EIGHTY20/XDS CREDIT STRESS REPORT

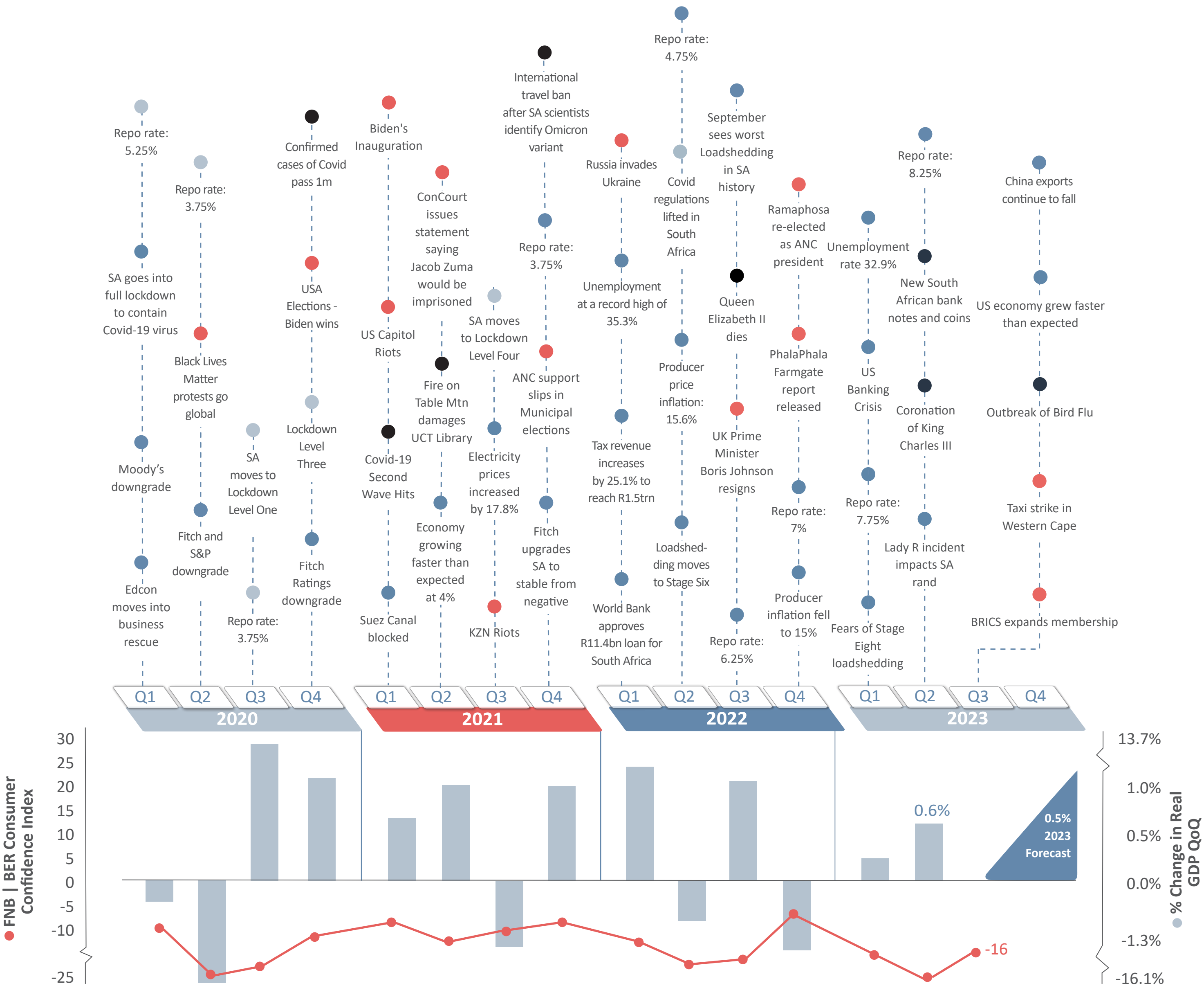
2023 Q3

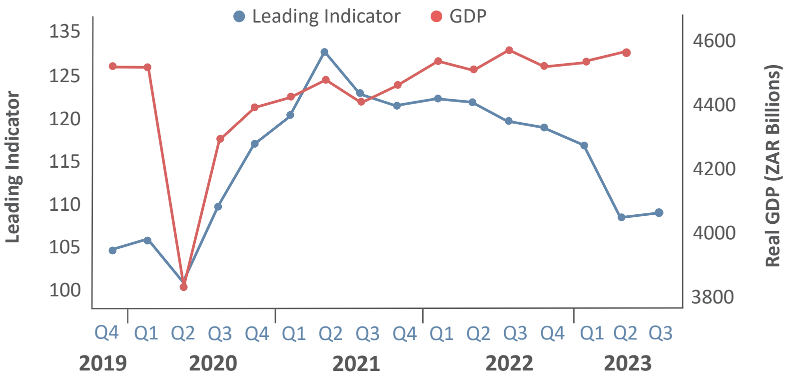
This quarterly report highlights the impact of economic forces on the South African consumer, with particular focus on consumer credit behaviour. All credit data in this report was sourced from the Eighty20 / XDS Online Credit Portal.

SECTION ONE: ECONOMIC CONTEXT AND IMPACT ON CONSUMER

Timeline: Major Events

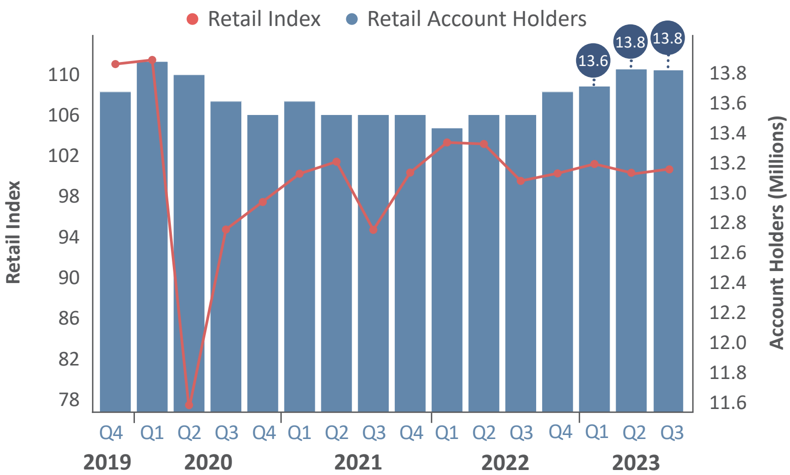
● Economic Events ● Political Events ● Legislative Events ● Other





Leading Indicator of the South African Economy vs. GDP

Real QoQ GDP outperformed expectations, growing by 0.6% in 2023 Q2, up from 0.4% in 2023 Q1. The boost came from recoveries in manufacturing, mining and agriculture but was tempered by contractions in transport, communications, trade, and utilities. Growth in real GDP was also driven by robust fixed investment and higher government spending, while household consumption contracted. The economic outlook remains challenging due to power outages, rising operating costs and global uncertainties.

