EIGHTY20/XDS CREDIT STRESS REPORT

2023 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

Timeline: Major Events

● Economic Events ● Political Events ● Legislative Events ● Other

2020

Q4
- Lockdown Level Three
- USA Elections - Biden wins
- Confirmed cases of Covid pass 1m

Q3
- Government grants SAA a R9.3 billion bail-out
- Repo rate: 3.5%
- SA moves to Lockdown Level One

Q2
- Repo rate: 3.75%
- Black Lives Matter protests go global
- Fitch and S&P downgrade

Q1
- Repo rate: 5.25%
- Moody's downgrade
- Edcon moves into business rescue

2021

Q4
- Repo rate: 3.75%
- ANC support slips in Municipal elections
- Fitch upgrades SA to stable from negative

Q3
- SA moves to Lock-down Level Four
- Electricity prices increased by 17.8%
- KZN Riots

Q2
- ConCourt says Jacob Zuma would be imprisoned
- Fire damages UCT Library
- Economy growing faster at 4%

Q1
- US Capitol Riots
- Covid-19 second wave hits
- Suez Canal blocked

2022

Q4
- PhalaPhala Farmgate report released
- Repo rate: 7%
- Producer price inflation: 15%

Q3
- UK Prime Minister Boris Johnson resigns
- Queen Elizabeth II dies
- Repo rate: 6.25%

Q2
- Repo rate: 4.75%
- Producer price inflation: 15.6%
- Loadshedding moves to Stage Six

Q1
- Tax revenue increases by 25.1% to reach R1.5trn
- Unemployment at a record high of 35.3%
- Russia invades Ukraine

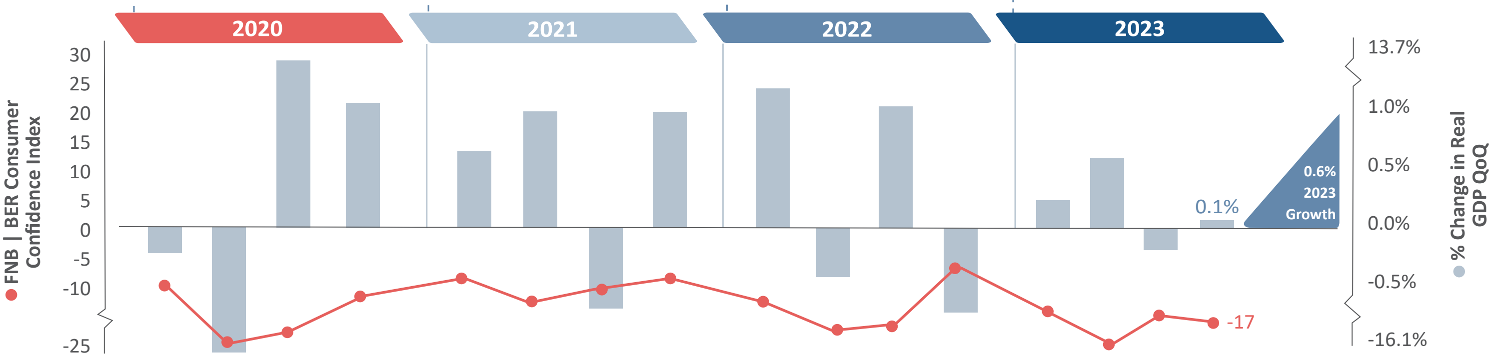
2023

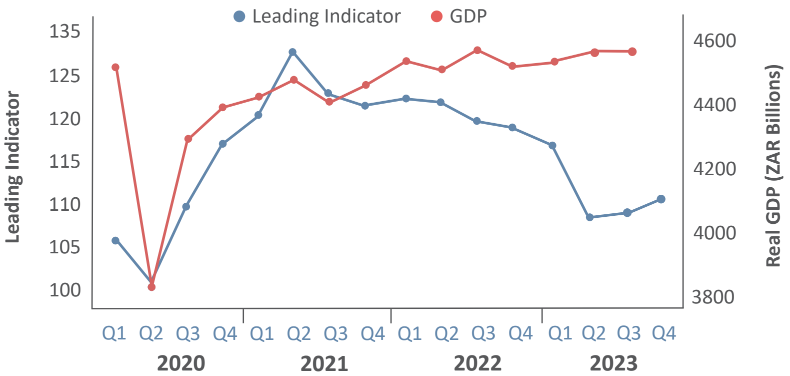
Q4
- Israel-Palestine War
- S&P Credit Rating unchanged
- New Eskom CEO

