

01 December 2021

Experian Africa

Insights into the Redefined Credit Economy – December 2021

Data insights and the latest trends of how the South African credit economy has been redefined in a time of disruption.



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Introduction

There's no doubt that the COVID-19 pandemic caused a significant amount of disruption to global and local economies. Varying lockdown levels have also impacted these economies and the businesses and consumers that operate within them.

The extent of the pandemic's economic impact continues to be largely unknown. However, we see early indicators of what is to come over the next few months by tracking and analysing the emerging patterns in the credit and related industries.

We are committed to continually sharing insights and trends as they emerge, keeping you informed to support your strategies.

All emerging trends are tracked monthly, focusing on how they impact overall market activity, changes in consumer behaviour, and overall performance at a total market and business vertical level.

The December 2021 report focus areas include:

- CDI: Update on first-time default rates
 - Composite CDI
 - Focus on Retail Loans
- Market analysis of Consumer Credit
 - Consumer volumes
 - Market exposure



Download the latest CDI report [here](#).

Consumer Default Index:

Update on first-time default rates

South African consumers are showing further improvement in terms of first-time default rates.

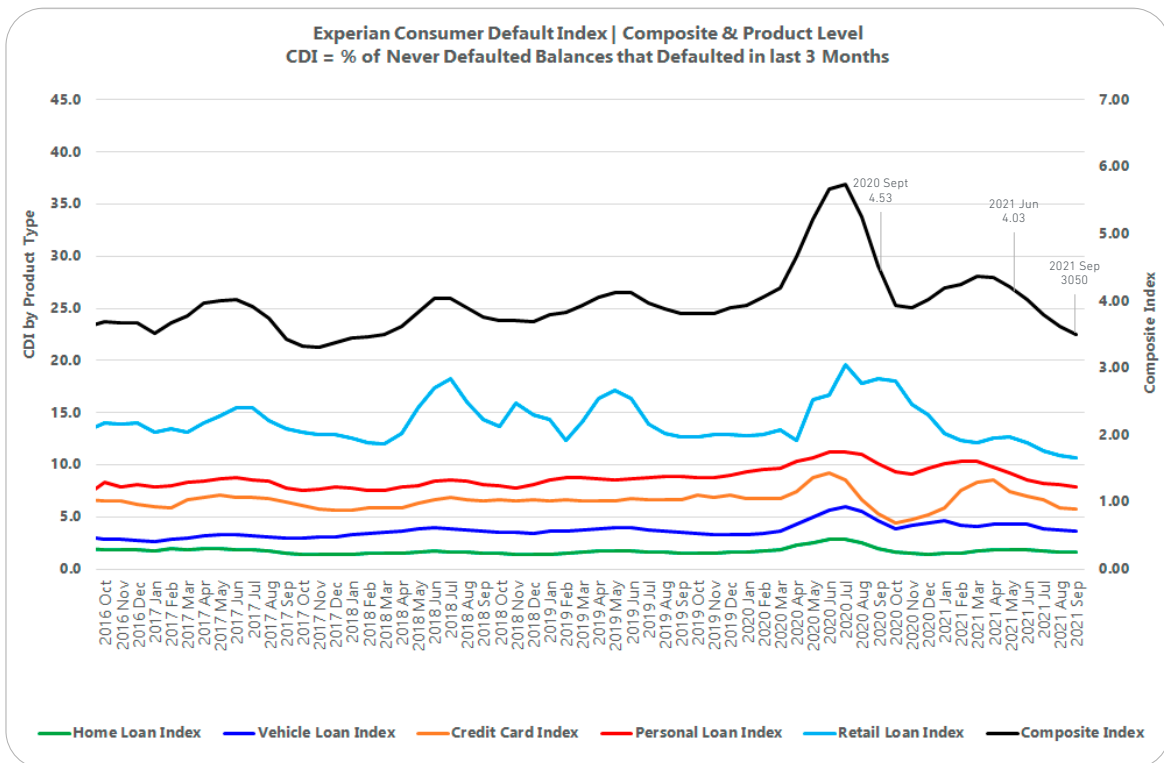
The CDI tracks the **marginal default rate** as it measures the sum of **first-time defaulted** balances (i.e., accounts that have never previously defaulted) as a percentage of the total sum of balances outstanding.

