



# Experian Consumer Credit Default Index

October 2017



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# Default Index 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 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 4 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.

14,7m

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

18,4m

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

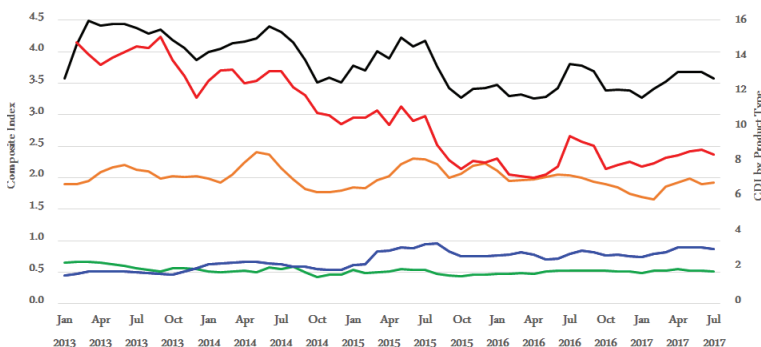
R1,54

Trillion in Outstanding Debt

## Experian Composite Consumer Default Index

Experian & Product Level Consumer Default Index

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



**Overall index improved from 3.81% in July 2016 to 3.57% in July 2017.**

**Greater proportion of never defaulted balances rolling into default for first time in Vehicle Loan.**

**Improvement in index observed in Personal Loans, Credit Card and Home Loans.**

	CDI Jul'17	CDI Jul'16	New Default Balances May'17 - Jul'17	New Default Balances May'17 - Jul'17
Composite Index	3,57	3,81	1,507,095,540,859	13,450,691,836
Home Loan Index	1,84	1,90	795,393,443,260	3,666,443,491
Vehicle Loan Index	3,13	2,85	368,765,043,538	2,883,752,763
Credit Card Index	6,91	7,32	102,880,545,597	1,776,066,190
Personal Loan Index	8,54	9,56	240,056,508,464	5,124,429,392

# Default Index Overview

## 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.

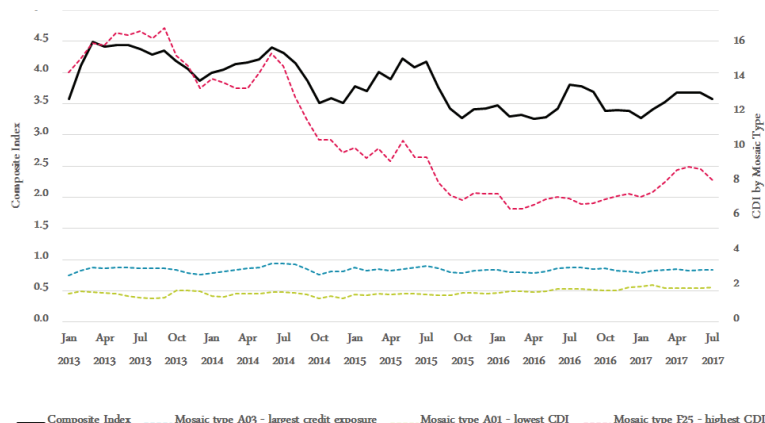
Group	Description	Type	Description
A	Wealth To Do 9,84%	A1	Midlife Cruisers 0,70%
		A2	Secured Affluence 2,65%
		A3	Hard-working Money 2,83%
		A4	Platteland Progressive 2,57%
		A5	Prosperous Pensioners 1,09%
B	Up-and-Coming 4,37%	B6	Upwardly Mobile 1,04%
		B7	Would-be Wealth 0,84%
		B8	City Convenience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

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

# Experian Composite Consumer Default Index

## Experian Composite Consumer Default Index

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



# 3,57%

of balances on an annualized basis defaulted for first time over the period May to July 2017