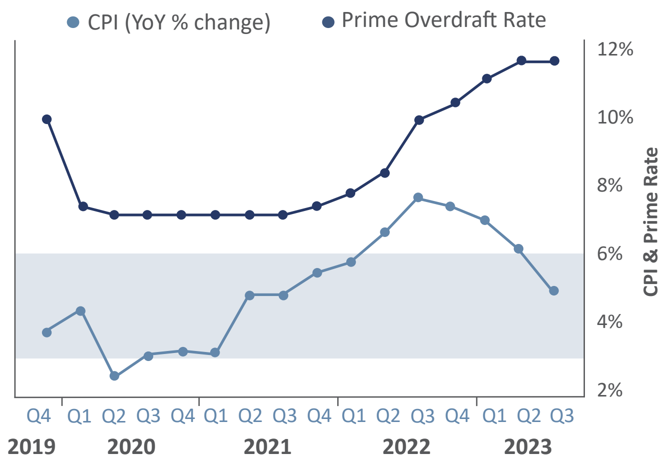


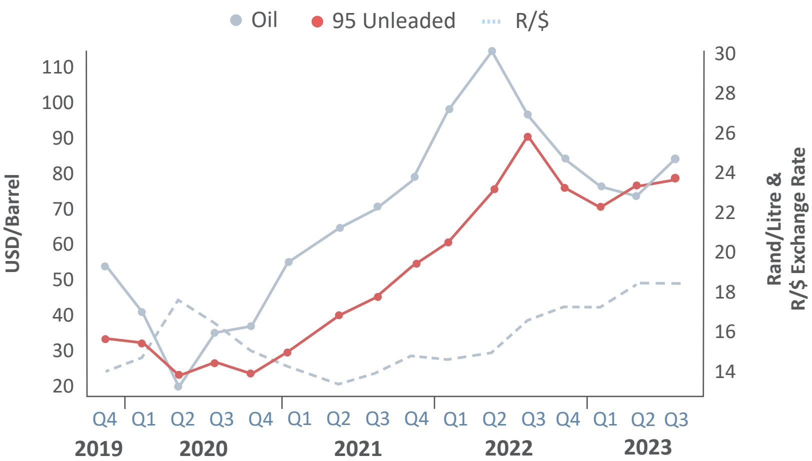
Retail Sales Index

The retail sales index remained relatively unchanged with a slight uptick of 0.2% QoQ . Growth was mainly underpinned by the textiles, clothing, footwear and leather goods sectors. The number of retail accounts rose by 0.1% QoQ, a significant slowdown from the previous quarterly growth of 1.3%. The weakness was a reflection of the impact of elevated interest rates on consumer demand, with a larger share of disposable incomes going towards debt service costs.

Consumer Price Index & Prime Rate

Inflation eased further in 2023 Q3 to 5.0% YoY from 6.2% in the previous quarter, with the month of July 2023 posting the lowest inflation in 2 years (4.7%). The moderation in inflation was underpinned by easing food and transportation prices. The slowdown in inflation encouraged the SARB to hold the prime rate at 11.75%.





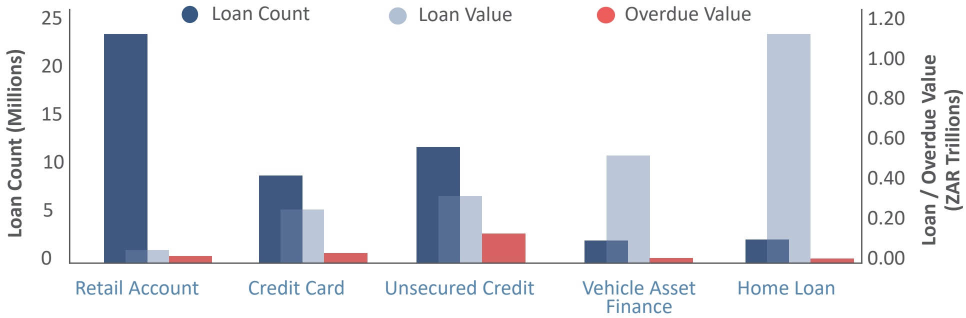
Exchange Rate, Oil & Fuel Price

While the exchange rate remained relatively constant with only a 0.1% weakening of the rand against the dollar, fuel prices increased in 2023 Q3. The petrol price per litre rose by 1% QoQ to R23.28, while the price of diesel rose at a much faster rate of nearly 4% to R20.92. This uptick in domestic fuel prices was a result of the adjusted crude oil price of $82.30 a barrel, a 12% increase on last quarter.

Unsecured vs Secured Credit

SECTION TWO: CONSUMER CREDIT STRESS

The outstanding balance on all loans was up 1.2% QoQ at R2.4trn, while overdue balances decreased by 0.7% QoQ to R187bn. This decrease in overdue balances was primarily driven by a R3.8bn QoQ decrease (4%) in the overdue balance of unsecured credit, despite an increase in the number of loans of 1.5% QoQ for this credit product. Credit card balances growth continues to outpace all other loans.