Moving from 4.03 in June 2021 to 3.50 in September 2021, the **Composite CDI saw a significant improvement Q-o-Q**. The Composite CDI also saw an even more significant improvement Y-o-Y, from 4.53 in September 2020.

This Y-o-Y improvement is partly due to the fact that South Africa was still under relatively **strict COVID lockdown level 3 and 2 measures** in 2020 Q3, compared to the adjusted level 3 and level 1 alerts that have applied in 2021 Q3.

A more important driver of the improved CDI, though, is the fact that lenders have been **stricter in their credit extension** – particularly in the Personal Loans space – due to increased risk aversion.

In addition, we have seen that the ability of lower-income consumers to qualify for loans in, e.g., the Retail Loans space, has deteriorated – probably due to **loss of income and employment**.



CDI by Product

Almost all products showed a significant improvement in CDI.

	Index	CDI Sep'21	CDI Sep'20	Average Outstanding Jul'21-Sep'21	New Default Balances Jul'21-Sep'21	Relative Impr/ Deter	Weight in COMPOSITE CDI
■	Composite Index	3,50	4,53	R1 913 439 104 342	R16 751 545 225	-23%	100%
■	Home Loan Index	1,58	1,98	R994 010 751 523	R3 920 183 203	-20%	52%
■	Vehicle Loan Index	3,58	4,67	R441 150 900 986	R3 947 743 992	-23%	23%
■	Credit Card Index	5,72	5,28	R150 306 607 508	R2 148 367 399	8%	8%
■	Personal Loan Index	7,92	10,07	R291 565 091 599	R5 769 587 365	-21%	15%
■	Retail Loan Index	10,61	18,28	R36 405 752 725	R965 663 266	-42%	2%
■	Home Loan + Vehicle Loan + Credit Card	2,53	3,10	R1 585 468 260 018	R10 016 294 594	-18%	83%
■	Retail Loan + Personal Loan	8,21	11,04	R327 970 844 324	R6 735 250 631	-26%	17%

Considering that the CDI is most heavily weighted towards the secured loan products (due to the high value associated with these products), the **relative improvement in the Composite CDI Y-o-Y was 23%**.

With the exception of Credit Card products, all products saw a significant CDI improvement Y-o-Y. The deterioration in Credit Card CDI, however, is more due to statistical factors (considering the low base observed this time last year) than due to other market drivers.