# R13,45bn

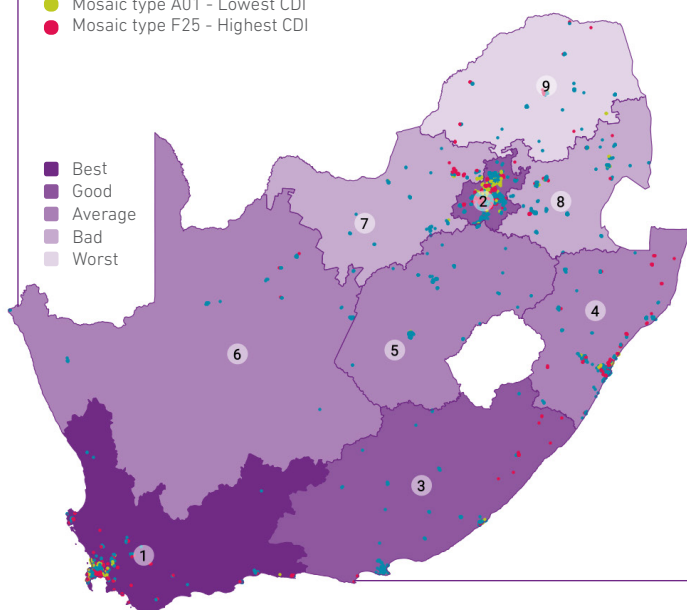
in value defaulted for first time over the period May to July 2017

	CDI Jul'17	CDI Jul'16	New Default Balances May'17 - Jul'17
Composite Index	3,57	3,81	13,450,691,836
Mosaic type A03 - Largest credit exposure	2,98	3,13	1,516,644,452
Mosaic type A01 - Lowest CDI	2,02	1,93	567,299,683
Mosaic type F25 - Highest CDI	8,15	7,13	163,375,543

## Geospatial & Mosaic Insights

Province & Rank	CDI
1. Western Cape	2,59
2. Gauteng	3,35
3. Eastern Cape	3,81
4. KwaZulu-Natal	3,90
5. Free State	3,95
6. Northern Cape	3,99
7. North West	4,37
8. Mpumalanga	4,39
9. Limpopo	4,44

- Mosaic type A03 - Largest Credit Exposure
- Mosaic type A01 - Lowest CDI
- Mosaic type F25 - Highest CDI



**The divide in fortunes and financial literacy attributable to difference in education levels. More educated groups earn better incomes and thus are more attractive to financial institutions to grant credit to. They do tend to manage their finances better as proportionally less default occurs in these segments as opposed to lesser educated segments. The lower educated and lower compensated segments have struggled in recessionary conditions with proportionally more default due to granting of credit to this segment being curtailed in the 12 months ending July 2017.**

### A03 – Hard working money

Middle-aged educated families, with a mid to high income living in the suburbs around industrial and mining areas owed 14.5% of total balances outstanding across home loans, vehicle loans, credit cards and personal loans, but only contributed 12.4% to new defaulted balances over the period April to July 2017. This segment recorded an improved CDI of 2.98% in July 2017 compared to the 3.13% of July 2016.

### A01 – Midlife cruisers

Highly educated wealthy individuals residing on exclusive estates in luxury homes in prime city suburbs recorded the lowest CDI of 2.02% in July 2017 which was a marginal deterioration over the 1.93% recorded in July 2016.

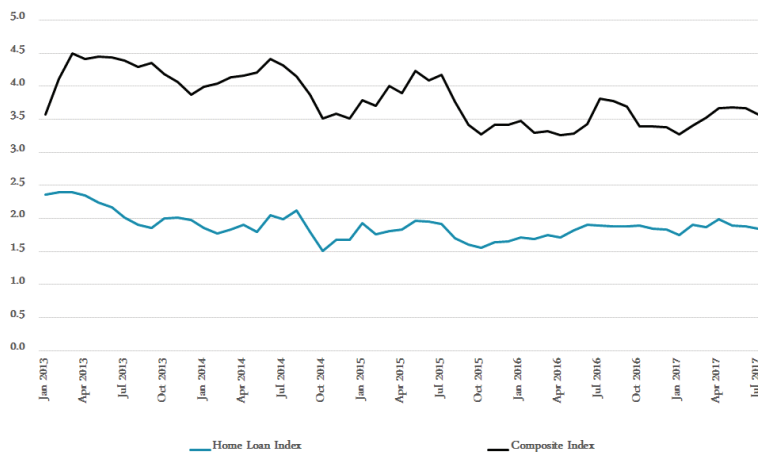
### F25 - Indigent Township Families

Very low income, mostly unemployed, young families living in small properties or in a room of shared-housing in densely populated areas were the worst performing segment with a CDI of 8.15% in July 2017, which was also a deterioration on the 7.13% recorded in July 2016.

