

# EIGHTY20/XDS CREDIT STRESS REPORT

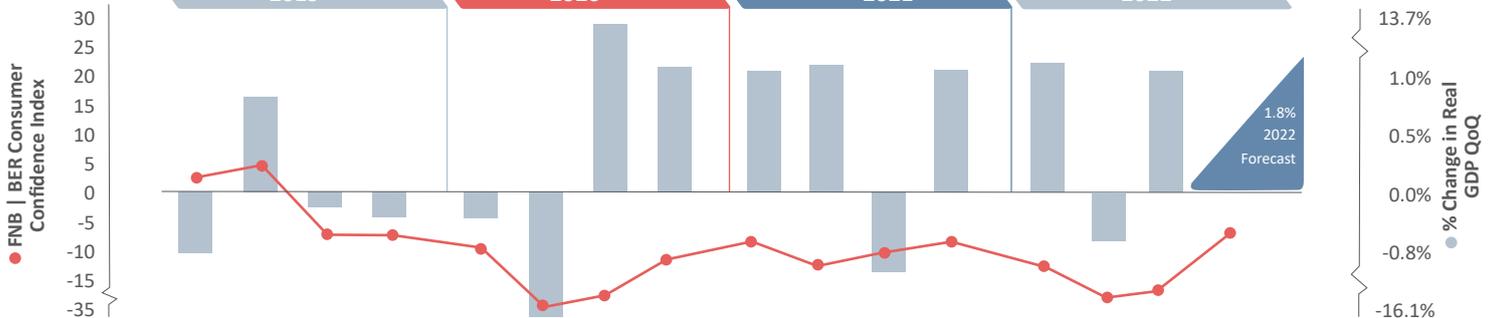
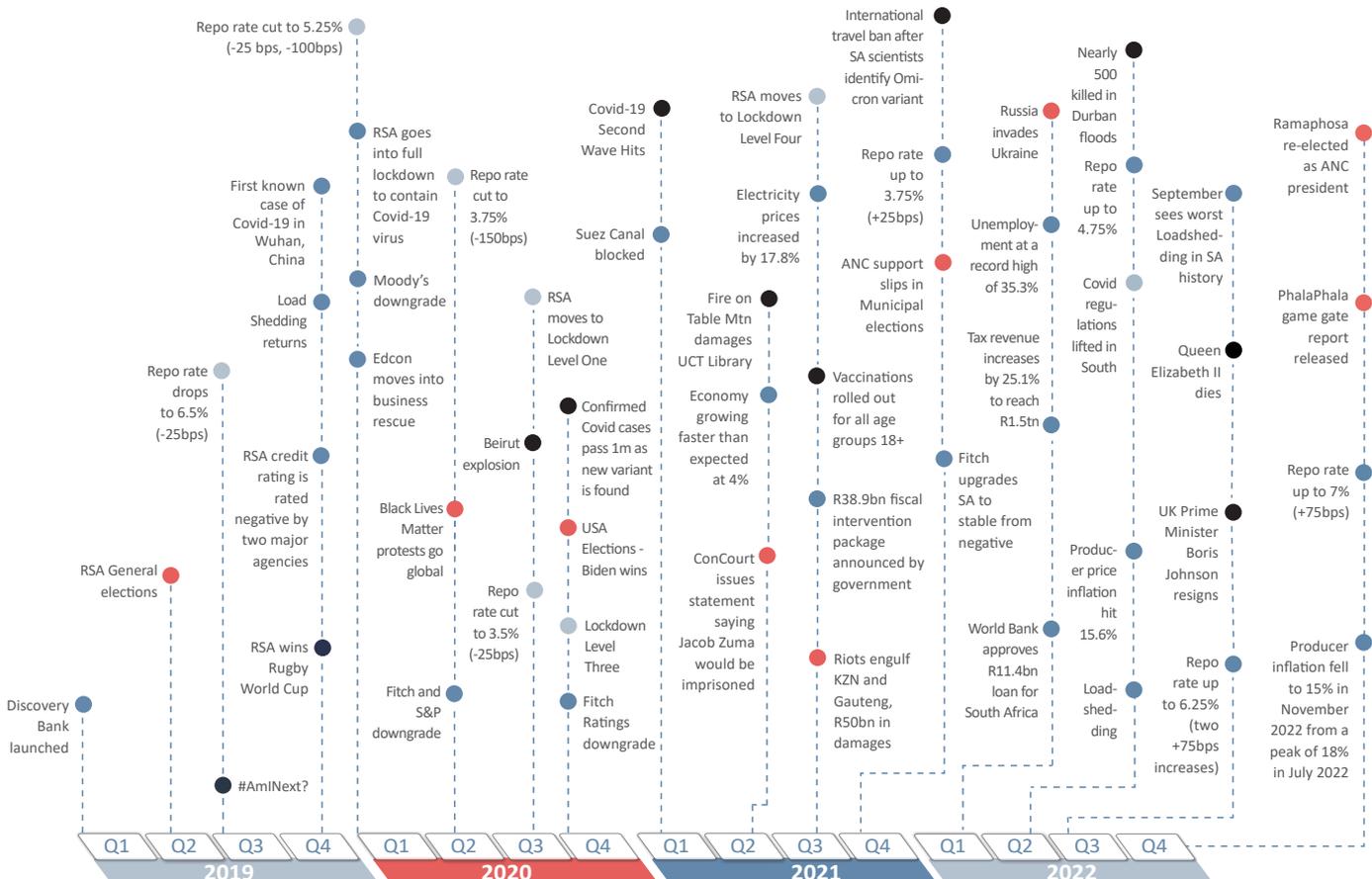
## 2022 Q4