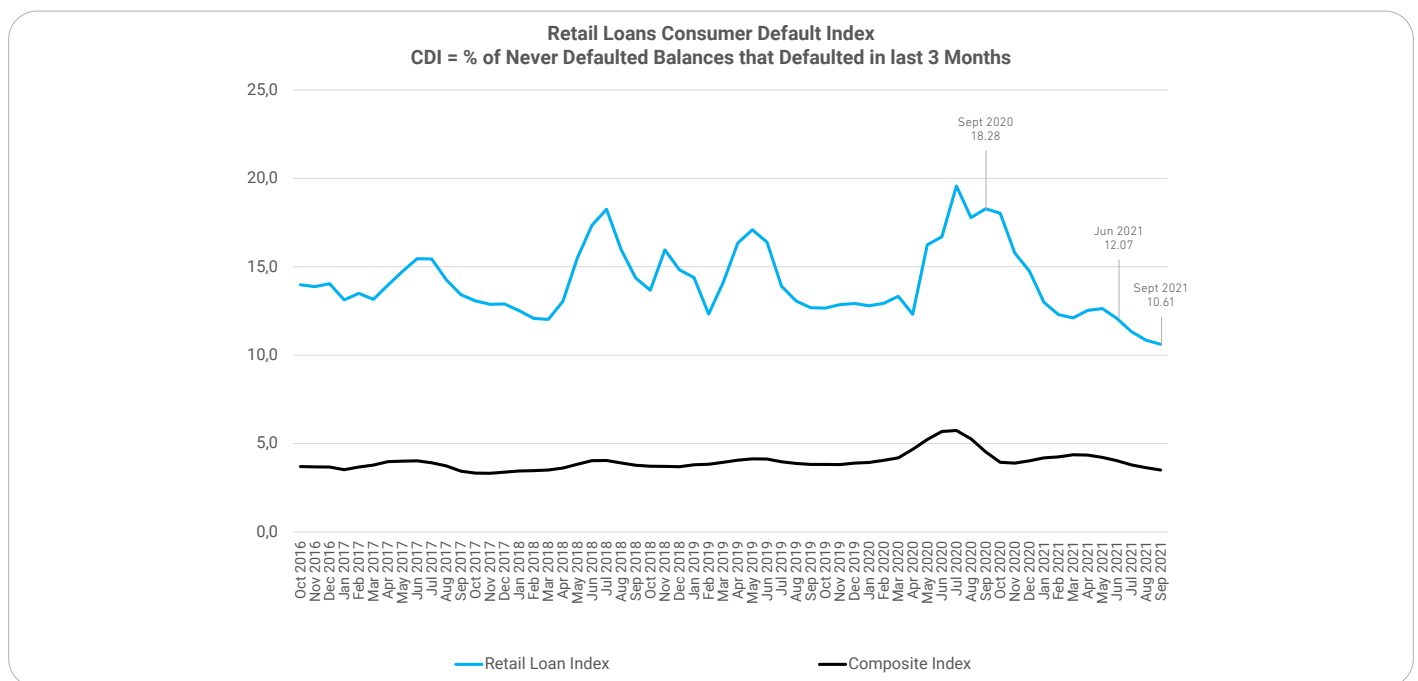
Most significant, in relative terms, was **the improvement observed for Retail Loans**, moving from 18.28 in September 2020 to 10.61 in September 2021. This constituted a relative improvement of 42%. This improvement does not signify an improvement in consumers' ability to repay their Retail Loans; instead, it is the result of a significant **reduction in new business** written for Retail Loans of late. Note that Retail Loans only contribute 2% to the Composite CDI.

Retail Loans CDI

Very significant improvement in September 2021 – particularly for less affluent consumers.

The significant **Y-o-Y improvement** in Retail Loans CDI was observed across all consumer affluence groups but was less pronounced among the more affluent consumers in FAS Group 1: Luxury Living and Group 2: Aspirational achievers.

This is because the **less affluent consumer groups** simply do not qualify for Retail Loans, given the high unemployment rate and the loss of income that resulted from the COVID lockdowns. These consumers bore the brunt of the carnage caused by the loss of income, and as such, their increased non-qualification for Retail Credit has resulted in a stellar improvement in CDI – not because of their improved financial situation, but because of their exclusion from new product sales.