# Experian Home Loan Consumer Default Index

## Experian Home Loans Consumer Default Index

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



# 1,84%

of home loan balances on an annualized basis defaulted for first time over the period May to July 2017

# R3,66bn

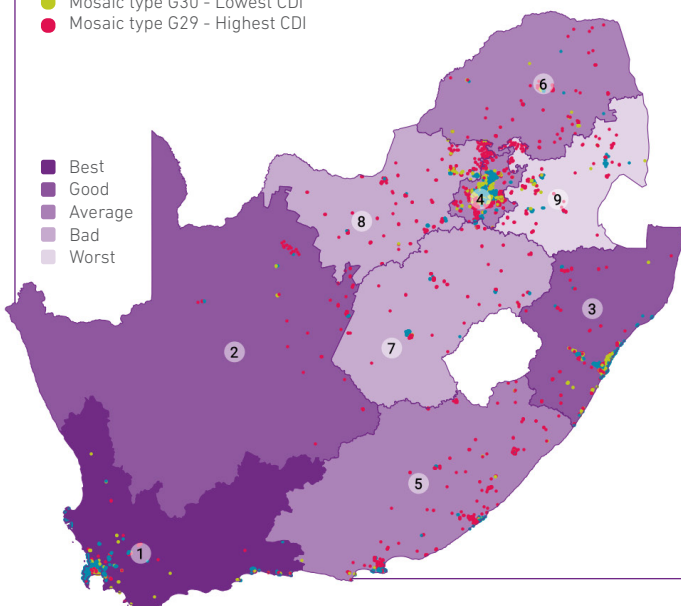
in value defaulted for first time over the period May to July 2017

	CDI Jul'17	CDI Jul'16	New Default Balances May'17 - Jul'17
Home Loan Index	1,84	1,90	3,666,443,491
Mosaic type A02 - Largest credit exposure	1,45	1,38	470,938,190
Mosaic type G30 - Lowest CDI	1,11	1,75	1,946,513
Mosaic type G29 - Highest CDI	2,86	1,86	2,863,757

## Geospatial & Mosaic Insights

Province & Rank	CDI
1. Western Cape	1,39
2. Northern Cape	1,67
3. KwaZulu-Natal	1,74
4. Gauteng	1,92
5. Eastern Cape	2,02
6. Limpopo	2,07
7. Free State	2,14
8. North West	2,31
9. Mpumalanga	2,42

- Mosaic type A02 - Largest Credit Exposure
- Mosaic type G30 - Lowest CDI
- Mosaic type G29 - Highest CDI



The Home Loan Index was tracking lower in July 2017 at 1.84% compared to 1.90% in July 2016.

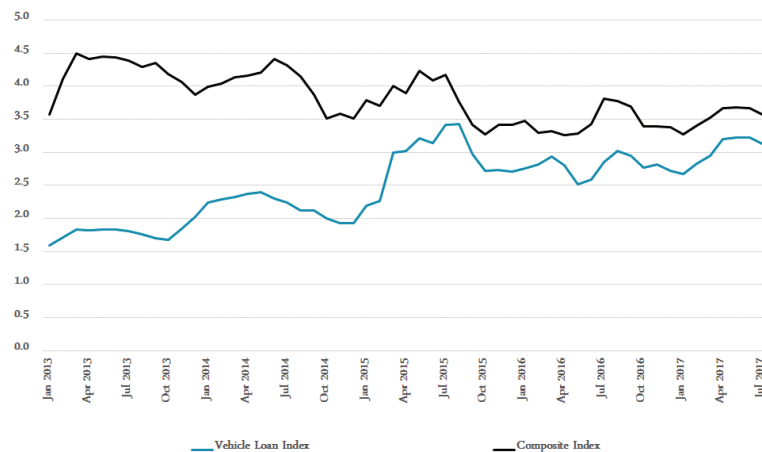
### G29 – Impoverished Grant Reliants

Families with children relying on government grants and living rent-free in informal dwellings in residential areas were the worst performing segment with a CDI of 2.86% in July 2017. This segment represents 2.27% of the total SA population, with 1.64% earning more than R150k per year and only 1.66% having qualifications beyond matric.

