



# Experian Consumer Credit Default Index

Monthly Update - **March 2018**



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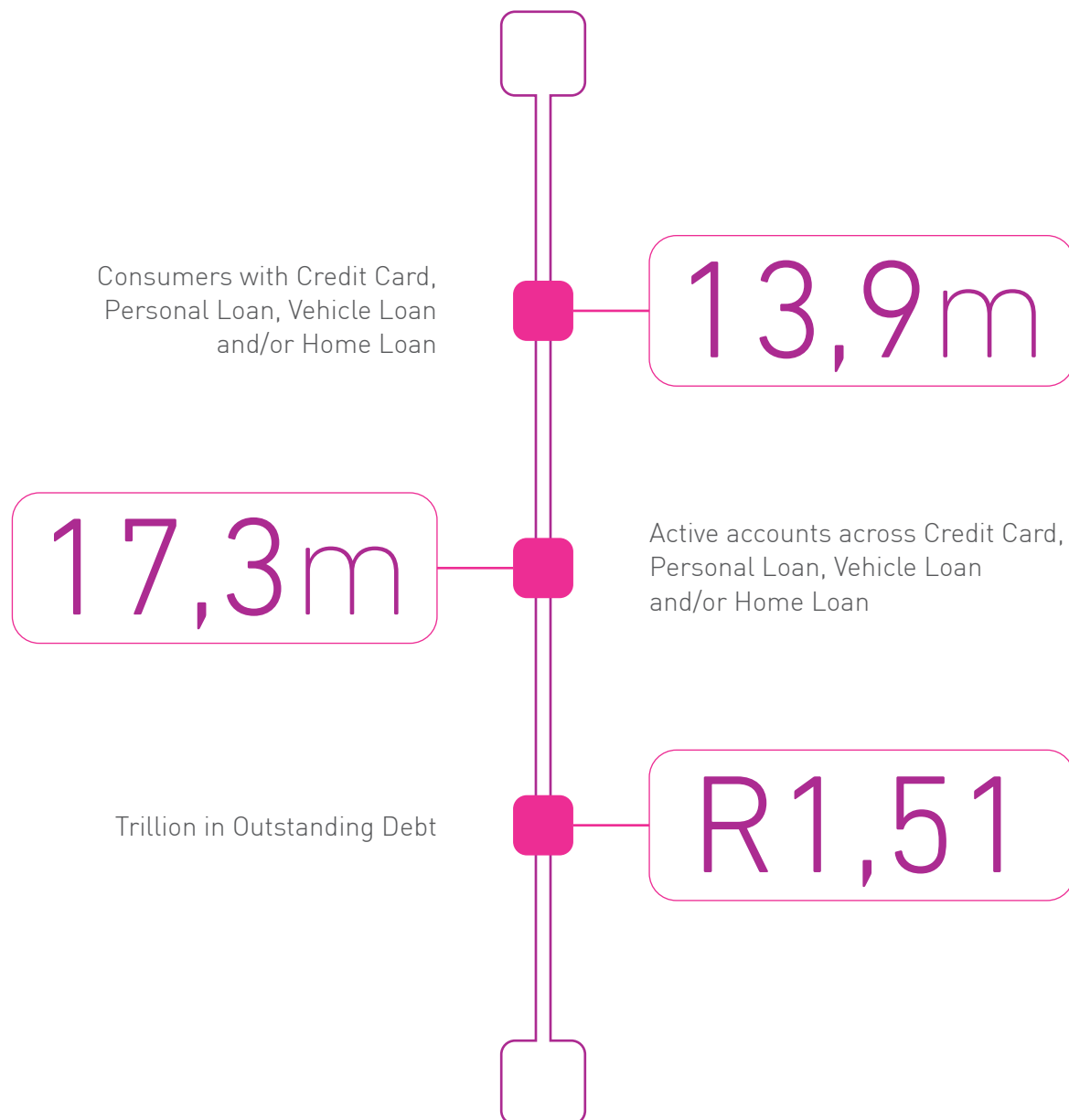
# Experian Consumer Default Index (CDI) Overview