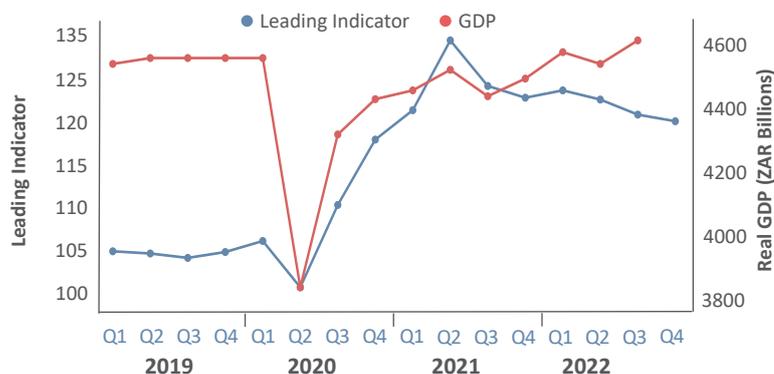
This quarterly report highlights the impact of economic forces on the South African consumer, with particular focus on consumer credit behaviour. All credit data in this report was sourced from the Eighty20 / XDS Online Credit Portal.

### SECTION ONE: ECONOMIC CONTEXT AND IMPACT ON CONSUMER

● Economic Events ● Political Events ● Legislative Events ● Other

Timeline:  
Major Events





### Leading Indicator of the South African Economy vs. GDP

Real GDP for 2022 Q3 increased by 1.6% QoQ showing the surprising resilience of the economy despite the ongoing electricity shortages as well as surging input prices faced by farmers. Seven of the ten major manufacturing divisions reported favorable growth rates following the contraction from the previous quarter due to the flooding in KZN. The 2022 blackouts had a significant impact on GDP, and with no clear solution, the South African Reserve Bank expects real GDP growth to reduce to 0.3% in 2023.