# Experian Vehicle Loan Consumer Default Index

## Experian Vehicle Loans Consumer Default Index

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



# 3,13%

of vehicle loan balances on an annualized basis defaulted for first time over the period May to July 2017

# R2,88bn

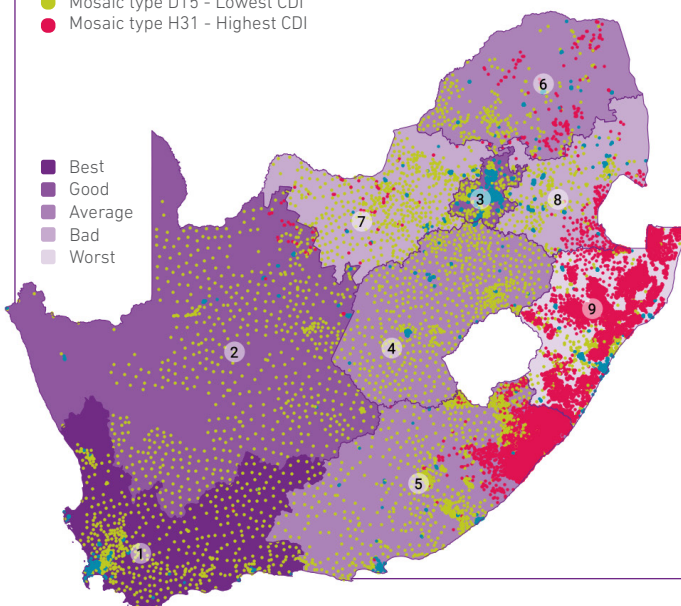
in value defaulted for first time over the period May to July 2017

	CDI Jul'17	CDI Jul'16	New Default Balances May'17 - Jul'17
Vehicle Loan Index	3,13	2,85	2,883,752,763
Mosaic type A03 - Largest credit exposure	2,66	2,80	334,415,854
Mosaic type D15 - Lowest CDI	2,07	1,73	43,315,551
Mosaic type H31 - Highest CDI	5,91	6,16	9,974,976

## Geospatial & Mosaic Insights

Province & Rank	CDI
1. Western Cape	2,15
2. Northern Cape	3,02
3. Gauteng	3,09
4. Free State	3,20
5. Eastern Cape	3,30
6. Limpopo	3,32
7. North West	3,47
8. Mpumalanga	3,60
9. KwaZulu-Natal	3,62

- Mosaic type A02 - Largest Credit Exposure
- Mosaic type D15 - Lowest CDI
- Mosaic type H31 - Highest CDI



The Vehicle Loan Index was tracking higher in July 2017 at 3.13% compared to 2.85% in July 2016.

**H31 – Eastern Tribal Gap Households**  
Households headed by grandparents supporting younger generations, in one small traditional dwelling or hut on a farm in rural areas recorded the highest Vehicle Loan index of 5.91% in July 2017. This segment represents 7.07% of the SA population, with 18.67% consisting of households of more than 7 people.