## 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.

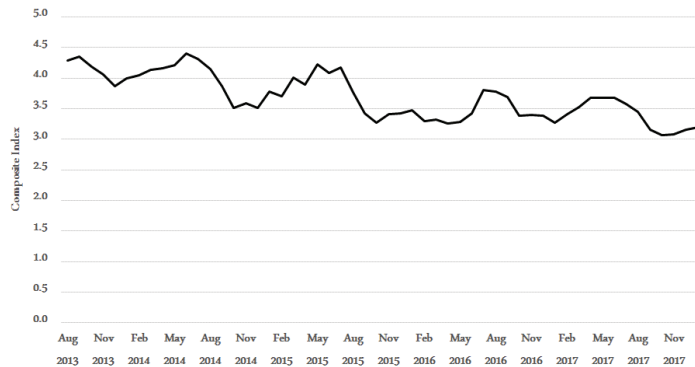
The index measures the sum of first-time (accounts that have never) defaulted balances as a percentage of the total sum of balances outstanding. Published on a monthly basis, with a 2 month lag, the indices include a composite index that measures performance across Home Loan, Vehicle Loan, Credit Card 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.



# Experian CDI | Composite & Product Level

## Experian Consumer Default Index | Composite

CDI = % Never Default Balances that Defaulted in the last 3 Months

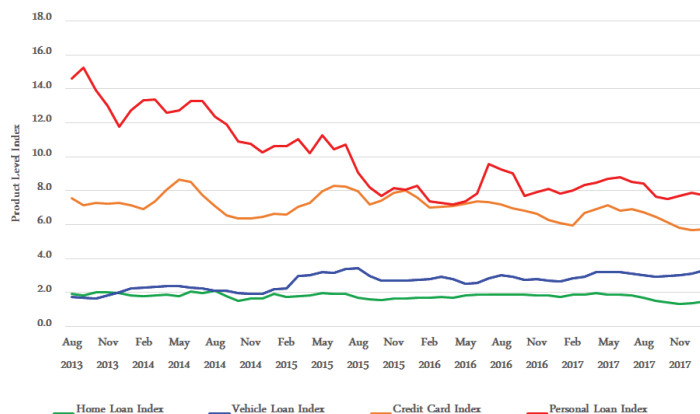


## MONTHLY HIGHLIGHTS

Overall index improved from 3.27% in Jan 2017 to 3.19% in Jan 2018, but tracking higher than the 3.15% recorded for Dec 2017.

## Experian Consumer Default Index | Product Level

CDI = % Never Default Balances that Defaulted in the last 3 Months



## MONTHLY HIGHLIGHTS

Deterioration continued in Vehicle Finance.

| Experian CDI        | CDI Jan'18 | CDI Jan'17 | Average Outstanding Nov'17 - Jan'18 | New Default Balances Nov'17 - Jan'18 |
|---------------------|------------|------------|-------------------------------------|--------------------------------------|
| Composite Index     | 3,19       | 3,27       | 1,532,021,246,148                   | 11,955,248,429                       |
| Home Loan Index     | 1,45       | 1,74       | 799,475,913,404                     | 2,756,833,512                        |
| Vehicle Loan Index  | 3,29       | 2,67       | 385,437,757,467                     | 2,900,000,449                        |
| Credit Card Index   | 5,71       | 6,09       | 107,947,782,437                     | 1,593,045,977                        |
| Personal Loan Index | 7,73       | 7,85       | 239,159,792,840                     | 4,705,368,491                        |

