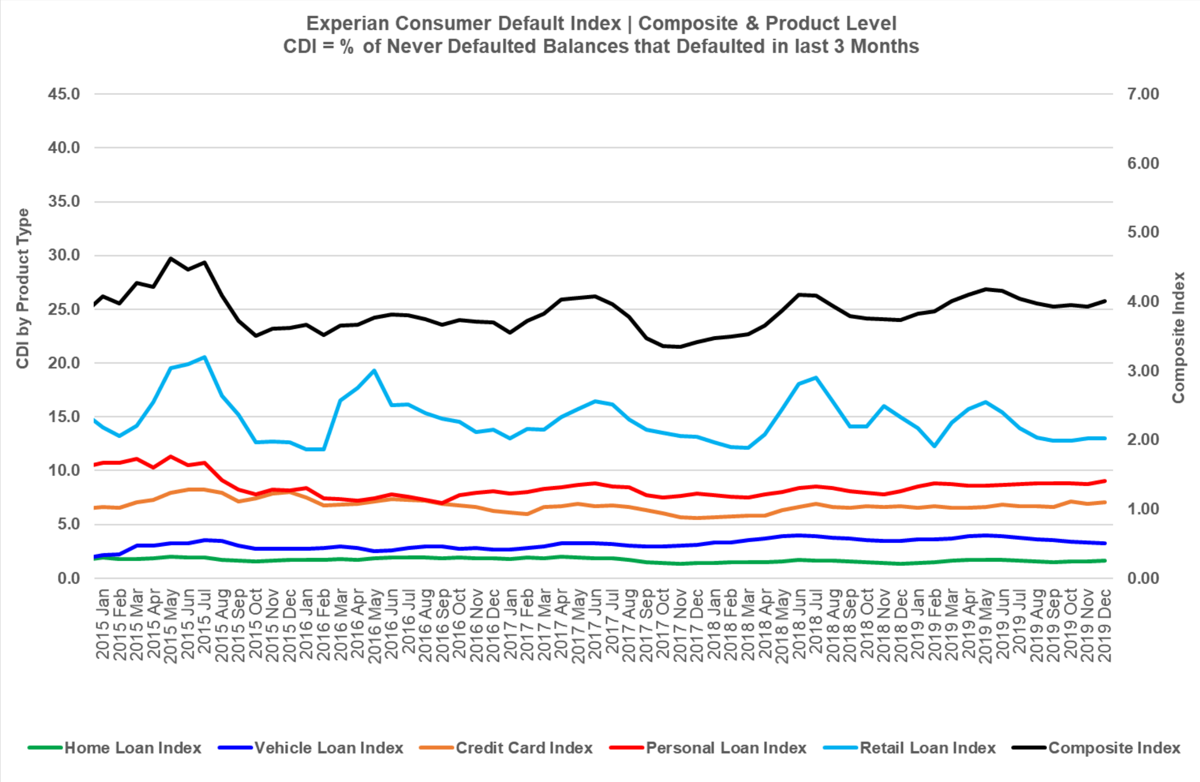
News release

# Consumer debt in Q4 2019 increased to R1.75 trillion

*A total value of R17.41 billion defaulted for first time over the period Oct 2019 to Dec 2019*




**Johannesburg, 04 March 2020** – Experian South Africa has released its quarterly Consumer Default Index (CDI) for the fourth quarter (Q4), which saw the overall index increase from 3.93% in the third quarter to 4.01% in the final quarter of 2019, amounting to R1.75 trillion total consumer debt with 25.7 million consumers being exposed to debt.

Primary contributors to consumer debt remain secured lending products, with home loans contributing R840 billion and vehicle finance R423 billion on average during Q4 2019.

Jaco van Jaarsveldt, Decision Analytics Head Innovation, Marketing Services and Consulting at Experian South Africa commented: “The biggest increase in consumer credit, however, came from strong growth in unsecured credit as demand over the festive season increased. Personal loans grew from R280 billion on average outstanding month-end balances in the 4th quarter of 2018 to R287 billion during the 4th quarter of 2019.”