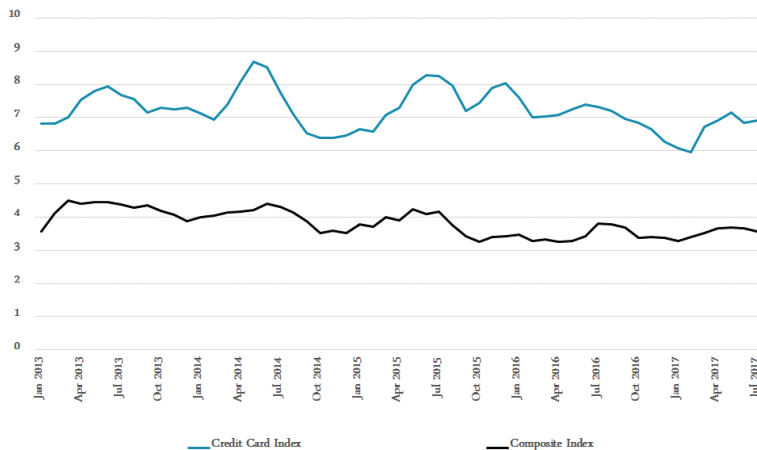
**D15 – Farmworking Communities**  
Self-sufficient farmworker communities made up of couples and families living rent-free in informal sector establishments recorded the lowest Vehicle Loan index of 2.07% in July 2017.



# Experian Credit Card Consumer Default Index

## Experian Credit Cards Consumer Default Index

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



# 6,91%

of credit card balances on an annualized basis defaulted for first time over the period May to July 2017

# R1,77bn

in value defaulted for first time over the period May to July 2017

	CDI Jul'17	CDI Jul'16	New Default Balances May'17 - Jul'17
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Credit Card Index	6,91	7,32	1,776,066,190
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Mosaic type A03 - Largest credit exposure	6,44	6,97	232,367,431
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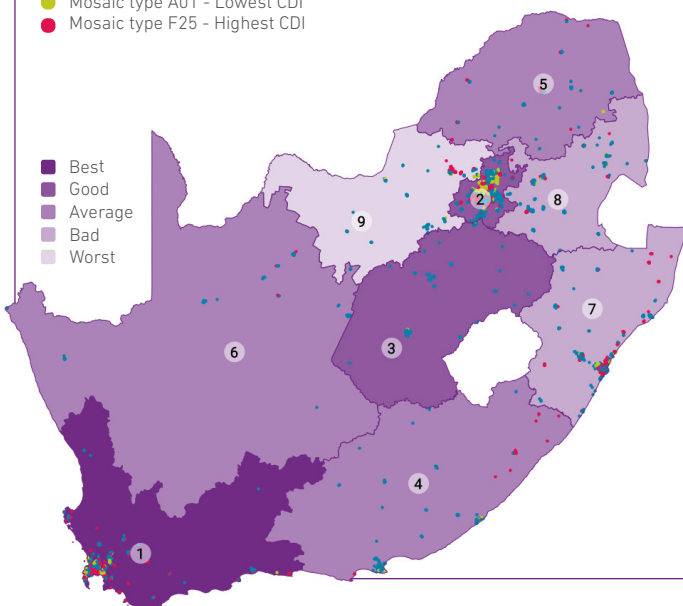
Mosaic type A01 - Lowest CDI	4,57	4,70	70,610,635
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Mosaic type F25 - Highest CDI	12,25	13,26	19,367,380
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## Geospatial & Mosaic Insights

Province & Rank	CDI
1. Western Cape	5,62
2. Gauteng	6,81
3. Free State	6,87
4. Eastern Cape	6,90
5. Limpopo	7,20
6. Northern Cape	7,24
7. KwaZulu-Natal	7,48
8. Mpumalanga	7,93
9. North West	8,20

- Mosaic type A03 - Largest Credit Exposure
- Mosaic type A01 - Lowest CDI
- Mosaic type F25 - Highest CDI



**Credit Card debt represent unsecured lending and thus the risk profile and observed default profile is greater than what would be observed for Home and Vehicle loans. As such the Credit Card index is tracking higher than the composite index. The Credit Card index came off a peak of 7.32% in July 2016 and was tracking at 6.91% in July 2017.**

### F25 – Indigent Township Families

Very low income, mostly unemployed, young families living in small properties or in a room of shared-housing in densely populated areas were the worst performing segment with a CDI of 12.25% in July 2017.