# 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.

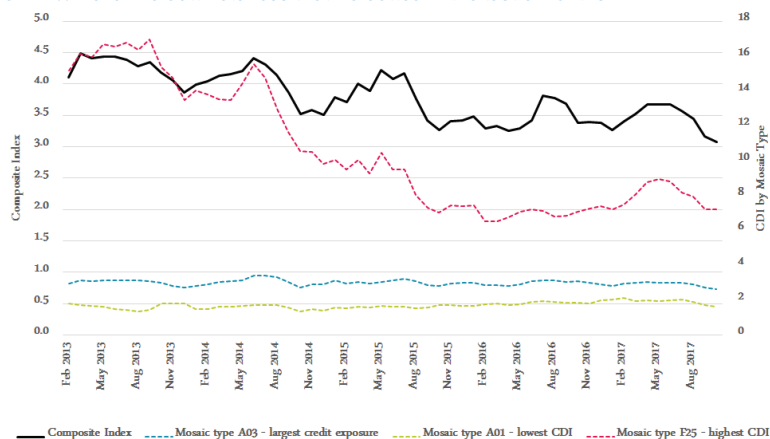
| Group | Description                       | Type | Description                       |
|-------|-----------------------------------|------|-----------------------------------|
| A     | Wealth To Do<br>9,84%             | A1   | Midlife Cruisers                  |
|       |                                   | A2   | Secured Affluence                 |
|       |                                   | A3   | Hard-working Money                |
|       |                                   | A4   | Platteland Progressives           |
|       |                                   | A5   | Prosperous Pensioners             |
| B     | Up-and-Coming<br>4,37%            | B6   | Upwardly Mobile                   |
|       |                                   | B7   | Would-be Wealth                   |
|       |                                   | B8   | City Convenience                  |
|       |                                   | B9   | Student Digs                      |
| C     | Township Traditionalists<br>7,56% | C10  | Diligent Settlement Households    |
|       |                                   | C11  | Adult Township Families           |
|       |                                   | C12  | Elderly-headed Homes              |
| D     | Loyal Labourers<br>7,84%          | D13  | In the Family                     |
|       |                                   | D14  | Manufactory Middle Class          |
|       |                                   | D15  | Farmworking Communities           |
|       |                                   | D16  | Senior Migrant Farmhands          |
|       |                                   | D17  | Migratory Hard Labour             |
| E     | Blue-collar Communities<br>18,43% | E18  | Generational Township Family      |
|       |                                   | E19  | Middle-aged Marginalists          |
|       |                                   | E20  | Coastal Low-wage Households       |
|       |                                   | E21  | Informal Country Tenants          |
|       |                                   | E22  | Breadline Families                |
|       |                                   | E23  | Modest Township Living            |
| F     | Young Urban Survivors<br>9,28%    | F24  | Migrant City Settler              |
|       |                                   | F25  | Indigent Township Families        |
|       |                                   | F26  | Single Room Landlords             |
| G     | State Dependents<br>11,46%        | G27  | Sustainable RDP Families          |
|       |                                   | G28  | Poor RDP Households               |
|       |                                   | G29  | Impoverished Grant Reliants       |
|       |                                   | G30  | Penniless Grant Transients        |
| H     | Rural Traditionalists<br>17,97%   | H31  | Eastern Tribal Gap Households     |
|       |                                   | H32  | Inland Traditional Gap Households |
|       |                                   | H33  | Senior Single Traditionalists     |
| I     | Outskirts Families<br>13,24%      | I34  | Borderline Gap Households         |
|       |                                   | I35  | Baseline Gap Families             |
|       |                                   | I36  | Minimum Wage Rural Families       |

