EIGHTY20/XDS CREDIT STRESS REPORT

2024 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

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

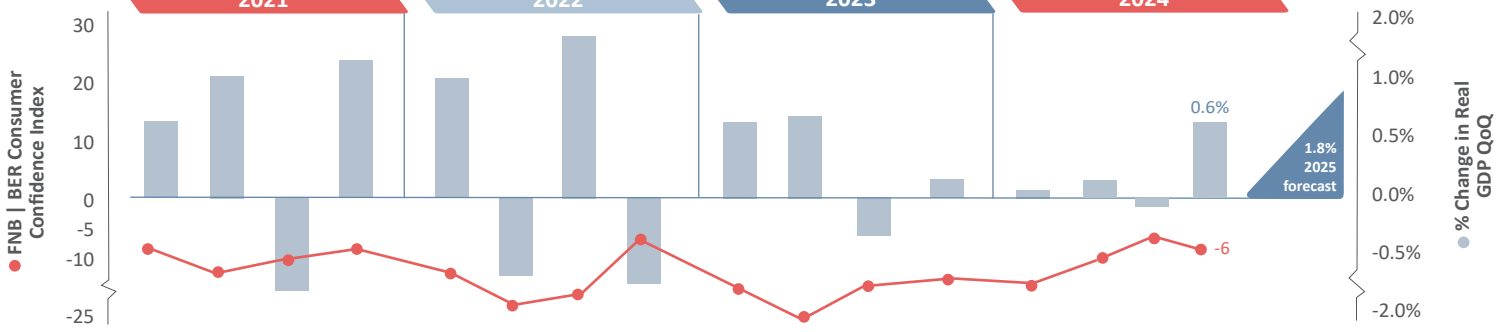
- Q4: PhalaPhala Farmgate report released; Repo rate: 7%; Producer price inflation: 15%
- Q3: UK Prime Minister Boris Johnson resigns; Queen Elizabeth II dies; Repo rate: 6.25%
- Q2: Repo rate: 4.75%; Producer price inflation: 15.6%; Loadshedding moves to Stage Six
- Q1: Tax revenue increases by 25.1% to reach R1.5trn; Unemployment at a record high of 35.3%; Russia invades Ukraine

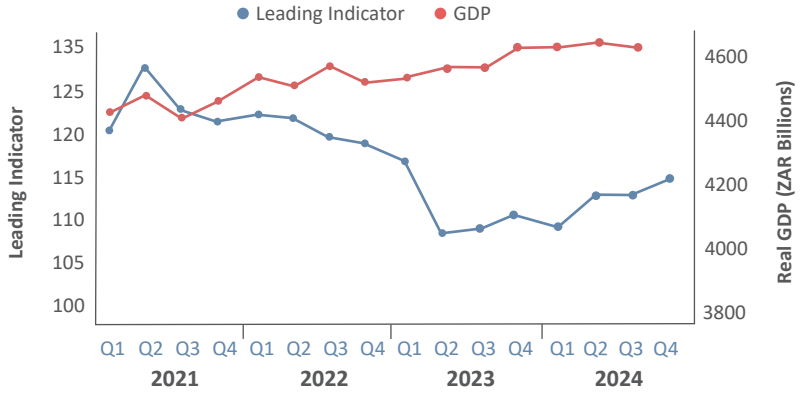
2023

- 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

2024

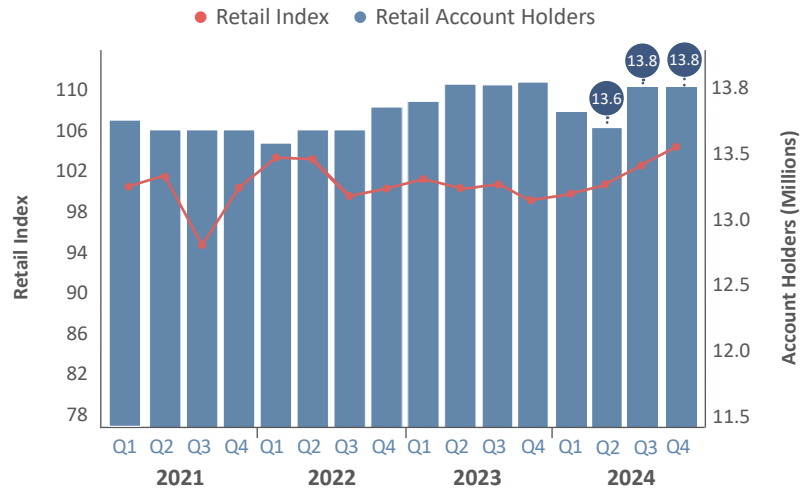
- Q4: US Election; Retail sales up 3.1% YoY in December; Repo rate: 7.75%
- Q3: GDP down by -0.1% surprising markets; Inflation at 3 year low: 3.8% (Sept); Repo rate: 8%
- Q2: SA Election: ANC loses majority; No Load Shedding in the Quarter; President signs NHI Bill
- Q1: Zuma barred from Election; Real GDP grew by 0.1%; Social Grant amount increased