### A01 – Midlife cruisers

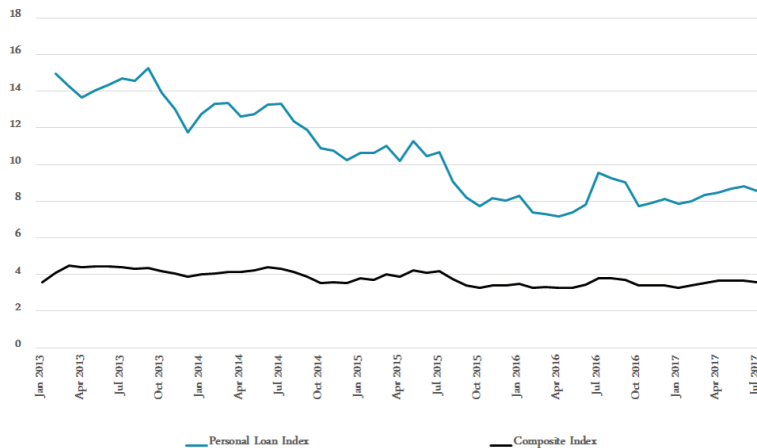
Highly educated wealthy individuals residing on exclusive estates in luxury homes in prime city suburbs recorded the lowest CDI of 4.57% in July 2017.



# Experian Personal Loan Consumer Default Index

## Experian Personal Loans Consumer Default Index

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



# 8,54%

of personal loan balances on an annualized basis defaulted for first time over the period May to July 2017

# R5,12bn

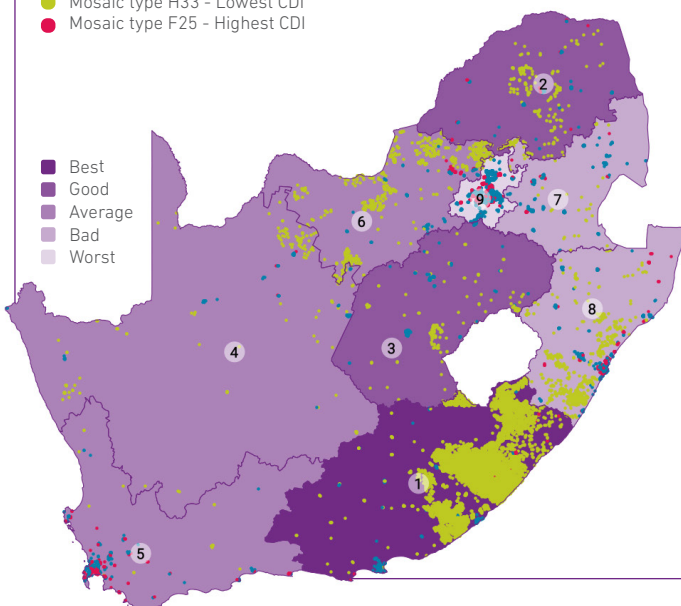
in value defaulted for first time over the period May to July 2017

	CDI Jul'17	CDI Jul'16	New Default Balances May'17 - Jul'17
Personal Loan Index	8,54	9,56	5,124,429,392
Mosaic type A03 - Largest credit exposure	6,80	6,56	343,564,180
Mosaic type H33 - Lowest CDI	5,51	5,44	9,719,896
Mosaic type F25 - Highest CDI	11,85	8,95	109,484,759

## Geospatial & Mosaic Insights

Province & Rank	CDI
1. Eastern Cape	6,92
2. Limpopo	7,63
3. Free State	7,77
4. Northern Cape	7,99
5. Western Cape	8,00
6. North West	8,22
7. Mpumalanga	8,32
8. KwaZulu-Natal	8,37
9. Gauteng	9,07

- Mosaic type A03 - Largest Credit Exposure
- Mosaic type H33 - Lowest CDI
- Mosaic type F25 - Highest CDI



**Personal Loans represent the riskiest asset class for lenders and such the highest index values will typically be observed. Personal Loans have improved year on year moving from 9.56% in July 2016 to 8.54% in July 2017.**

**For Personal Loans the newly defaulted balances of R5.12bn is close to the marginal default increase observed for Home Loans and Credit Cards combined over the period May to July 2017.**

### F25 - Indigent Township Families

Very low income, mostly unemployed, young families living in small properties or in a room of shared-housing in densely populated areas were the worst performing segment with a CDI of 11.85% in July 2017. Of the R24bn outstanding in this segment, R11bn was outstanding on Personal Loans with R109m rolling into default for the first time on the Personal Loan balances over the period May to July 2017. This represents 67% of this segment's total first-time default value and 0.9% of the total first-time default value overall.

