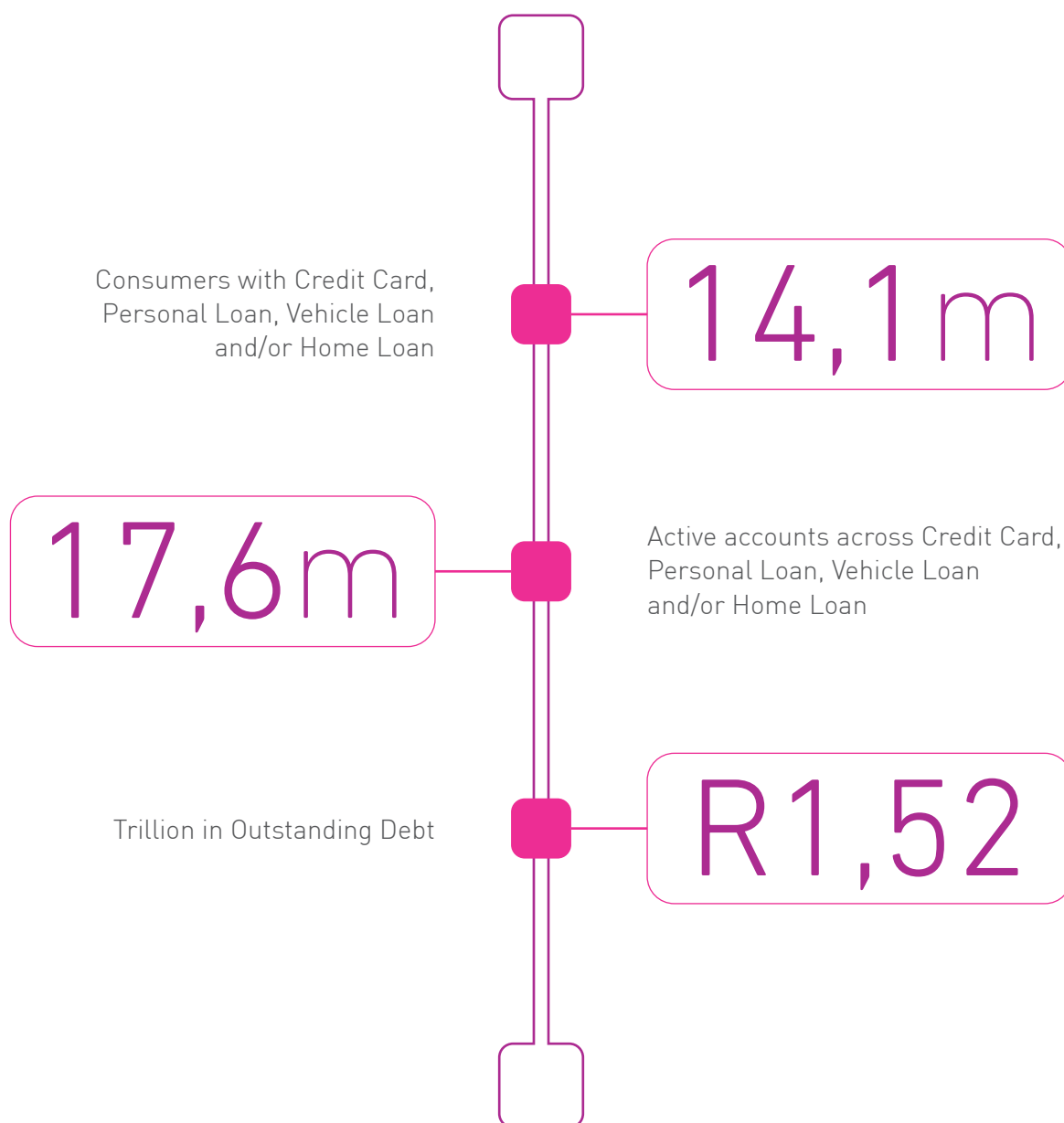# Experian Consumer Credit Default Index

Index

Experian Consumer Default Index (CDI) Overview

What it measures?