Leading Indicator of the South African Economy vs. GDP

GDP increased by a marginal 0.6% in Q4, marking a return to positive territory after a contraction in Q3 which was revised to -0.1%. Real GDP was 0.6% in 2024 and forecast to be 1.8% in 2025, according to the World Bank. This growth will be driven by consumer spending boosted by rising real incomes from lower interest rates and controlled inflation, along with pension withdrawals. Additionally, normal agricultural output and improved business confidence due to better power supply and transport efficiency, especially at ports, will support growth.

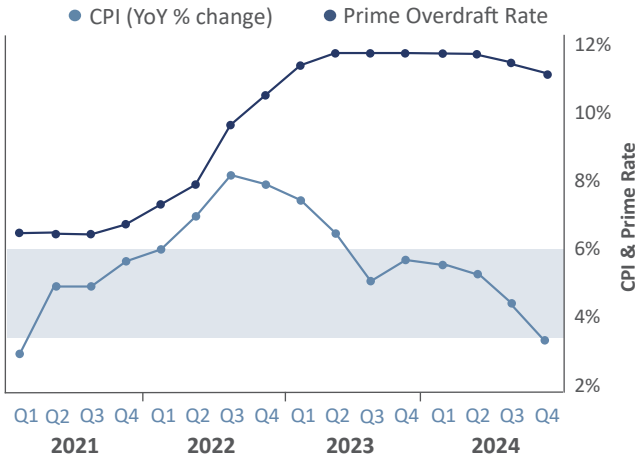


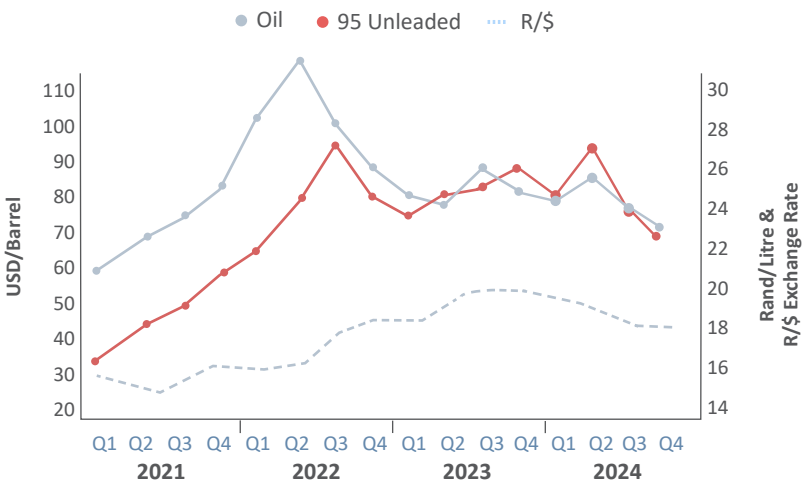
Retail Sales Index

The retail sales index went up by 1.47pp QoQ. Festive spend and Black Friday were positive with retail sales up 3.1% YoY in December after rising by 7.6% in November in real terms. Retail trade sales increased by 2.5% in 2024 compared with 2023 with five of the seven types of retailers showing positive YoY growth. The number of retail accounts rose by 0.6% QoQ, a deceleration compared with previous quarterly growth of 1.8%. This was accompanied by a 4.9% QoQ increase in the overdue value of retail accounts, increasing to R25.4bn.

Consumer Price Index & Prime Rate

Inflation eased further in 2024 Q4 to 2.9% YoY (3-month average) from 4.3% in the previous quarter, with the month of October 2024 posting the lowest inflation (2.8%) since June 2020. This was underpinned by easing food and transportation prices. The average inflation rate for 2024 was 4.4%, the lowest annual rate in four years. This environment encouraged the SARB to cut the repo rate by 25 basis points to reach 7.75% in November, which resulted in the prime rate declining to 11.25% from 11.50%.