# Appendix

## How is it 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

$$\text{Core Metric for March} = \text{SUM OF} \frac{\text{March balances for accounts that first default in March}}{\text{March balances for open accounts never defaulted, unless it occurred in March}}$$

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

$$\text{Core Metric for March} = 12 \times \text{SUM OF} \frac{\text{Core Metric numerators for January, February and March}}{\text{Core Metric denominators for January, February and March}}$$

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
		Jul'17	Jul'16	May'17 - Jul'17	May'17 - Jul'17
A1	Midlife Cruisers	2.02	1.93	112,492,146,126	567,299,683
A2	Secured Affluence	2.09	1.91	185,694,151,417	970,718,686
A3	Hard-working Money	2.98	3.13	203,252,536,397	1,516,664,452
A4	Platteland Progressive	3.21	2.91	73,933,743,679	593,457,689
A5	Prosperous Pensioners	2.47	2.29	25,703,392,086	158,404,401
B6	Upwardly Mobile	2.39	2.30	117,679,587,971	702,546,566
B7	Would-be Wealth	3.78	6.18	57,484,565,102	543,022,124
B8	City Convenience	2.33	3.82	92,875,393,689	540,637,515
B9	Student Digs	3.87	3.31	14,663,594,948	141,952,664
C10	Diligent Settlement Households	3.88	4.10	67,442,171,505	655,027,364
C11	Adult Township Families	4.56	4.71	26,244,341,820	299,411,349
C12	Elderly-headed Homes	3.97	5.34	47,260,385,726	468,970,467
D13	In the Family	4.41	4.71	101,964,903,767	1,123,972,502
D14	Manufactory Middle Class	5.46	5.62	34,140,938,877	466,249,783
D15	Farmworking Communities	2.82	2.75	26,323,054,598	185,905,916
D16	Senior Migrant Farmhands	3.45	3.83	2,944,644,031	25,422,762
D17	Migratory Hard Labour	4.78	4.39	8,182,801,839	97,719,712
E18	Generational Township Family	6.34	5.55	16,341,069,599	258,880,728
E19	Middle-aged Marginalists	6.45	6.22	11,778,211,977	189,960,212
E20	Coastal Low-wage Households	7.67	7.07	27,870,495,932	534,108,708
E21	Informal Country Tenants	6.56	6.20	10,319,121,805	169,525,877
E22	Breadline Families	4.71	4.77	18,962,557,200	223,496,608
E23	Modest Township Living	3.86	4.60	2,675,534,621	25,837,822
F24	Migrant City Settler	4.74	4.41	24,521,438,727	290,755,186
F25	Indigent Township Families	8.15	7.13	8,014,561,070	163,375,543
F26	Single Room Landlords	7.33	6.72	22,863,213,975	418,985,112
G27	Sustainable RDP Families	6.79	6.02	11,081,268,971	187,983,721
G28	Poor RDP Households	6.77	21.08	10,479,869,487	177,307,445
G29	Impoverished Grant Reliants	5.85	6.06	1,325,037,114	19,389,755
G30	Penniless Grant Transients	5.65	5.97	1,856,251,207	26,234,401
H31	Eastern Tribal Gap Households	6.76	6.64	2,239,048,494	37,846,107
H32	Inland Traditional Gap Households	6.49	5.20	7,949,571,171	129,010,825
H33	Senior Single Traditionalists	4.73	4.49	1,486,305,628	17,584,064
I34	Borderline Gap Households	4.95	4.63	13,477,983,943	166,650,529
I35	Baseline Gap Families	5.32	4.50	6,190,789,938	82,262,776
I36	Minimum Wage Rural Families	6.61	5.23	2,148,630,897	35,524,363