### Retail Sales Index

Despite the higher cost of living, rising interest rates, and near-daily blackouts, retail sales activity showed surprising resilience in the fourth quarter, with the help from Black Friday and festive season sales. The largest contribution towards the increase came from retailers in textiles, clothing, footwear and leather goods. Retail trade sales at current prices increased by 7.2% YoY in 2022, propelled by 200 000 people taking up R3.8bn in new retail credit for the first time this quarter.

### Consumer Price Index & Prime Rate

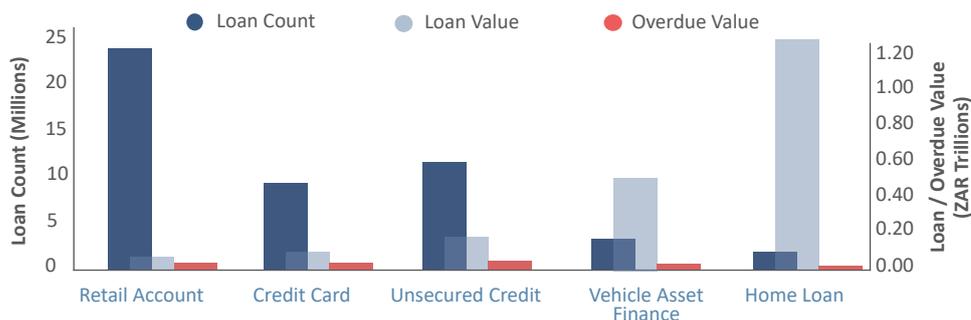
Consumer Price Index (an index that tracks the changes in a range of consumer products and is used to indicate inflation) averaged 6.9% for 2022, up from 4.6% in 2021. Consumer inflation eased slightly to 7.2% in 2022 Q4, down from 7.6% in Q3, and will likely ease throughout 2023 with downward pressure from a drop in fuel, food, and transport prices. A pick up in China's demand, as well as progressive sanctions and export restrictions on Russia, however, present a risk of rising costs of imports for South Africa.



### Exchange Rate, Oil & Fuel Price

The crude oil price saw an 11% decrease QoQ, lowering to \$82.79 a barrel, reflecting fears of a global recession. Domestic fuel prices dropped slightly in 2022 Q4 in response to the global adjustment in oil prices, despite the weakening of the rand against the dollar by 3.6%. Petrol prices dropped by 9.1% QoQ, reaching R22.90, while the diesel price remained relatively constant over the same period.

The current balance on all loans is up 3.8% QoQ at R2.28trn, with increases across all loan products. The largest percentage increase came from retail accounts up by R5.13bn (7.6% QoQ) and credit card accounts up by R15.9bn (7.2%) While overdue balances are down 1.1% QoQ and 17% YoY, this is in part due to a 34% decrease in VAF overdue balances.



Credit Product	Year-on-Year Change		
	Loan Count	Loan Value	Overdue Value*
Retail Account	0%	-1%	-9%
Credit Card	1%	5%	-13%
Unsecured Credit	-1%	-5%	-9%
Vehicle Asset Finance	-2%	0%	-46%
Home Loan	-2%	1%	-11%

\* Change in Overdue Value as a % of total loan value.

Credit Accounts by Arrears Status

The number of loans in arrears increased by 252k QoQ to 18.7m. However, as a percentage of all loans this has remained stable QoQ at 37.6% - down from 38.3% in 2021 Q4. Loans 3 to 6 months in arrears showed the most significant increase - up 4.6% QoQ - supported by the sharp increase in the change of loans newly into default this quarter. The number of accounts in good standing is up by 462k QoQ, largely due to the influx of new loans this quarter.