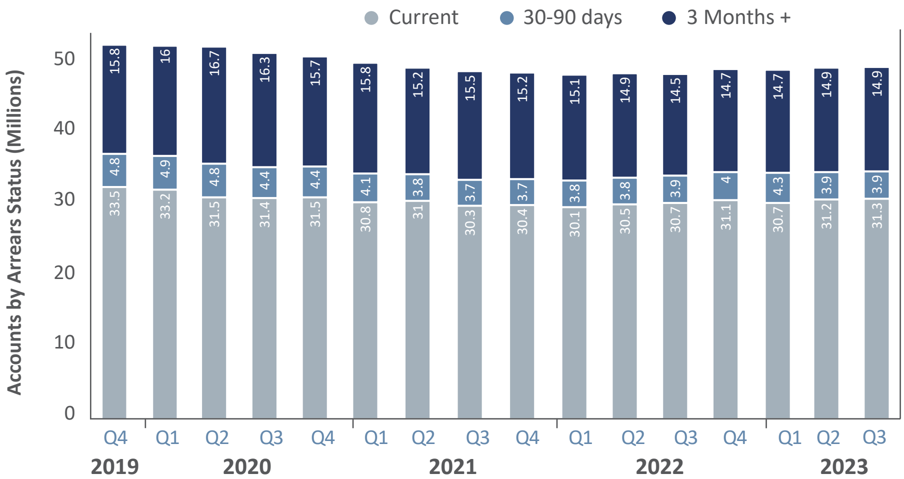


Year-on-Year Change			
Credit Product	Loan Count	Loan Value	Overdue Value*
Retail Account	3.2%	8.8%	4.7%
Credit Card	-0.3%	9.5%	15.9%
Unsecured Credit	1.4%	0.5%	-1.3%
Vehicle Asset Finance	1.5%	6.4%	13.3%
Home Loan	1.4%	9.1%	52.9%

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

Credit Accounts by Arrears Status

The number of loans in arrears decreased QoQ by 63 527 to 18.8m, with the percentage of loans in arrears decreasing to 37.5% from 37.7% in 2023 Q2. The number of loans in good standing has increased by 174 285 this quarter, a 0.6% QoQ increase. Notably, the proportion of loans in good standing (62.5%) was higher than in 2020 Q1 (62.0%), before Covid-19.



Credit Behaviour by ENS Segment

Percentages are YoY change

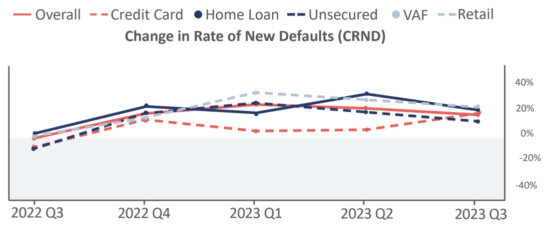
Mass Credit Market

This segment grew by 1.5% YoY to 8.6m people. Of the 1.54m new loans taken out in Q3, almost all were retail and unsecured. The number of credit card and VAF loans are both down by nearly 4% QoQ (3.9% and 3.7%). Credit card outstanding balance is still an issue, with growth still in double digits, but down this quarter. The percentage of defaulters is down 1% QoQ. The overall RND was down by 0.24ppts to 5.9%, with retail loan RND showing the largest improvement, down by 0.55ppts to 8.15%.

5.9% ↑13.7%
RND

R2 157 ↑6.2%
Avg. Monthly Instalments

38% ↑5.6%
Avg. Instalments to Monthly Income Ratio



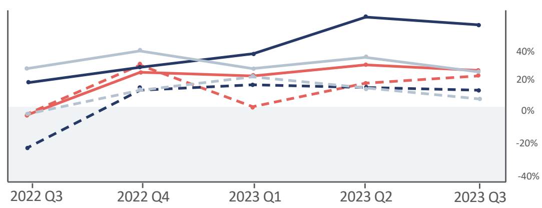
Middle Class Workers

This segment has remained stable QoQ at 3.48m credit-active individuals, with total debt also remaining stable. The number of new loans granted this quarter increased by 1.7%, with a 4.8% QoQ increase in new unsecured loans offset by a 8.9% QoQ decrease in new retail loans. Overdue balances decreased by 2.1% QoQ to R76.1bn. The overall RND has remained stable at 3.5%, but as with the Mass Credit Market, the retail RND has seen a significant decrease of 0.5ppts QoQ to 6.9%.