\*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



# 3,19%

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

# R11,95bn

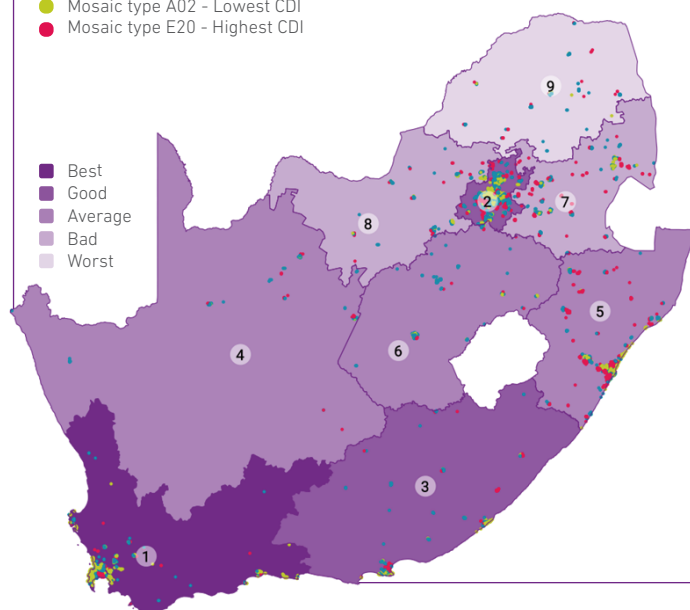
in value defaulted for first time over the period Nov 2017 to Jan 2018

| Experian CDI                              | CDI Jan'18 | CDI Jan'17 | New Default Balances Nov'17 - Jan'18 |
|---|------------|------------|--------------------------------------|
| Composite Index                           | 3,19       | 3,27       | 11,955,248,429                       |
| Mosaic type A03 - Largest credit exposure | 2,65       | 2,84       | 1,323,479,333                        |
| Mosaic type A02 - Lowest CDI              | 1,81       | 1,95       | 847,281,786                          |
| Mosaic type E20 - Highest CDI             | 7,13       | 7,12       | 523,928,857                          |

## Geospatial & Mosaic Insights

| Province & Rank  | CDI  |
|------------------|------|
| 1. Western Cape  | 2,20 |
| 2. Gauteng       | 2,95 |
| 3. Eastern Cape  | 3,36 |
| 4. Northern Cape | 3,41 |
| 5. KwaZulu-Natal | 3,64 |
| 6. Free State    | 3,65 |
| 7. Mpumalanga    | 3,81 |
| 8. North West    | 4,01 |
| 9. Limpopo       | 4,08 |

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



### 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 2.65% in Jan 2018 compared to the 2.84% in Jan 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 1.81% in Jan 2018 which was an improvement on the 1.95% recorded in Jan 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 5.56% in Jan 2017 to 4.27% in Jan 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 7.13% in Jan 2018 compared to the 7.12% recorded in Jan 2017.

### I36 – Minimum Wage Rural Families

Mixed-age families on minimum wages, living in small informal dwellings in the rural areas of the Northern Cape and the Free State recorded the worst year on year deterioration moving from 5.52% in Jan 2017 to 6.52% in Jan 2018.