Q3
- China exports continue to fall
- Outbreak of Bird Flu
- BRICS expands membership

Q2
- Repo rate: 8.25%
- New South African bank notes and coins
- Lady R incident impacts SA rand

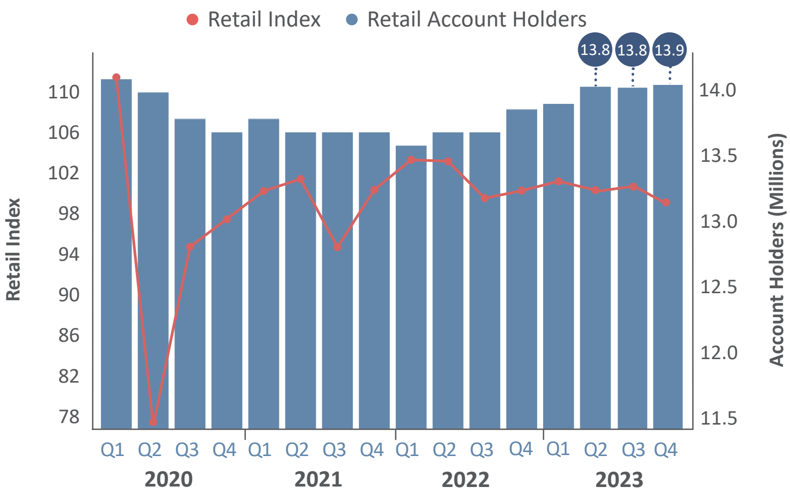
Q1
- US Banking Crisis
- Repo rate: 7.75%
- Fears of Stage Eight loadshedding





Leading Indicator of the South African Economy vs. GDP

In 2023 Q3, the Q2 Real GDP was revised down to 0.5%. Q3 fell short of expectations with a -0.25% QoQ contraction. Significant declines in the key sectors of agriculture, mining, manufacturing, and construction contributed to the subdued GDP performance. Conversely, sectors including transport, storage, communication, finance, real estate, business services, general government and personal services made positive contributions. The outlook for 2023 Q4 and 2024 remains gloomy due to various headwinds including load shedding and slow growth in China.