3.5% ↑24%
RND

R10 706 ↑9.7%
Avg. Monthly Instalments

73% ↑8.6%
Avg. Instalments to Monthly Income Ratio



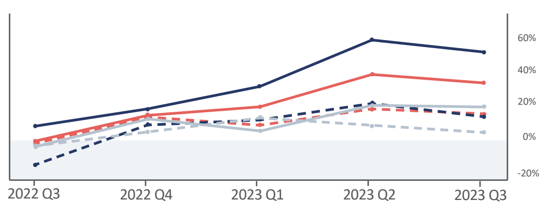
Heavy Hitters

This segment saw modest growth of 1.4% QoQ to 2.07m credit active individuals, with loan balances up 1.8% QoQ. Heavy Hitters hold 64.3% of all loan balances at R1.56trn, but only account for 21.4% of overdue balances, which are up 3.1% QoQ, resulting in a slight QoQ increase in the proportion of balances overdue to 2.60%. The overall RND remained stable QoQ at 1.9%, with the retail RND decreasing by 0.28ppts QoQ to 4.74% while the VAF RND increased by 0.04ppts QoQ to 1.48%.

1.9% ↑36.7%
RND

R21 617 ↑8.9%
Avg. Monthly Instalments

61% ↑6.4%
Avg. Instalments to Monthly Income Ratio



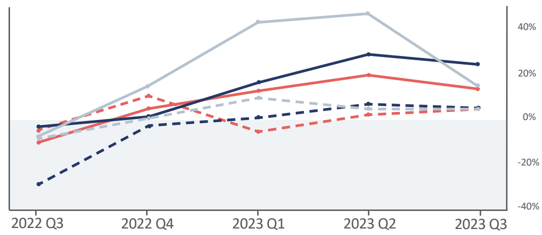
Comfortable Retirees

The number of credit active individuals and open loans both remained stable this quarter at 1.33m and 3.75m respectively. 7 517 new home loans were taken out this quarter, a 17.9% QoQ increase. The average age of open home loans held by this segment remains very high at 14 years, with the average open home loan being 53% paid off. The overall RND decreased by 0.09ppts QoQ to 2.21%, with similar slight decreases in the RND seen across all loan types.

2.2% ↑16.3%
RND

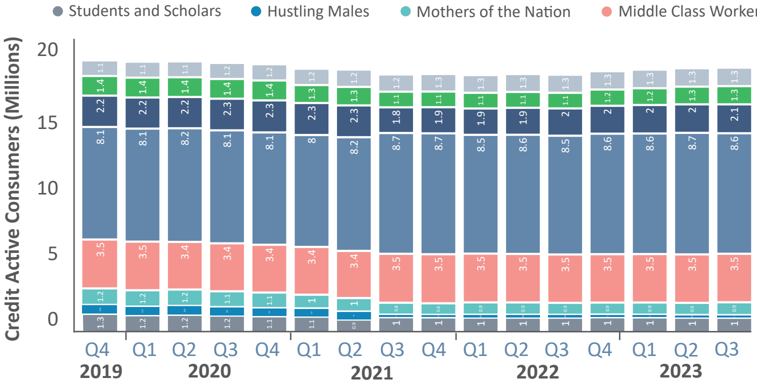
R8 289 ↑10.6%
Avg. Monthly Instalments

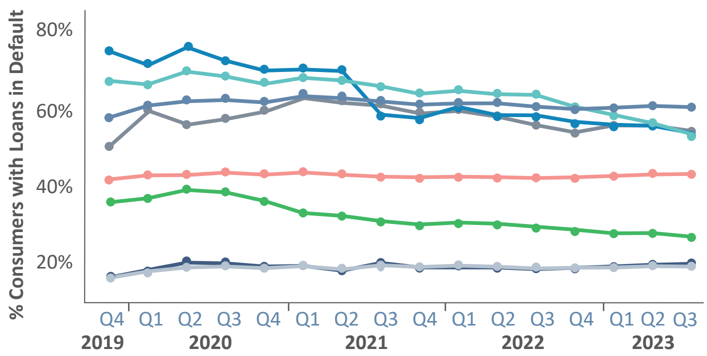
43% ↑7.6%
Avg. Instalments to Monthly Income Ratio



Consumer Default by ENS Segment

The credit active population continued to grow by 3.3% YoY. Older South Africans have seen the biggest growth with the 60+ population up by 8.8% (213 000 people) YoY. The proportion with 1+ loans in default decreased for the first time this year to 47.1% - down 0.8% both QoQ and YoY. The proportion in default is down 5.0% from the 2020 Q3 peak, but remains 2.3% above the 2019 Q3 rate. While Heavy Hitters and Comfortable Retirees have the lowest proportions in default, they have seen the largest increases since 2019 Q3 with 26.3% and 21.8% increases respectively.

