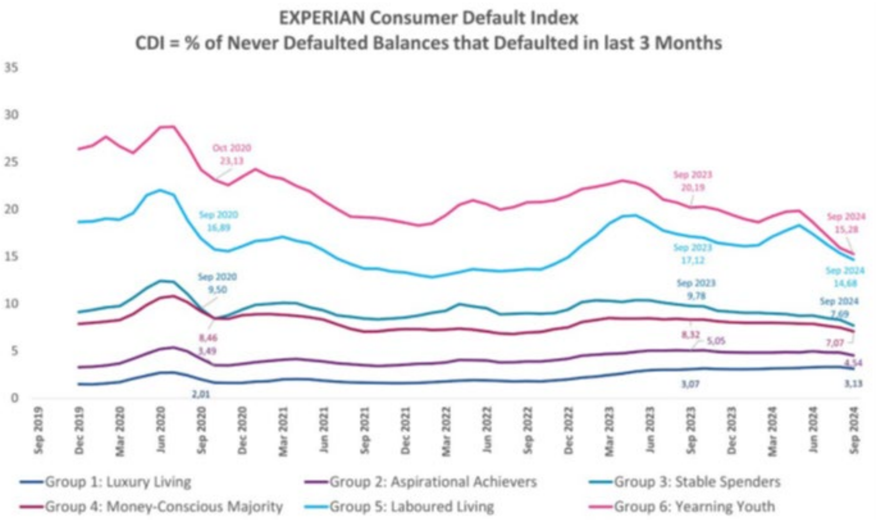
News Release

South Africa Consumers Show Signs of Financial Recovery Amid Black Friday Frenzy – Experian's Q3 Consumer Default Index reveals

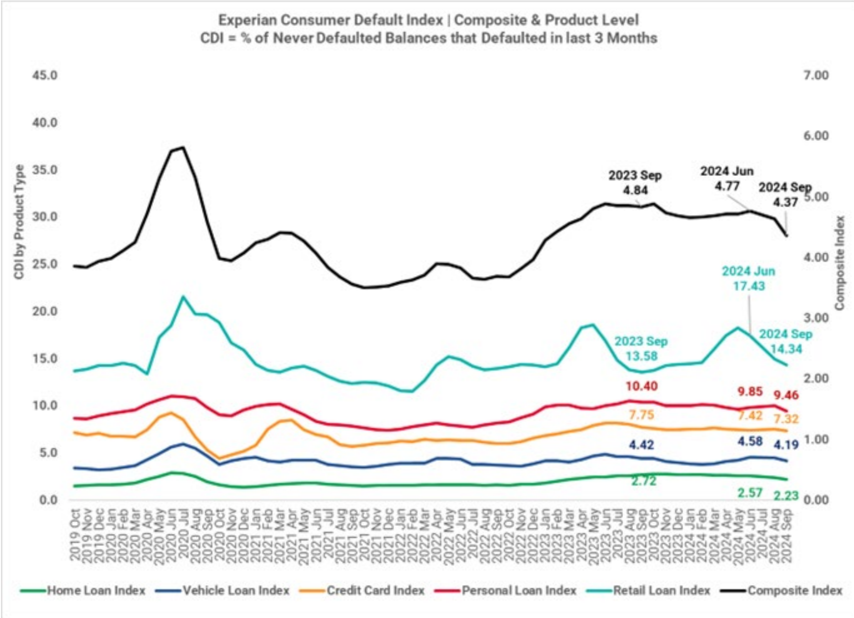
Johannesburg: 27 November 2024 – As Black Friday approaches, South African consumers continue to face financial pressures, but there are emerging signs of optimism. Experian's Q3 2024 Consumer Default Index (CDIx) reveals a record high appetite for credit, coupled with a slight improvement in the overall default rate, suggesting a potential turning point in consumer financial health. The improving economic outlook, driven by factors such as reduced interest rates and lower inflation, contributes to this cautiously optimistic perspective.



The CDI, a comprehensive measure of South African consumer default behaviour across various credit products – including Home Loans, Vehicle Loans, Personal Loans, Credit Cards, and Retail Accounts – showed a relative *improvement* quarter-over-quarter, moving from 4.77 in June 2024 to 4.37 in September 2024. This improvement is in line with seasonal expectations, as Q3 typically sees a slight improvement in anticipation of the Q4 spending spree.

The year-on-year movement of the CDI is a more accurate performance measure, unaffected by seasonal patterns. The composite CDI also showed significant improvement, by falling by 10%, from 4.84 to 4.37. This suggests a turning point for South African consumers, who have faced severe pressure in honouring their debt commitments over the past 24 months. The CDI tracks the marginal default rate, measuring the percentage of first-time arrears against the total sum of balances outstanding.