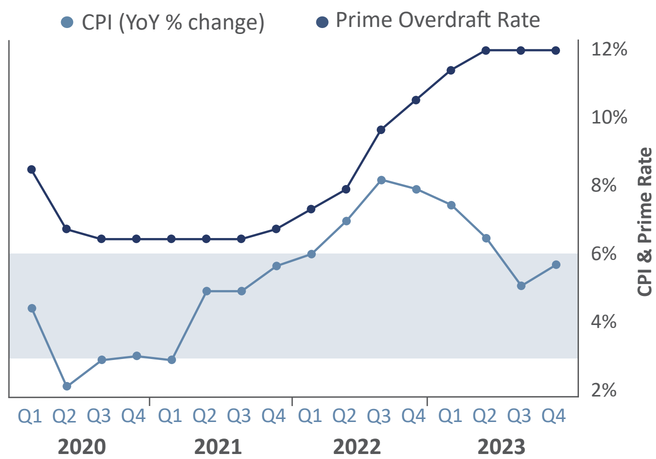


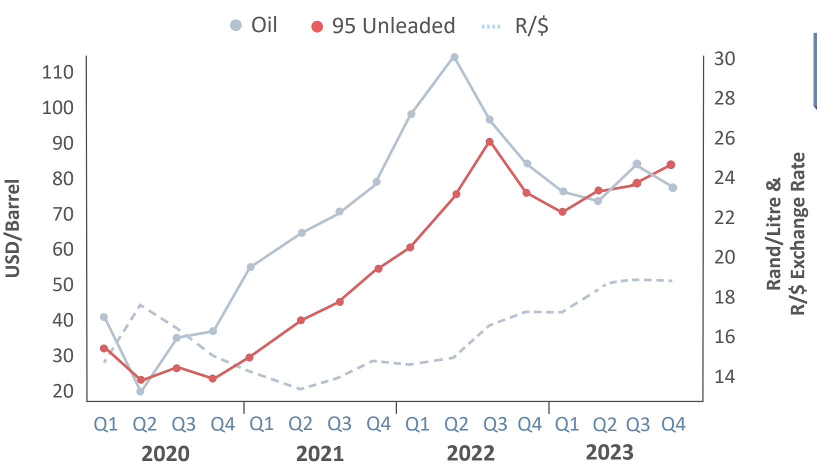
Retail Sales Index

The retail sales index experienced a marginal decline of -1% QoQ, while the number of retail account holders increased by only 1% QoQ in 2023 Q4. This occurred despite major shopping events such as Black Friday, Cyber Monday and the festive season. Retails poor performance primarily reflects the ongoing impact of elevated interest rates, weakened financial conditions, subdued credit expansion and fragile consumer confidence.

Consumer Price Index & Prime Rate

In 2023 Q4, the average quarterly headline consumer inflation saw a slight uptick, rising to 5.5% from 5.0% in 2023 Q3. Key factors driving this increase were the categories of Food & Non-alcoholic Beverages; Housing & Utilities; Miscellaneous Goods & Services; and Transport. The prime rate has remained unchanged since 2023 Q2, and is likely to remain so until the South African Reserve Bank (SARB) sees consistent evidence of inflation trending downward. Inflation in 2024 is expected to remain within the SARB target range of 3%-6%, supported by subdued global oil prices.





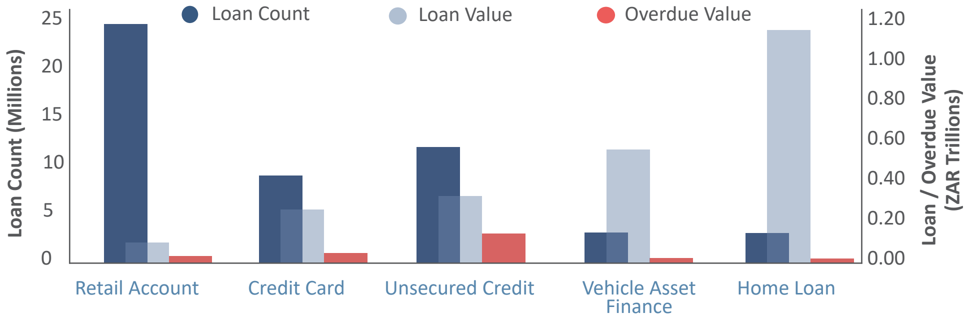
Exchange Rate, Oil & Fuel Price

Oil prices dropped 5% from $82.30 per barrel in 2023 Q3 to $78.41 per barrel. This provided some relief from inflationary pressures, although the full effects of this decline are expected to materialise predominantly in the first half of 2024. In contrast, petrol prices increased by 4% and diesel prices by 13% QoQ. Additionally, the exchange rate experienced a slight 1% weakening, with the rand reaching R18.75 to the dollar.