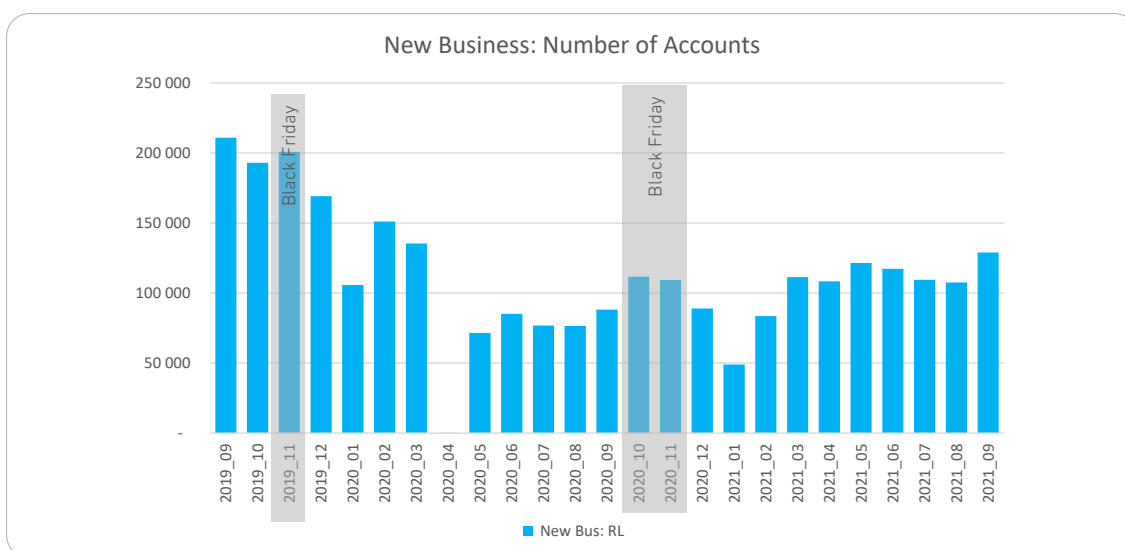
HL	CDI Sep'20	CDI Sep'21	Average Outstanding Jul'21-Sep'21	New Default Balances Jul'21-Sep'21	CDI Relative % Change
Group 1: Luxury Living	9,07	6,41	R 42,82 Billion	R 3,14 Billion	-29%
Group 2: Aspirational Achievers	11,57	7,93	R 55,09 Billion	R ,85 Billion	-31%
Group 3: Stable Spenders	20,21	11,50	R 14,61 Billion	R 1,27 Billion	-43%
Group 4: Money-Conscious Majority	16,22	9,20	R 20,79 Billion	R ,48 Billion	-43%
Group 5: Laboured Living	27,71	15,28	R 2,29 Billion	R ,44 Billion	-45%
Group 6: Yearning Youth	39,00	20,94	R ,9 Billion	R ,07 Billion	-46%

Retail Loans – New Business

Very significant improvement in September 2021 - partly due to low Retail Loan New Business still prevailing through 2021 Q2.

Comparing New Business volumes subsequent to the initial hard Level 5 COVID lockdown, it is clear that New Business volumes for the Retail Loans industry are still recovering.

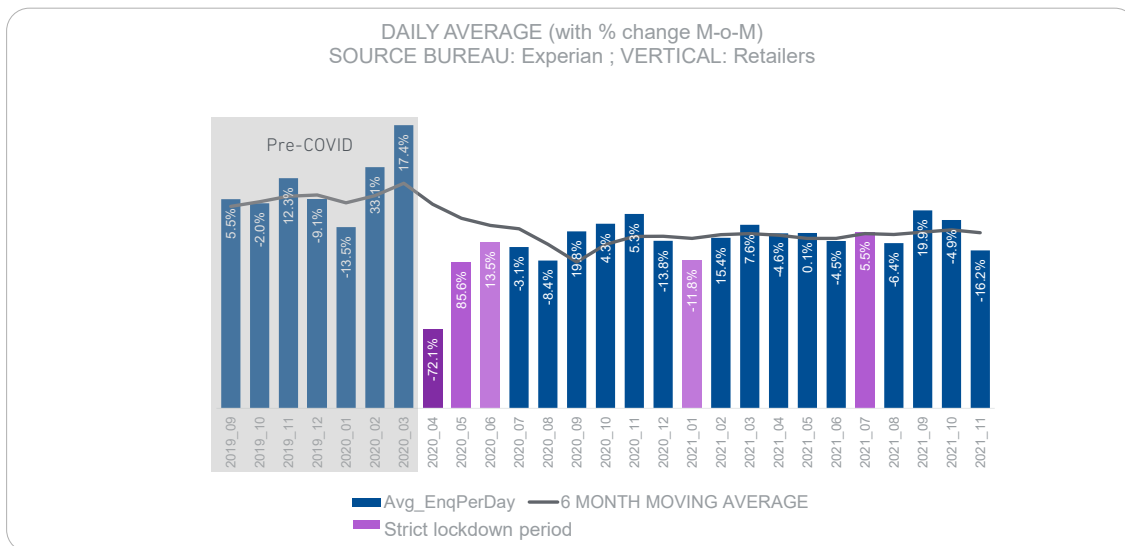
We saw a slight increase in New Business volumes for Retail during both October and November in 2020 - following the extension of Black Friday special offers to more than a month, in an effort to boost retail sales. A similar trend is expected for this year.