Similarly, outstanding credit card balances grew from R132 billion in the 4th quarter of 2018 to R138 billion during the 4th quarter of 2019.

“More concerning is the fact that the Experian CDI increased notably in the 4th quarter of 2019, growing from 3.74 in 2018 to 4.01 in 2019 as a result of R17.41 billion in first time defaulting balances over the Oct 2019 – Dec 2019 period,” said van Jaarsveldt.

| | CDI Dec'19 | CDI Dec'18 | Average Outstanding Oct'19-Dec'19 | New Default Balances Oct'19-Dec'19 |
|---|---|---|---|---|
| Composite Index | 4.01 | 3.74 | R 1.74 Trillion | R 17.41 Billion |
| Home Loan Index | 1.60 | 1.35 | R 839.81 Billion | R 3.37 Billion |
| Vehicle Loan Index | 3.26 | 3.45 | R 423.35 Billion | R 3.45 Billion |
| Credit Card Index | 7.09 | 6.72 | R 136.72 Billion | R 2.42 Billion |
| Personal Loan Index | 9.04 | 8.11 | R 287.3 Billion | R 6.49 Billion |
| Retail Loan Index | 13.02 | 14.98 | R 51.37 Billion | R 1.67 Billion |

- Home loans increased from 1.35 to 1.60 resulting from R3.4 billion in first time defaulting balances.
- Credit cards increased from 6.72 to 7.09, resulting from R2.4 billion in first time defaulting balances.
- Personal loans however showed the most significant increase from 8.11 to 9.04, resulting from a total of R6.5 billion in first time defaulting balances in 2019 Q4.

**Credit active South Africans feeling the pinch**

The deterioration across both the secured and unsecured categories show that all South Africans are feeling the pinch in the current constrained economic environment. Most concerning, however, is the ongoing deterioration in the Personal Loans index.

“Even though the growth in the number of customers with personal loans was not material, growing only at 0.7% from 5.7 million in 2018 to 5.8 million in 2019, the deterioration in the performance is concerning. This can be attributed to the general constrained economic environment which is expected to remain a challenge to all consumers for the foreseeable future,” adds van Jaarsveldt.

Even more concerning is the worse than expected fourth quarter 2019 GDP numbers released on Tuesday, 03 March 2020, which indicated that South Africa has entered a technical recession due to two consecutive quarters of negative growth. Whilst the tertiary sector, which includes the financial services sector, continued to show positive growth, the significant deterioration in the primary and secondary sectors were concerning.

“The negative growth in the primary and secondary sectors, which are the main job creating sectors in the South African economy, could result in potential further job losses as companies are forced to cut costs. This in turn could result in increased default rates as consumers whom lose their jobs struggle to pay existing credit facilities. Further to this, demand for new financial services products may come under pressure as fewer consumers have the means to qualify for such facilities, resulting in potential downstream pressure on the tertiary sector in the South African economy,” adds van Jaarsveldt.

On the positive side consumers will receive some much-needed tax relief as was announced during the February budget speech which could positively impact on their monthly cash flows.

“If possible, consumers should use the additional cash flow to reduce their exiting debt exposure. We further advise consumers to carefully consider entering into new or additional unsecured lending product agreements in the current economic climate, and to rather limit spending to goods and services that are most needed,” concludes van Jaarsveldt.

*****ENDS*****

[486 words]

**Notes to the editor:**

The Experian Consumer Default Index (CDI) is designed to measure rolling default behaviour of South African consumers with Home Loan, Vehicle Loan, Personal Loan, Credit Card and Retail Loan accounts.

On a monthly basis, lenders typically classify their consumer accounts into one of several predetermined payment categories to reflect the level of arrears. When a lender deems the statement balance of a consumer account to be uncollectible due to being in arrears 90 or more days or statuses such as repossession, foreclosure, charge-off or write-off, the consumer account is said to be in default.

The index tracks the marginal default rate as it measures the sum of first-time (accounts that have never) defaulted balances as a percentage of the total sum of balances outstanding.

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

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

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

**Contact:**

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

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

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