Unsecured vs Secured Credit

SECTION TWO: CONSUMER CREDIT STRESS

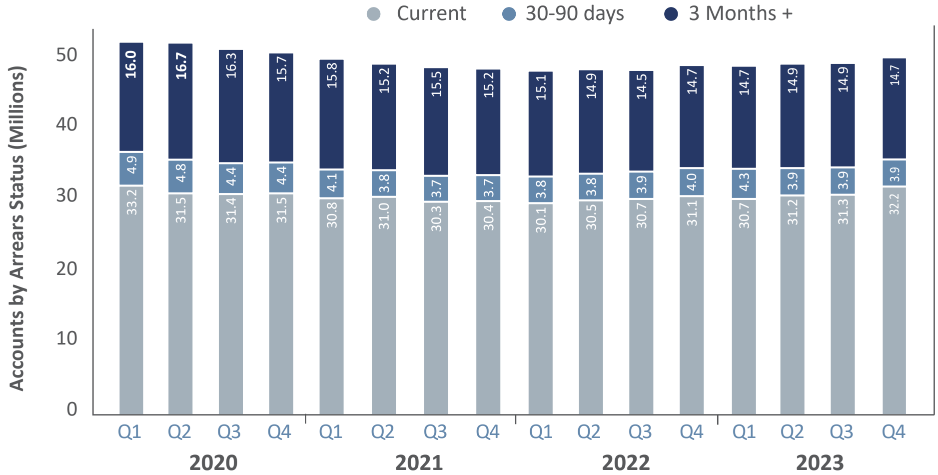
The overdue balance on all loans decreased by almost R1bn (-0.5%) QoQ, while the total outstanding balance remained flat QoQ at R2.43trn. The decrease in overdue balances was driven by a 14% (-R2.3bn) decrease in VAF, and in part buffered by increases in both Retail Accounts (+3.1%, R0.7bn) and home loans (+5.3%, R1bn). The total number of loan accounts increased by 634 042, with the majority of new accounts being retail.



Year-on-Year Change			
Credit Product	Loan Count	Loan Value	Overdue Value
Retail Account	3.8%	8.6%	9.0%
Credit Card	-1.2%	7.9%	13.1%
Unsecured Credit	0.7%	-0.3%	-3.0%
Vehicle Asset Finance	-1.1%	3.8%	-4.2%
Home Loan	1.7%	6.4%	56.4%

Credit Accounts by Arrears Status

The number of loans in arrears, showed a further decrease of 213 488 to 18.6m (-1.1%) QoQ, following another slight decrease in the previous quarter. This continued downward trend means that the proportion of loans in arrears has almost returned to the lowest recorded percentage of loans in arrears (36.4% in 2018 Q3). Additionally, the loans in good standing increased by 2.6% QoQ to 32.2m loans.



Credit Behaviour by ENS Segment

Mass Credit Market

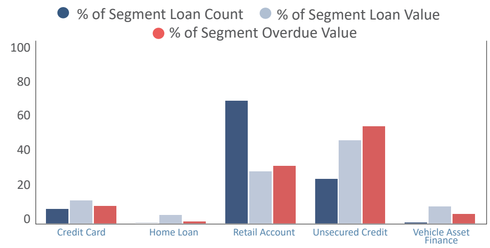
The number of credit active individuals in this segment decreased slightly by 0.7% YoY to 8.6m people. Of the 1.76m new loans taken out by this segment in Q4, 96% were either retail or unsecured. The number of VAF loan holders increased by 2.8% QoQ, while the numbers holding other product types remained flat. The total loan balance for this segment remained the same as 2023 Q3 at R113bn, while the total overdue balances decreased by 4.7% QoQ to R44bn. The number of defaulters is down 3.3% QoQ and now represents 58.3% of the Mass Market base.

Percentages are YoY change

R113.2bn ↓-1.8%
Total Loan Balances

R2 241 ↑11.2%
Avg. Monthly Instalments

39% ↑9.4%
Avg. Instalments to Monthly Income Ratio



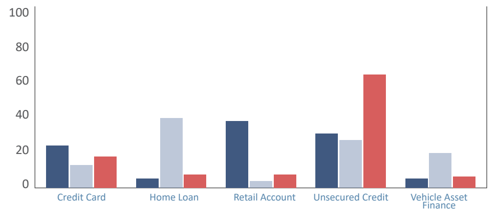
Middle Class Workers

Growth in this segment has been flat with only 1% new credit active individuals in the past year (3.5m people). Despite this lack of growth, this segment took on a lot of new debt this quarter, with the number of new loans granted increasing by 9.2%, with increases of 22% for new VAF loans, 15.6% for new retail credit loans and 8.6% for new unsecured loans. Overdue balances increased by 1.4% QoQ to R77bn, driven primarily by a 2.7% QoQ increase in unsecured loan overdue balances. Despite this, VAF overdue balances decreased by 14%.

