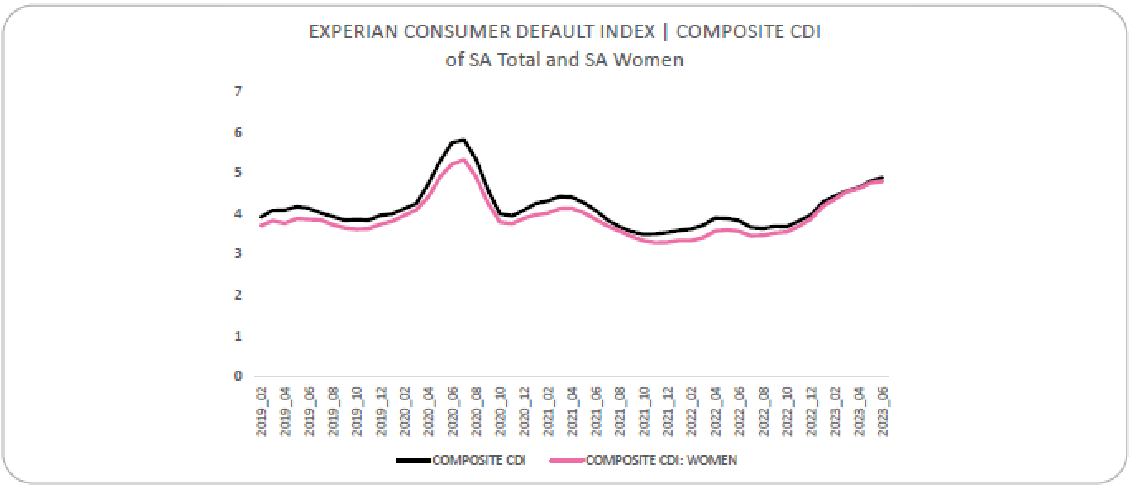
The deterioration was seen across all credit products, but most notably for Home Loans and Credit Cards. These are products where consumer segments FAS Groups 1 and 2 (the most affluent end of the consumer landscape) enjoy high exposure.

From a consumer segmentation perspective, indeed the biggest relative deterioration was seen for FAS Group 1 (Luxury Living). Although these consumers are typically of the highest affluence (and generally represent the lowest credit risk), their CDI has been under severe pressure – particularly since the pandemic and even more severe and sustained over the last 6 months.

The mid-affluence FAS Groups 3 (Stable Spender) and 4 (Money Conscious) the consumers of typically mid-range affluence, are still showing slower relative change than high affluence consumers.

For FAS Group 5 (Laboured Living) we are seeing continued Y-o-Y deterioration, but an improvement Q-o-Q. FAS Group 6 (Yearning Youth) has not only shown Q-o-Q improvement but also the slightest of improvements Y-o-Y.

Composite CDI by Gender



From a gender perspective, historically, South African women have been in a more favourable position than their male counterparts, having a Composite CDI that was consistently below the total Composite CDI. However, over the last 6 months we have seen the women's CDI moving closely to the Composite CDI to that of the total market.

Gerber adds, "Considering that many consumers are turning to credit to make up for the shortfalls in their cost-of-living expenditures, this trend also suggests that women are actively utilising their credit facilities to keep households afloat. To this end, we encourage all South Africans, women and men alike, to manage their budgets carefully and create strong financial disciplines."

Experian has recently launched Up, a free financial education, budgeting and credit report web-based app, that aims to help South Africans take control of their financial health. The app integrates financial education content through an interactive gamification experience to help consumers on their financial wellness journey as they manage their finances, budget and credit score in a fun and easily relatable way.

"By accessing their Experian credit report and credit score free of charge via the web app, consumers can ensure that all their information is accurate and up-to-date enabling them to stay on top of their credit profile on a regular basis. Similarly, by regularly updating their budget via the web app, consumers will have a detailed view of their finances providing a consolidated, one-stop view of their ability to afford additional credit facilities", concludes **Gerber**.

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

*****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

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