The Experian Consumer Default Index (CDI) is designed to measure the rate of first time default of South African consumers with Home Loan, Vehicle Loan, Personal Loan and Credit Card 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 it 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 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 composite index that measures performance across Home Loan, Vehicle Loan, Credit Card and Personal Loan accounts. In addition, there are also 4 product specific sub-indices . Each of the indices are also determined at Mosaic segmentation 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.

Consumers with Credit Card, Personal Loan, Vehicle Loan and/or Home Loan

14,1m

17,6m

Active accounts across Credit Card, Personal Loan, Vehicle Loan and/or Home Loan

Trillion in Outstanding Debt

R1,52

Experian CDI | Composite & Product Level

Experian Consumer Default Index | Composite
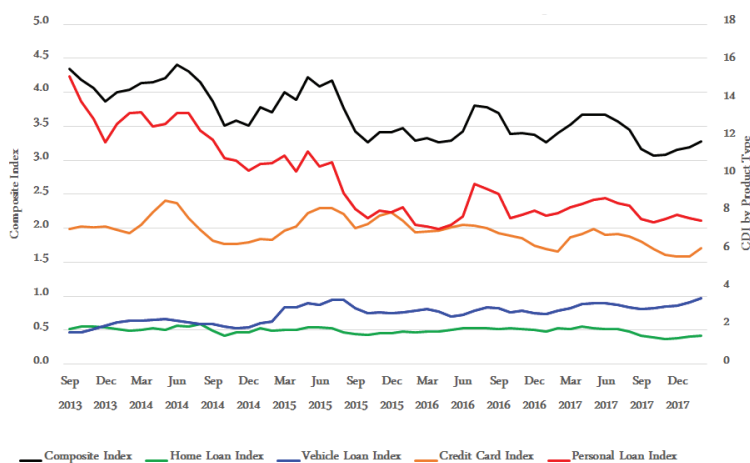CDI = % Never Default Balances that Defaulted in the last 3 Months
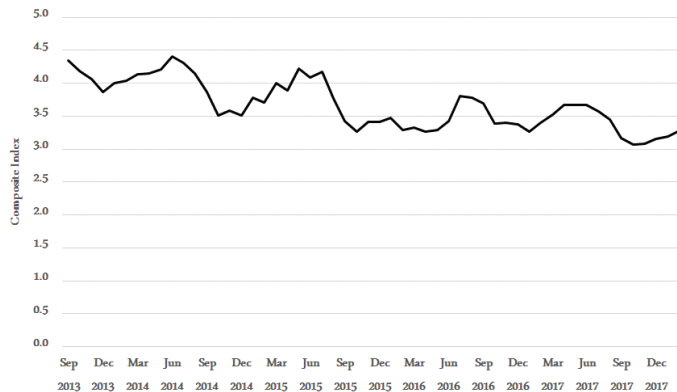
MONTHLY HIGHLIGHTS

Overall index improved from 3.40% in Feb 2017 to 3.28% in Feb 2018, but tracking higher than the 3.19% recorded for Jan 2018.

Experian Consumer Default Index | Product Level
CDI = % Never Default Balances that Defaulted in the last 3 Months

MONTHLY HIGHLIGHTS

Month on month and year on year deterioration in Vehicle Finance and Credit Card.

Experian CDI	CDI Feb'18	CDI Feb'17	Average Outstanding Dec'17 – Feb'18	New Default Balances Dec'17 – Feb'18
Composite Index	3,28	3,40	1,526,870,133,599	12,525,296,440
Home Loan Index	1,49	1,90	795,023,607,295	2,968,011,634
Vehicle Loan Index	3,48	2,83	387,278,341,520	2,899,596,833
Credit Card Index	6,14	5,96	100,549,783,077	1,543,815,993
Personal Loan Index	7,62	8,00	244,018,401,708	4,646,029,113

Mosaic Segmentation

What is Mosaic?