R534.5bn ↓-0.1%
Total Loan Balances

R11 541 ↑13.5%
Avg. Monthly Instalments

79% ↑14.5%
Avg. Instalments to Monthly Income Ratio



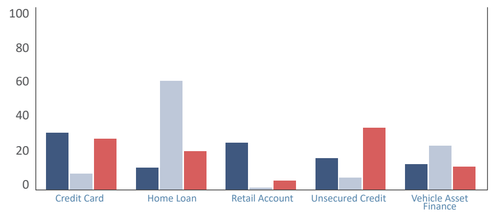
Heavy Hitters

This segment saw growth of 6% this year to 2.09m credit active individuals. Despite total loan balances decreasing slightly QoQ to R1.56trn, Heavy Hitters continue to account for 64% of all overall loan balances. Home loans contributed the lion's share of total loan balances at R922bn, with a 1.1% QoQ decrease. The total number of new loans this quarter grew to 564 000, a 6.3% increase QoQ. Overdue balances grew by 1.4% QoQ to R41.2bn, with this segment representing 21.8% of total overdue balances.

R1 558bn ↑7.2%
Total Loan Balances

R21 806 ↑6.3%
Avg. Monthly Instalments

61% ↑5.5%
Avg. Instalments to Monthly Income Ratio



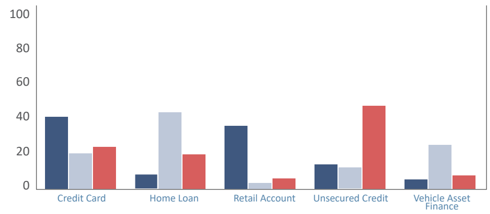
Comfortable Retirees

The number of credit active individuals in this segment has grown by 5% YoY to 1.35m. The number of open loans are up to 3.8m, a 1.8% QoQ increase. Total loan balances did not increase significantly from 2023 Q3, but are up 9.4% YoY to R185.5bn. Comfortable Retirees took out 32 344 new retail loans this quarter, a 31.8% QoQ increase, which was the main driver of this segment's 12.9% QoQ increase in total number of new loans. Overdue balances remained stable QoQ.

R185.5bn ↑9.4%
Total Loan Balances

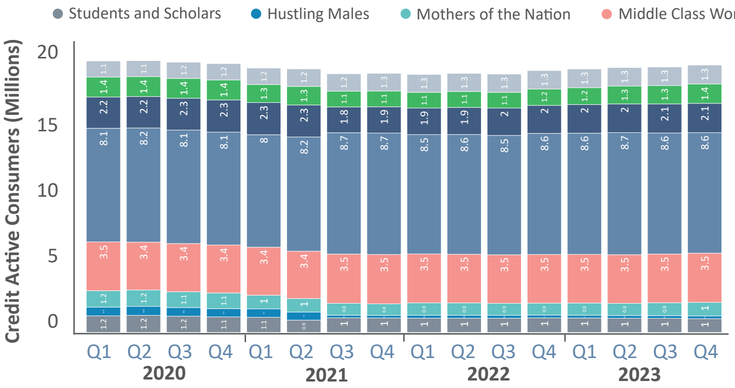
R8 618 ↑10.7%
Avg. Monthly Instalments

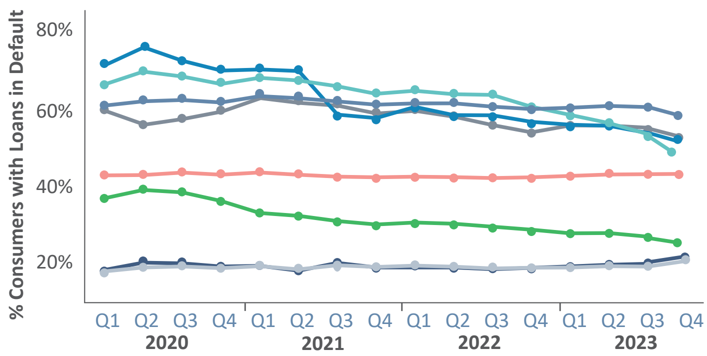
45% ↑11.0%
Avg. Instalments to Monthly Income Ratio