Credit Behaviour by ENS Segment

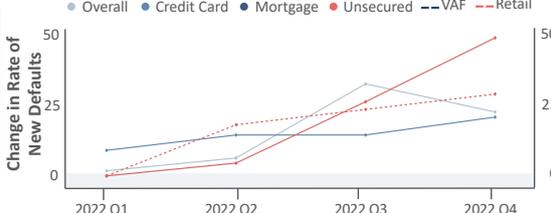


As would be expected with a small segment of youth experiencing credit for the first time, most likely with little to no financial education, their credit behaviour is worrying and volatile. Despite relatively little engagement in the credit world, their proportion of loan value newly in default has increased dramatically as nearly 5% of all debt held by this segment went newly into default this quarter. Their proportion of unsecured loan balances newly in default in Q4 was 6.7% (a 50% increase on last year).

**R726** ↑11.7%  
Avg. Monthly Installments

**1.43** ↑3.9%  
Avg. Number of Loans

**12.7%** ↑6.3%  
Avg. Installments to Monthly Income Ratio

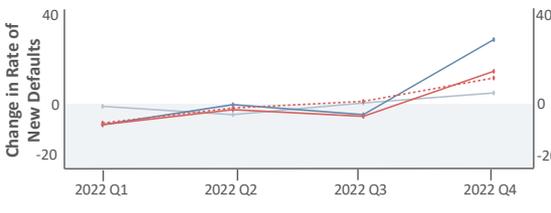


This segment has seen their credit card balance balloon by R2.5bn this year, an increase of 23%, indicating increasing reliance on credit for everyday purchases. There is also a significant percentage of the 1.3m credit card holders moving into default in this quarter with a 34.5% increase in credit card loan value newly in default this quarter. Average instalments on all loans is up by 12.6% with instalment to income ratio of more than a third of monthly income (36.5%).

**R2 160** ↑12.6%  
Avg. Monthly Installments

**2.20** ↑3.0%  
Avg. Number of Loans

**36.5%** ↑6.4%  
Avg. Installments to Monthly Income Ratio

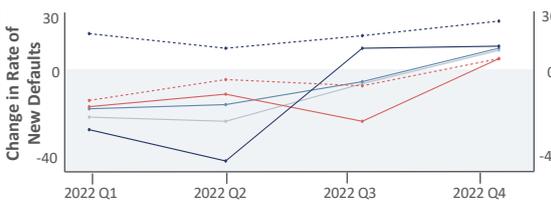


Average credit card loan balances were up 12% to R31 000, with the proportion of credit card loan value newly in default increasing by nearly 17%. While this segment is not dipping into credit card to the extent of the Mass segment, they are starting to struggle to meet the growing instalments on VAF and home loans. The average instalment to income ratio has increased 7.4% YoY and is now sitting at 69.4%.

**R10 083** ↑7.8%  
Avg. Monthly Installments

**3.71** ↓0.1%  
Avg. Number of Loans

**69.4%** ↑7.4%  
Avg. Installments to Monthly Income Ratio

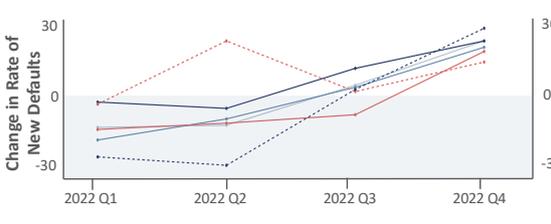


Mortgages have created significant pain with a steep 25% YoY increase in average mortgage instalments due largely to rising interest rates. Total balances on VAF increased R20.5bn (7%) and home loans increasing to R61bn (8%). Total change in value of credit newly in default has risen dramatically during Q4, up 23.7%, compared to 2.5% in Q3.