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.

This classification system paints a rich picture of SA consumers and their socio-demographics, lifestyles, behaviours, and culture, providing marketers with the most accurate and comprehensive view of their customers, prospects, and markets. Mosaic SA offers a common customer language to define, measure, describe and engage target audiences through accurate segment definitions that enable more strategic and sophisticated conversations with consumers.

All of the indices are also determined at Mosaic segmentation 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.
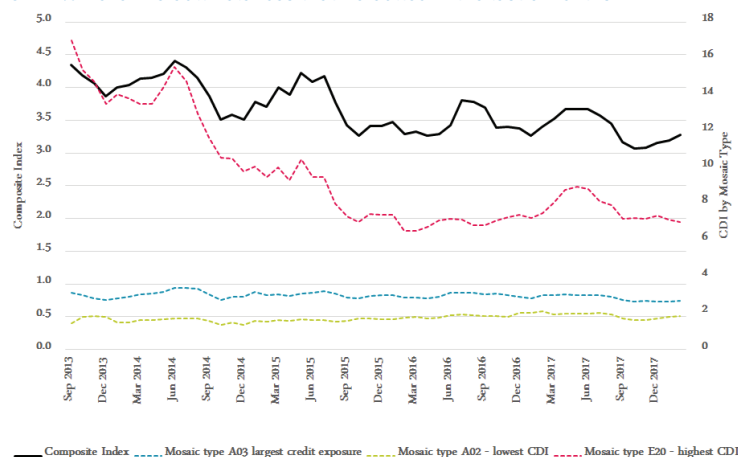
Group	Description	Type	Description	
A	Wealth To Do 9,84%	A1 A2 A3 A4 A5	Midlife Cruisers Secured Affluence Hard-working Money Platteland Progressives Prosperous Pensioners	0,70% 2,65% 2,83% 2,57% 1,09%
B	Up-and-Coming 4,37%	B6 B7 B8 B9	Upwardly Mobile Would-be Wealth City Convenience Student Digs	1,04% 0,84% 1,47% 1,02%
C	Township Traditionalists 7,56%	C10 C11 C12	Diligent Settlement Households Adult Township Families Elderly-headed Homes	2,23% 2,21% 3,11%
D	Loyal Labourers 7,84%	D13 D14 D15 D16 D17	In the Family Manufactory Middle Class Farmworking Communities Senior Migrant Farmhands Migratory Hard Labour	1,85% 1,30% 2,51% 0,74% 1,44%
E	Blue-collar Communities 18,43%	E18 E19 E20 E21 E22 E23	Generational Township Family Middle-aged Marginalists Coastal Low-wage Households Informal Country Tenants Breadline Families Modest Township Living	4,43% 3,18% 3,66% 3,46% 2,23% 1,39%
F	Young Urban Survivors 9,28%	F24 F25 F26	Migrant City Settler Indigent Township Families Single Room Landlords	1,53% 3,86% 3,89%
G	State Dependents 11,46%	G27 G28 G29 G30	Sustainable RDP Families Poor RDP Households Impoverished Grant Reliants Penniless Grant Transients	4,14% 3,08% 2,27% 1,97%
H	Rural Traditionalists 17,97%	H31 H32 H33	Eastern Tribal Gap Households Inland Traditional Gap Households Senior Single Traditionalists	7,07% 6,88% 4,03%
I	Outskirts Families 13,24%	I34 I35 I36	Borderline Gap Households Baseline Gap Families Minimum Wage Rural Families	7,28% 2,82% 3,14%

*percentages relate to proportion of SA population and not the index value per segment

Experian CDI | Mosaic Segmentation

Experian Composite Consumer Default Index | Mosaic Segmentation
CDI = % Never Default Balances that Defaulted in the last 3 Months

Composite Index ----- Mosaic type A03 largest credit exposure ----- Mosaic type A02 - lowest CDI ----- Mosaic type E20 - highest CDI