Consumer Default by ENS Segment

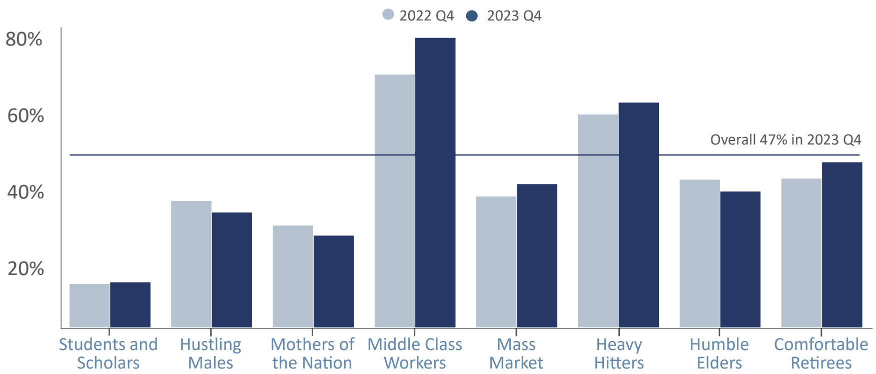
The credit active population continued to grow by 2.3% YoY. The proportion with 1+ loans in default decreased for the second quarter in a row to 45.5% - down 3.3% QoQ and 3.1% YoY. The proportion in default is down 8.1% from the 2020 Q3 peak and is now 1.1% below the 2019 Q3 rate. While Heavy Hitters and Comfortable Retirees have always had the lowest proportions in default, they have seen the largest increases since 2019 Q3 with 26.4% and 20.7% increases respectively, as they have come under pressure post-Covid.

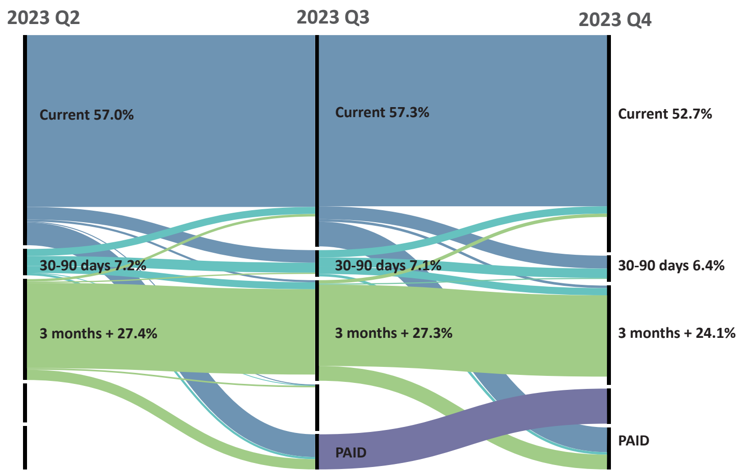




Instalment to Net Monthly Income Ratio

The overall instalment to net income ratio for all South Africans is 47%. This means that nearly half of the net income of all credit active people goes towards servicing debt. It is highest for the Middle Class, at 79% of income going to instalments (up by nearly 28% in just over two years), followed by the Heavy Hitters at just over 61%. The Mass Credit Market pays 39% of their income towards debt, with Comfortable Retirees at just over 45%. All of these figures have been rising since 2021 Q3.





Quarterly Loan State Movement

6.8m loans entered the system while 6.2m loans were paid off. The number of loans that recovered this quarter went up by 109 483 (20% QoQ).

Metric	2023 Q3 Movement	2023 Q4 Movement
Loans that remained in the same state	39.59m	38.80m
Loans that recovered (<3 months in arrears)	553 050	662 533
Loans that defaulted	1.34m	1.44m

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.

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