**R20 808** ↑9.9%  
Avg. Monthly Installments

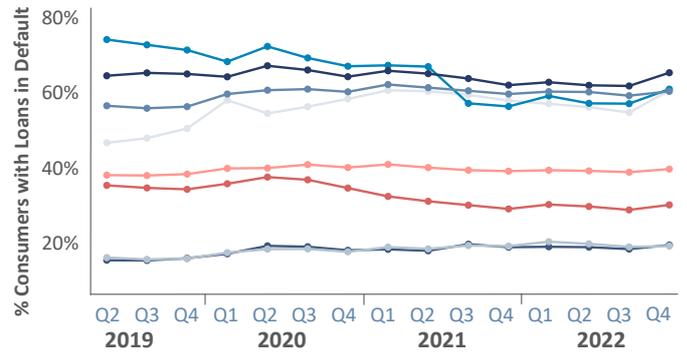
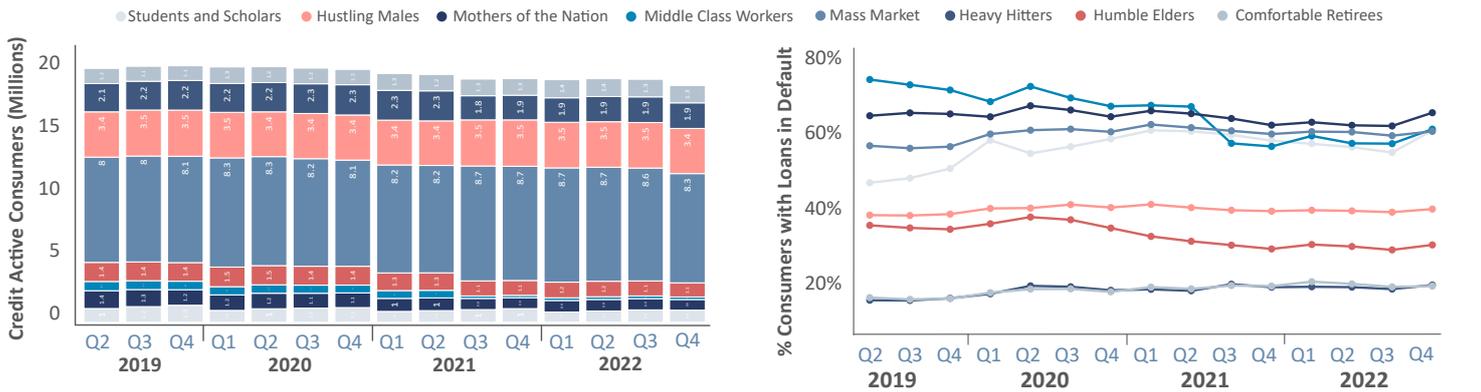
**5.02** ↓0.4%  
Avg. Number of Loans

**61.0%** ↑11.4%  
Avg. Installments to Monthly Income Ratio



## Consumer Default by ENS Segment

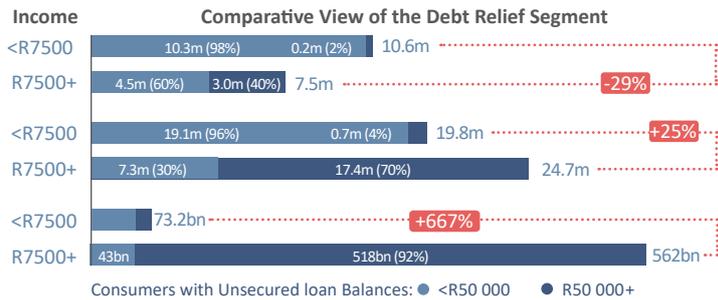
Overall, 46.9% of credit active individuals have at least one loan in default. While high, this completes the slight downward trend seen throughout 2022. Default rates are the highest for lower income and younger segments, with the Mothers of the Nation segment exceeding 60% in default in 2022 Q4. However, this segment also saw the largest decrease in default rates, down 2.7ppts QoQ. The affluent Heavy Hitters and Comfortable Retirees segments remain with the lowest default rates at 20.6% and 20.8% respectively.