3,28%

of balances on an annualized basis defaulted
for first time over the period Dec 2017 to Feb 2018

R12,52bn

in value defaulted for first time
over the period Dec 2017 to Feb 2018

Experian CDI	CDI Feb'18	CDI Feb'17	New Default Balances Dec'17 - Feb'18
Composite Index	3,28	3,40	12,525,296,440
Mosaic type A03 - Largest credit exposure	2,68	2,99	1,326,131,678
Mosaic type A02 - Lowest CDI	1,84	1,97	854,709,200
Mosaic type E20 - Highest CDI	7,04	7,24	523,883,839

Geospatial & Mosaic Insights

Province & Rank	CDI
1. Western Cape	2,28
2. Gauteng	3,00
3. Eastern Cape	3,38
4. Northern Cape	3,58
5. KwaZulu-Natal	3,67
6. Free State	3,77
7. Mpumalanga	3,94
8. North West	4,15
9. Limpopo	4,20

- Mosaic type A03 - Largest Credit Exposure
- Mosaic type A02 - Lowest CDI
- Mosaic type E20 - Highest CDI

Best
Good
Average
Bad
Worst
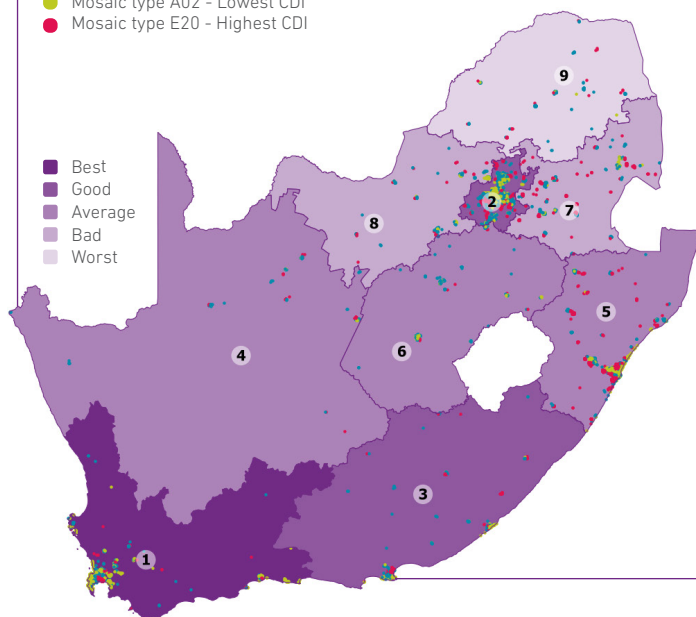
A03 – Hard Working Money
Middle-aged educated families, with a mid to high income living in the suburbs around industrial and mining areas recorded an improved CDI of 2.68% in Feb 2018 compared to the 2.99% in Feb 2017.

A02 – Secured Affluence
Mature, well educated, wealthy couples living in free-standing high-value established homes in city suburbs recorded the lowest CDI of 1.84% in Feb 2018 which was an improvement on the 1.97% recorded in Feb 2017.

G29 – Impoverished Grant Reliants
Families with children relying on government grants and living rent-free in informal dwellings in residential areas recorded the best year on year improvement in CDI from 5.26% in Feb 2017 to 3.97% in Feb 2018.

E20 – Coastal Low-wage Households
Large young households with a high unemployment rate, living in small low-value coastal township properties were the worst performing segment with a CDI of 7.04% in Feb 2018 compared to the 7.24% recorded in Feb 2017.

E23 – Modest Township Living
Mixed-age, minimum wage, extended families, living in their own small shacks or poor quality housing in cities and towns recorded the worst year on year deterioration moving from 3.09% in Feb 2017 to 3.72% in Feb 2018.

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Appendix

How is the Experian CDI calculated?