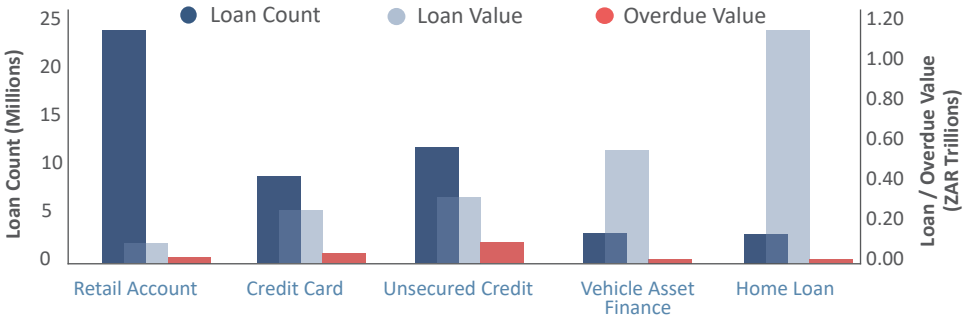
Exchange Rate, Oil & Fuel Price

While the exchange rate shifted slightly unfavourably, with the rand weakening by 0.3% QoQ, the fourth quarter of 2024 brought a welcome relief at the fuel pumps. The price of petrol per litre fell by 6.9% QoQ, settling at R21.27, while diesel followed a similar trajectory, easing by 7.1% to R18.77 per litre. This decline in domestic fuel costs was driven by a 7.3% QoQ drop in global oil prices.

Unsecured vs Secured Credit

SECTION TWO: CONSUMER CREDIT STRESS

The outstanding balance on all loans was up 1.3% QoQ at R2.5trn, with overdue balances increasing by 3% QoQ up to R200bn. This increase in overdue balances was primarily driven by a R1.9bn increase (2% QoQ) in overdue balance of unsecured loans, a R1.7bn increase (5% QoQ) in overdue balance of credit cards and a R1bn increase (4.6% QoQ) in the overdue balance of home loans. Overdue balances of VAF remained stable this quarter at R15.9bn.

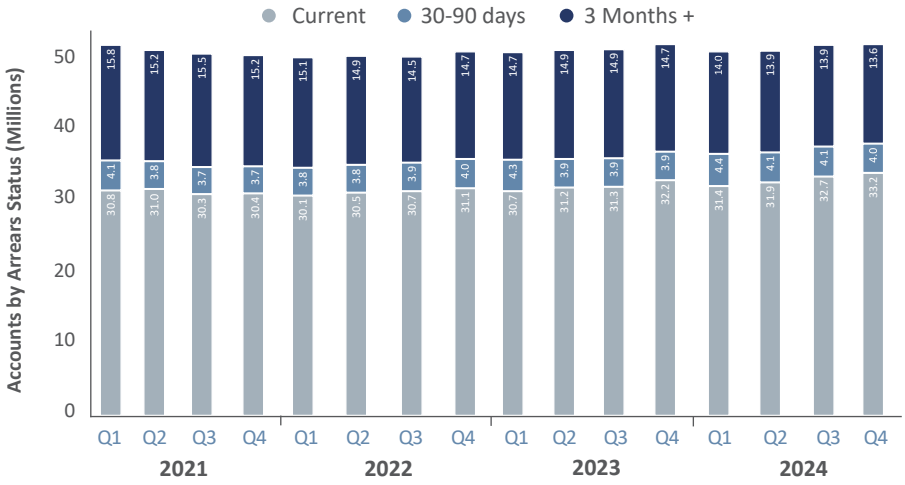


Year-on-Year Change			
Credit Product	Loan Count	Loan Value	Overdue Value
Retail Account	-0.2%	4.8%	1.7%
Credit Card	-1.2%	5.8%	13.4%
Unsecured Credit	1.1%	-1.6%	0.2%
Vehicle Asset Finance	-2.7%	3.0%	13.0%
Home Loan	1.0%	3.9%	22.6%

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

Credit Accounts by Arrears Status

The number of loans in arrears decreased QoQ by 343 257 to 17.6m, with the percentage of loans in arrears decreasing to 34.7% in 2024 Q4 from 35.5% in 2024 Q3. This continues the downward trend in the proportion of loans in arrears that has been observed since 2023 Q1. The number of loans in good standing has increased by 467 211 this quarter, a 1.4% QoQ increase.