## 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 occurred  
in March

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

Index Value  
for March

= 12 X

SUM OF

Core Metric numerators for  
January, February, March

Core Metric denominators for  
January, February, March

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

## Experian CDI readings for each Mosaic segmentation type

| MOSAIC |  | CDI         | CDI         | Average Outstanding    | New Default Balances |
|--------|--|-------------|-------------|------------------------|----------------------|
|        |  | Jan'18      | Jan'17      | Nov'17 - Jan'18        | Nov'17 - Jan'18      |
| A1     | Midlife Cruisers<br><b>Secured Affluence</b><br><b>Hard-working Money</b><br>Platteland Progressive<br>Prosperous Pensioners   | 1,88        | 2,05        | 113,469,366,048        | 177,741,165          |
| A2     |  | <b>1,81</b> | <b>1,95</b> | <b>187,647,424,225</b> | <b>282,427,262</b>   |
| A3     |  | <b>2,65</b> | <b>2,84</b> | <b>199,703,368,779</b> | <b>441,159,778</b>   |
| A4     |  | 2,71        | 2,66        | 72,642,022,735         | 164,012,954          |
| A5     |  | 2,47        | 2,11        | 25,493,258,256         | 52,421,617           |
| B6     | Upwardly Mobile<br>Would-be Wealth<br>City Convenience<br>Student Digs   | 2,07        | 1,97        | 119,589,436,021        | 206,418,878          |
| B7     |  | 3,16        | 3,60        | 57,802,393,861         | 152,015,201          |
| B8     |  | 2,05        | 2,13        | 95,790,120,923         | 163,352,750          |
| B9     |  | 3,17        | 2,93        | 15,241,539,139         | 40,292,828           |
| C10    | Diligent Settlement Households<br>Adult Township Families<br>Elderly-headed Homes  | 3,55        | 3,92        | 66,871,994,898         | 198,060,955          |
| C11    |  | 4,16        | 4,19        | 26,235,828,953         | 90,951,316           |
| C12    |  | 3,55        | 3,66        | 48,060,997,002         | 142,041,131          |
| D13    | In the Family<br>Manufactory Middle Class<br>Farmworking Communities<br>Senior Migrant Farmhands<br>Migratory Hard Labour  | 3,70        | 3,95        | 103,309,214,193        | 318,118,614          |
| D14    |  | 5,03        | 5,21        | 34,635,420,451         | 145,114,389          |
| D15    |  | 2,78        | 2,63        | 25,466,678,849         | 58,913,633           |
| D16    |  | 3,55        | 4,83        | 2,964,208,862          | 8,757,117            |
| D17    |  | 4,32        | 3,80        | 8,240,905,420          | 29,677,623           |
| E18    | Generational Township Family<br>Middle-aged Marginalists<br><b>Coastal Low-wage Households</b><br>Informal Country Tenants<br>Breadline Families<br>Modest Township Living | 5,74        | 5,83        | 16,895,661,097         | 80,815,531           |
| E19    |  | 5,67        | 6,41        | 12,310,195,887         | 58,143,854           |
| E20    |  | <b>7,13</b> | <b>7,12</b> | <b>29,407,336,412</b>  | <b>174,642,952</b>   |
| E21    |  | 6,22        | 6,40        | 10,571,110,910         | 54,808,525           |
| E22    |  | 4,27        | 4,62        | 18,375,134,740         | 65,350,131           |
| E23    |  | 3,65        | 3,07        | 2,475,085,123          | 7,538,622            |
| F24    | Migrant City Settler<br>Indigent Township Families<br>Single Room Landlords  | 3,98        | 4,53        | 25,468,850,321         | 84,481,375           |
| F25    |  | 6,97        | 7,22        | 8,537,747,240          | 49,605,691           |
| F26    |  | 6,58        | 6,70        | 23,977,96694,250       | 131,492,775          |
| G27    | Sustainable RDP Families<br>Poor RDP Households<br><b>Impoverished Grant Reliants</b><br>Penniless Grant Transients  | 6,32        | 6,18        | 11,228,650,512         | 59,116,538           |
| G28    |  | 6,41        | 6,24        | 10,695,219,307         | 57,119,890           |
| G29    |  | <b>4,27</b> | <b>5,56</b> | <b>1,343,365,486</b>   | <b>4,780,757</b>     |
| G30    |  | 4,86        | 5,58        | 1,927,147,152          | 7,803,533            |
| H31    | Eastern Tribal Gap Households<br>Inland Traditional Gap Households<br>Senior Single Traditionalists  | 6,04        | 5,90        | 2,279,923,697          | 11,478,867           |
| H32    |  | 4,91        | 5,25        | 8,191,487,006          | 33,513,796           |
| H33    |  | 4,09        | 4,57        | 1,450,145,676          | 4,942,815            |
| I34    | Borderline Gap Households<br>Baseline Gap Families<br><b>Minimum Wage Rural Families</b>   | 4,35        | 4,58        | 13,389,260,198         | 48,534,500           |
| I35    |  | 4,38        | 4,73        | 6,431,484,309          | 23,489,871           |
| I36    |  | <b>6,52</b> | <b>5,52</b> | <b>2,096,261,518</b>   | <b>11,394,279</b>    |