Retail Loans: Market Appetite

Appetite for Retail Loans is also still recovering, following the lockdown measures imposed due to COVID-19

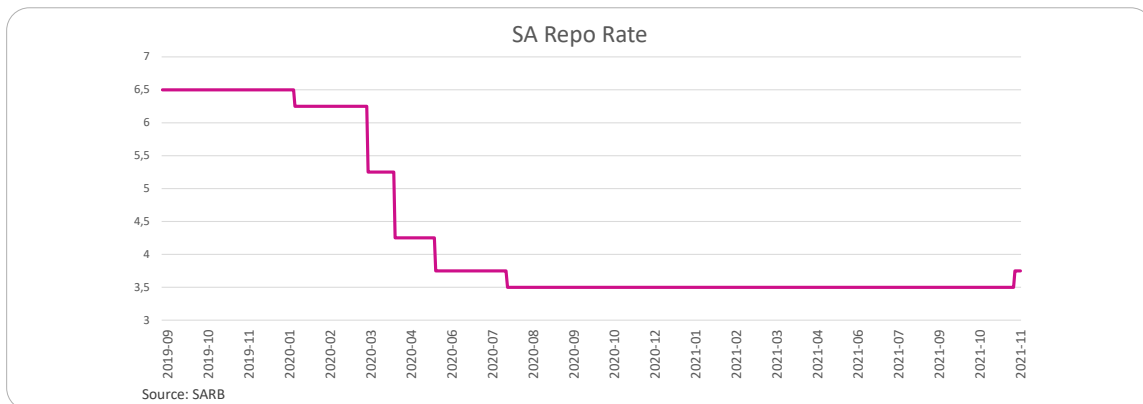
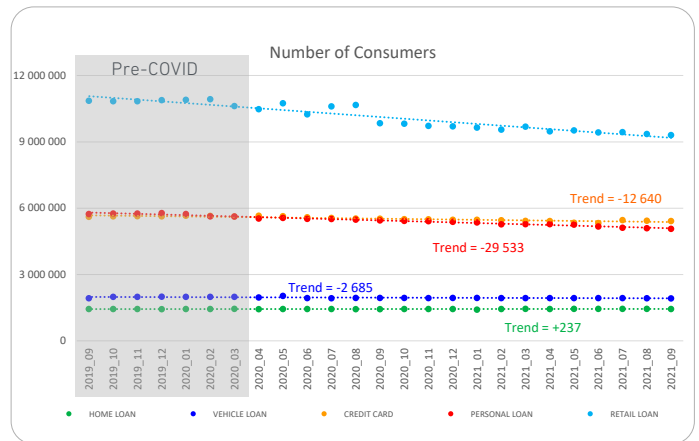
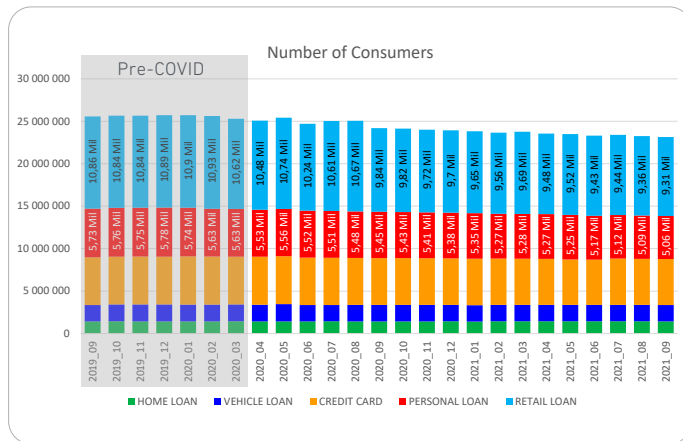
Retail Loans enquiry volumes, as is the case with New Business volumes, are still recovering to the volumes we saw prior to COVID.