A cleaner way to look at consumer credit trends:
new, incremental default rates

Published monthly, each index is based upon the following core metric:
percent of open, outstanding credit newly in default in the most recent month

Core Metric
for March

=

SUM OF

March balances for accounts
that first default in March

March balances for open
accounts never defaulted,
unless it occured
in March

The index is the 3-month, balance-weighed moving average of the core metric,

Core Metric numerators for
January, February, March

Core Metric denominators for
January, February, March

Index Value
for March

= 12 X

SUM OF

An index of 8.1751 means: annualized rate of 8.1751% of never-defaulted balances defaulted in the recent three months

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Experian CDI readings for each Mosaic segmentation type

MOSAIC		CDI	CDI	Average Outstanding	New Default Balances
		Feb'18	Dec'17	Dec'17 - Feb'18	Dev'17 - Feb'18
A1	Midlife Cruisers	1,96	2,14	112,294,865,378	183,181,978
A2	**Secured Affluence**	**1,84**	**1,97**	**185,534,099,139**	**284,903,067**
A3	**Hard-working Money**	**2,68**	**2,99**	**198,022,420,629**	**442,043,893**
A4	Platteland Progressive	2,78	2,77	71,838,592,396	166,523,626
A5	Prosperous Pensioners	2,49	2,35	25,166,429,656	52,228,636
B6	Upwardly Mobile	2,24	2,06	119.279.958.464	222,410,215
B7	Would-be Wealth	3,13	3,79	57.906.248.628	150,814,995
B8	City Convenience	2,09	2,19	95.227.709.611	166,049,491
B9	Student Digs	3,27	3,37	15,263,912,151	41,630,834
C10	Diligent Settlement Households	3,68	3,97	67,129,343,607	205,656,041
C11	Adult Township Families	4,22	4,37	26,265,354,767	92,299,020
C12	Elderly-headed Homes	3,72	3,92	47,991,912,136	148,713,662
D13	In the Family	3,85	4,09	103,226,011,587	330,777,062
D14	Manufactory Middle Class	4,86	5,30	34,699,663,352	140,403,404
D15	Farmworking Communities	3,20	2,69	25,166,680,824	67,033,071
D16	Senior Migrant Farmhands	4,08	4,70	2,956,259,019	10,042,258
D17	Migratory Hard Labour	4,39	4,27	8,242,041,445	30,158,093
E18	Generational Township Family	5,97	6,23	17,101,626,259	85,015,726
E19	Middle-aged Marginalists	5,74	6,52	12,445,176,144	59,505,288
E20	**Coastal Low-wage Households**	**7,04**	**7,24**	**29,765,584,291**	**174,627,946**
E21	Informal Country Tenants	6,26	6,62	10,714,761,637	55,890,342
E22	Breadline Families	4,24	4,63	18,492,421,020	65,346,526
E23	**Modest Township Living**	**3,72**	**3,09**	**2,428,968,043**	**7,537,688**
F24	Migrant City Settler	4,10	4,89	25,532,301,254	87,206,939
F25	Indigent Township Families	6,82	7,51	8,620,953,266	48,999,202
F26	Single Room Landlords	6,68	6,77	24,321,173,840	134,891,304
G27	Sustainable RDP Families	6,57	6,32	11,343,528,245	62,120,701
G28	Poor RDP Households	6,39	6,38	10,818,027,356	57,613,627
G29	**Impoverished Grant Reliants**	**3,97**	**5,26**	**1,344,455,680**	**4,444,394**
G30	Penniless Grant Transients	4,96	5,02	1,930,922,193	7,979,091
H31	Eastern Tribal Gap Households	5,89	6,49	2,299,501,246	11,279,443
H32	Inland Traditional Gap Households	5,15	5,28	8,291,907,868	35,597,150
H33	Senior Single Traditionalists	4,10	4,71	1,451,993,550	4,959,091
I34	Borderline Gap Households	4,39	4,72	13,446,495,659	49,208,249
I35	Baseline Gap Families	4,38	5,26	6,517,899,643	23,776,606
I36	Minimum Wage Rural Families	6,99	6,68	2,106,343,985	12,272,362