"While the year-on-year improvement in the CDI offers a glimmer of hope, the smaller-than-usual quarter-on-quarter improvement in Q3—a period typically marked by more significant gains in anticipation of increased Q4 spending—suggests that consumers remain under high levels of financial distress," **says Jaco van Jaarsveldt, Head of Commercial Strategy and Innovation at Experian**. "The latest results suggest that in spite of the ongoing financial pressures consumers are facing, there are early signals of change for the better for consumers - particularly as broader economic conditions improve. This optimism should be approached with caution, as we foresee consumers to still be in a tight spot for the foreseeable future, as the recovery will not be instantaneous. Furthermore, it highlights the importance of responsible financial management as we head into the festive season."



Analysing the CDI by product type reveals improved CDI results across the board, except for Retail Credit, which deteriorated by 6 %. Home Loans experienced the most substantial relative improvement, with the CDI dropping 18% year-on-year. Personal Loans also showed improvement, with a 9% decline in CDI year-on-year. Credit Cards showed a slight improvement, with the CDI reducing by 6% year-on-year.

	CDI Sep'24	CDI Sep'23	Average Outstanding Jul'24-Sep'24	New Default Balances Jul'24-Sep'24	Relative Impr/Deter	Weight in COMPOSITE CDI
Composite Index	4.37	4.84	R 2 244 181 276 448	R 24 501 959 215	-10%	100%
Home Loan Index	2.23	2.72	R 1 183 018 792 795	R 6 619 671 546	-18%	53%
Vehicle Loan Index	4.19	4.42	R 512 101 110 016	R 5 358 283 651	-5%	23%
Credit Card Index	7.32	7.75	R 179 483 106 628	R 3 286 164 172	-6%	8%
Personal Loan Index	9.46	10.40	R 322 690 951 912	R 7 633 017 539	-9%	14%
Retail Loan Index	14.34	13.58	R 44 773 531 176	R 1 604 822 307	6%	2%
Home Loan + Vehicle Loan + Credit Carc	3.25	3.65	R 1 876 716 793 360	R 15 264 119 369	-11%	84%
Retail Loan + Personal Loan	10.06	10.77	R 367 464 483 088	R 9 237 839 846	-7%	16%

While consumer appetite for credit saw record highs in Q2 2024, approval rates remain low at 32%. This indicates that more than two-thirds of applications are rejected.

The high application volume coupled with low approval rates suggests that consumers are actively seeking credit but struggling to qualify due to stringent credit granting criteria applied by lenders and consumer affordability challenges. “This contrast between high application volumes and low approval rates highlights the importance of responsible lending practices and the need for consumers to carefully consider their affordability before taking on new debt,” **adds van Jaarsveldt**.

With the Consumer Price Inflation (CPI) at 3.8% in September 2024, there has been some easing of inflationary pressure, but the cost of living remains a concern – especially if one considers the latest electricity tariff hike requested by Eskom.

“As we approach Black Friday, consumers must exercise caution and prioritise responsible spending habits by distinguishing between ‘wants and needs.’ While deals may be tempting, accumulating further debt in this challenging economic climate can exacerbate existing financial vulnerabilities," **van Jaarsveldt concludes**.

'Up', our free web-based app, is designed to empower South African consumers with the knowledge and tools to improve their financial health, regardless of their current financial situation.

Access Up, powered by Experian, for FREE from www.up.experian.co.za.

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Notes to the editor:

- The Experian Consumer Default Index (CDIx) measures South African consumer default rates across various loan types, incl. Home Loan, Vehicle Loan, Personal Loan, Credit Card and Retail Loan accounts.
- The CDIx is published quarterly with a two-month lag, the indices include a balance-weighted composite index, as well as the five product-specific sub-indices. Two grouped indices are also provided:
    - Home Loans, Vehicle Loans and Credit Cards (these products typically are held by the traditionally banked market segments), and
    - Personal Loans and Retail Loans (these products are usually used as entry products into the credit market).
- On a monthly basis, lenders 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.
- The indices are also determined at FAS type level to provide further insight into the dynamics faced by specific consumer affluence-related segments that are experiencing different stress due to macro forces such as unemployment, interest rate changes and economic growth.
- **Experian's Financial Affluence Segmentation (FAS)** is a consumer lifestyle segmentation system that classifies the South African population and enumeration areas into 6 primary groups each with variable exposure to secured and unsecured lending products. Read more about the 6 primary segments, here.

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We operate across a range of markets, from financial services to healthcare, automotive, agrifinance, insurance, and many more industry segments.

We invest in talented people and new advanced technologies to unlock the power of data and innovate. As a FTSE 100 Index company listed on the London Stock Exchange (EXPN), we have a team of 22,500 people across 32 countries. Our corporate headquarters are in Dublin, Ireland. Learn more at experianplc.com.