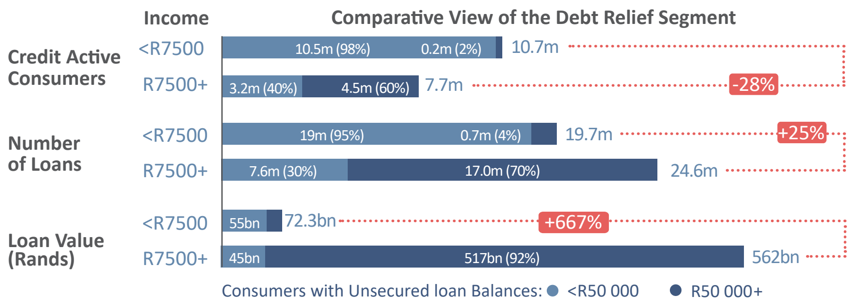




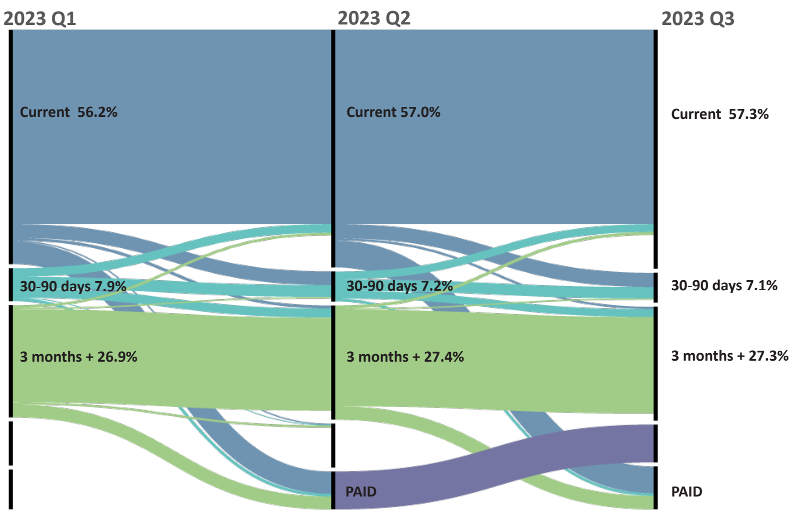
Debt Relief Segment

The number of consumers in the debt relief segment was unchanged at 10.5m, making up 57.0% of all consumers with unsecured credit and 8.7% of total loan value. There are 215 656 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.



* This excludes people who have only secured debt.



Quarterly Loan State Movement

5.73m loans entered the system while 5.62m loans were paid off, resulting in a net increase of 111 190 loans. Loans that defaulted decreased by 15%.

Metric	2023 Q2 Movement	2023 Q3 Movement
Loans that remained in the same state	39.22m	39.59m
Loans that recovered (<3 months in arrears)	526 550	553 050
Loans that defaulted	1.58m	1.34m

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 links 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, mapping over one thousand variables to each consumer. Your consumers are mapped to one of 1 500 micro-segments, 46 sub-segments and 8 segments using either SA ID or mobile number (in a POPIA compliant manner). Call us for more information.

Notes:

1. 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.
2. Retail Sales Index: Retail trade sales at constant 2019 prices.
3. All economic data sourced from the South African Reserve Bank (SARB) and StatsSA
4. The consumer confidence index is sourced from the Bureau for Economic Research (BER) and First National Bank (FNB).
5. The oil price is sourced from the U.S. Energy Information Administration.
6. The 95 Unleaded fuel price refers to the Gauteng price sourced from the South African Petroleum Industry Association.
7. GDP forecasts are according to the Netwerk24/Beeld Consensus.
8. All consumer credit related measures are sourced from XDS.
9. The Leading Indicator was developed by the South African Reserve Bank and shows the expected business cycle movements in the SA economy.
10. Rate of New Defaults (RND) is the percentage of current loan balances that went into default this quarter. The change in CRND is the percentage change in the current quarter's RND relative to the RND in the same quarter a year ago.

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