Market analysis

Credit Active Consumers

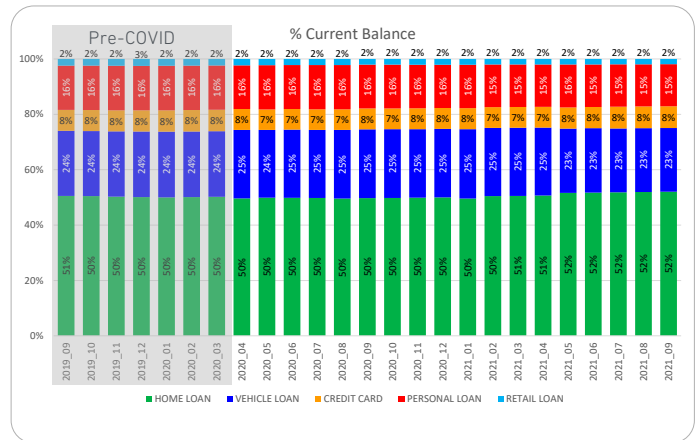
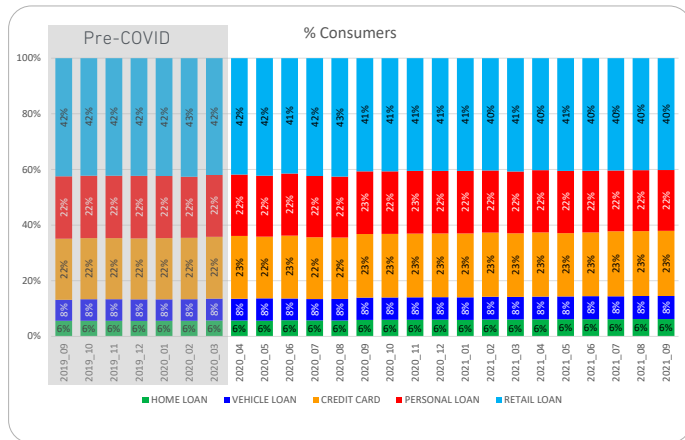
Since the onset of COVID, we have seen a continued steady reduction in the number of credit-active consumers.



The number of credit-active consumers has shown a marked **decrease over the last 2 years**. From the bar graph on the Number of Consumers, **Retail Loans clearly contribute the most** to the credit-active economy from a consumer volume perspective (~40%), followed by Retail and Personal Loans (~22% each). For the most part, the trend in consumer volumes over the last 2 years has been **decreasing for all product types, except for Home Loans**. The product type with the most significant reduction in consumer volumes has been Retail Loans – dropping by an average of almost 80 000 consumers per month. The increase in Home Loans from a consumer volume perspective was partly driven by the **drop in interest rates** observed over the last 2 years.