## Debt Relief Segment

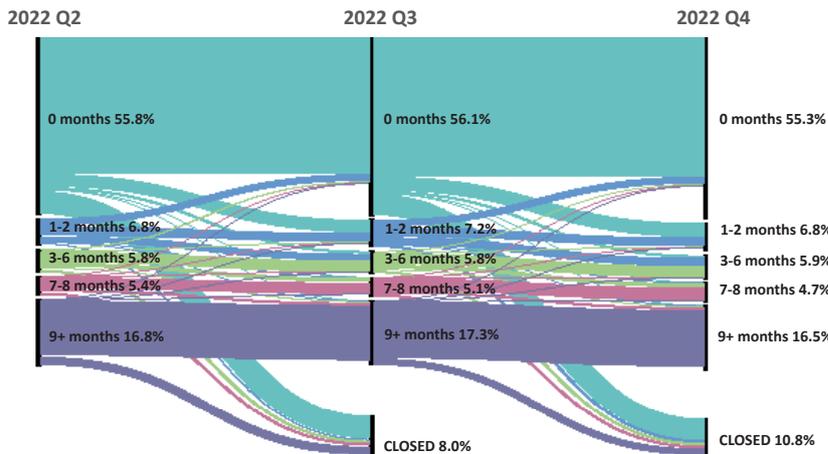
The number of consumers in the debt relief segment decreased by 12 991 to 10.3m, and now makes up 57.2% of all consumers with unsecured credit and 8.7% of total loan value. There are 226 279 consumers earning below R7 500/month who do not qualify for debt relief due to having over R50 000 in unsecured debt.

\* The Debt Relief Segment is affected by the National Credit Amendment Bill. People earning less than R7 500/month and have unsecured debt less than R50 000 can apply to have their debt suspended or extinguished.



Consumers with Unsecured loan Balances: ● <R50 000 ● R50 000+

\* This excludes people who have only secured debt.



## Quarterly Loan State Movement

5.77m loans entered the system while 5.45m were paid off, resulting in a net increase of 319k loans. There was also the largest number of new entrants (~800k) into the credit space in more than two years.

Metric	2022 Q3 Movement	2022 Q4 Movement
Loans that remained in the same state	37.0m	37.7m
Loans that recovered (<3 months in arrears)	555k	519k
Loans that defaulted	1.4m	1.5m

## Eighty20 & XDS Consumer Credit Solutions

Eighty20 and XDS have created a National Segmentation (ENS) Customer Profiling Tool which fuses Credit Bureau data with external data sets such as the MAPS dataset which not only helps companies segment their market, but also link that segmentation back to their internal data.

The ENS, while protecting customer privacy and data protection, enables the most comprehensive view of South African adults. Using statistical techniques to overlay diverse datasets, including credit bureau, national and regional surveys, over one thousand variables are mapped to each consumer. Your consumers are mapped to one of 1,500 micro-segments, 46 sub-segments and 8 segments using either SA ID, mobile number (in a POPIA compliant manner) or key variables such as age, income and gender. Call us for more information.

### Notes:

- The Economic Context graph in Section One is not an exhaustive list. Only events that are highly publicised and believed to have a significant influence on the economy and the political environment are included.
- Retail Sales Index: Retail trade sales at constant 2015 prices.
- All economic data sourced from the South African Reserve Bank (SARB), excluding the consumer confidence Index and oil/fuel prices.
- The consumer confidence index is sourced from the Bureau for Economic Research (BER) and First National Bank (FNB).
- The oil price is sourced from the U.S. Energy Information Administration.
- The 95 Unleaded inland fuel price is sourced from the South African Petroleum Industry Association.
- GDP forecasts are according to the Netwerk24/Beeld Consensus.
- All consumer credit related measures are sourced from XDS.
- The Leading Indicator was developed by the South African Reserve Bank and shows the expected business cycle movements in the SA economy.
- Rate of New Defaults (RND) is the percentage of current loan balances that went into default this quarter. The change in RND is the percentage change in the current quarter's RND relative to the RND in same quarter a year ago. Due to changes in the income prediction in 2021 Q3, the accuracy of this estimate will improve with time.