Market Share Views

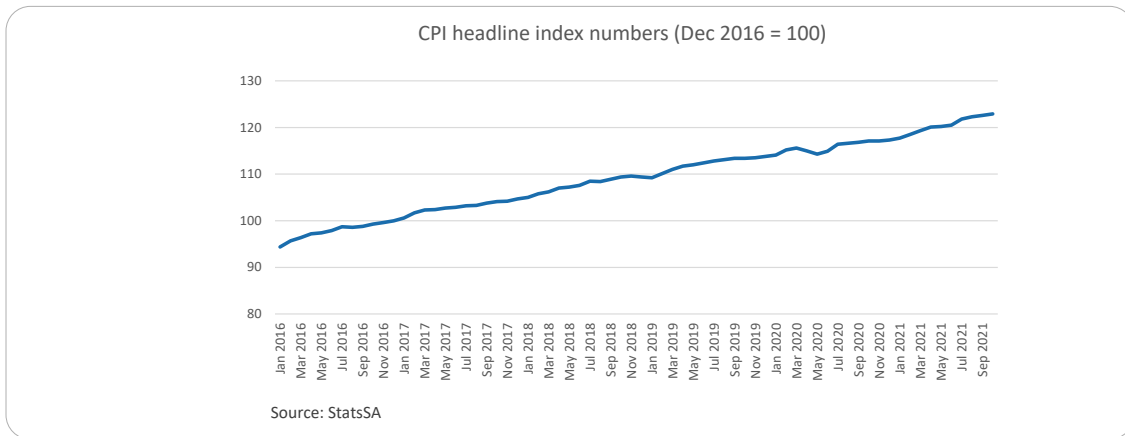
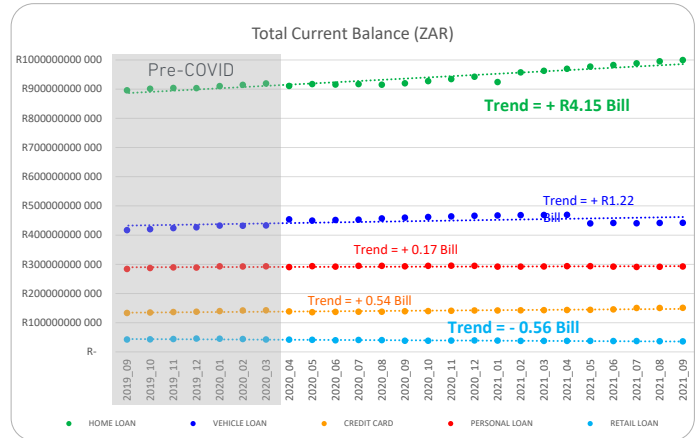
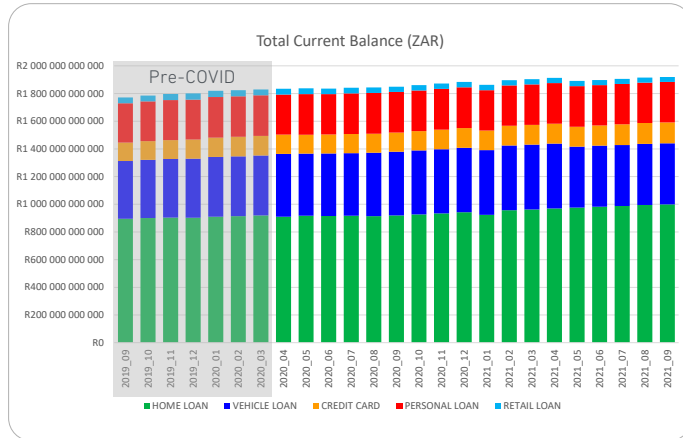
Although the market share from a consumer volume perspective is mostly based on the unsecured credit market (particularly Retail Loans), we see the dominance of secured loans from a credit exposure perspective.



Market share of Retail Loans (from a consumer volume perspective) has been decreasing over the last two years, moving from 42% to 40% most recently. From an exposure perspective, though, the market share of Retail Loans has remained stable at around 2%. This signifies that in relative terms, **Retail loans** have not changed from a % of total market exposure perspective but has definitely shown a **steady decrease from a consumer volume perspective**.

Market Exposure

Market Exposure (in ZAR) has shown an increasing trend over the last 2 years for most products. A slight decrease was observed for Retail Loans overall, but this constitutes a decimal change in terms of total market exposure.



Overall, we see the credit **exposure showing an increase** over the last 2 years. The **decreasing trend observed for Retail**, though, contrasts with this general trend. Considering that CPI has been positive for several years now, sharpens this contrast even further. However, considering the reduction in consumer volumes, this result does not come as a surprise.

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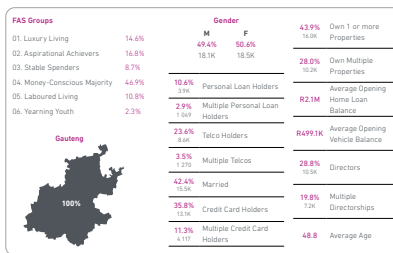
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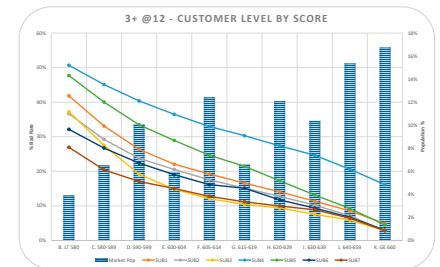
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