Credit Behaviour by ENS Segment

Mass Credit Market

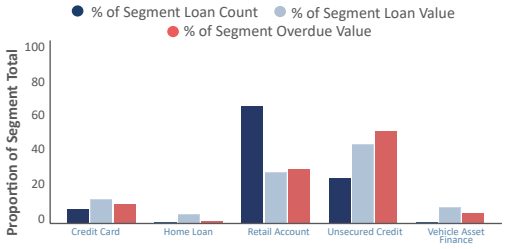
This segment shrunk by 3.7% YoY to 8.29m people. Of the 1.95m new loans taken out in Q4 for this segment, almost all were retail and unsecured. The number of credit card holders for the segment fell by 3.3% QoQ to 1.18m, but with credit card average overdue balances increasing by nearly 6% QoQ. Retail credit loan balances were up 4% QoQ. The percentage of defaulters across all lending products in the segment is down 2.8% QoQ, however still represents 53.3% of the total segment. One in two credit active people in this segment are in default.

Percentages are YoY change

R109.7bn ↓-3.2%
Total Loan Balances

R1 732 ↓-22.7%
Avg. Monthly Instalments

19%
Instalment to Monthly Income Ratio



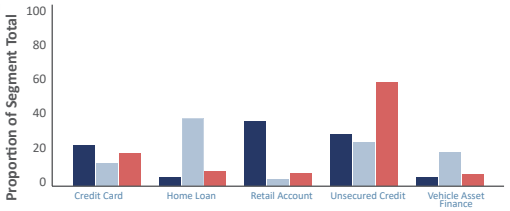
Middle Class Workers

This segment grew by 1.7% over the last year, to 3.6m credit active individuals. The segment saw substantial growth in number of loans, with 1.1m new loans this quarter, increasing by 9% QoQ. Unsecured loans represented the majority of this increase at 768 619 new loans this quarter, the total balance of unsecured loans rising to R133bn. Overall overdue balances increased by 3.1% QoQ to R82bn, nearly 80% of which is credit card and unsecured overdue balances.

R531.8bn ↓-0.5%
Total Loan Balances

R9 642 ↓-16.5%
Avg. Monthly Instalments

38%
Instalment to Monthly Income Ratio



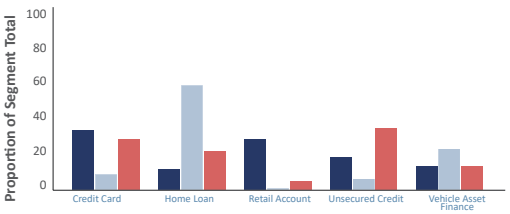
Heavy Hitters

This segment grew to 2.17m credit active individuals, a 4% YoY increase. Total loan balances for the segment increased by 1.43% QoQ to R1.63trn, 65% of overall total loan balances. Home loan balances are at R966bn, increasing by 1.21% QoQ. Worryingly, there was a 5.1% QoQ increase in the total overdue balances on home loans, up to R10.7bn (26% growth YoY), contributing to the 5.6% QoQ increase in total overdue balances. The total number of new loans this quarter was 612 589 (up 9% QoQ).

R1 628.8bn ↑4.5%
Total Loan Balances

R21 150 ↓-3.0%
Avg. Monthly Instalments

48%
Instalment to Monthly Income Ratio



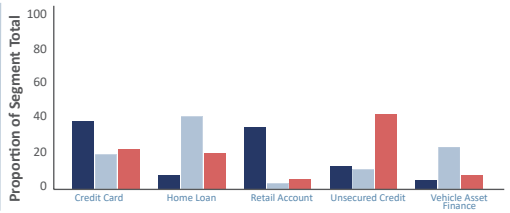
Comfortable Retirees

The number of credit active individuals in this segment has grown by 4.3% YoY to 1.41m. The segment saw a 1.4% QoQ increase in the number of open loans, up to 4m, with the total loan balance reaching R198bn. Of the new loans taken out this quarter, 60% were unsecured. Total overdue balances grew 5% QoQ to R19bn, 40% of which is unsecured, and with retail overdue balances up nearly 40% this quarter.

R198.2bn ↑6.9%
Total Loan Balances

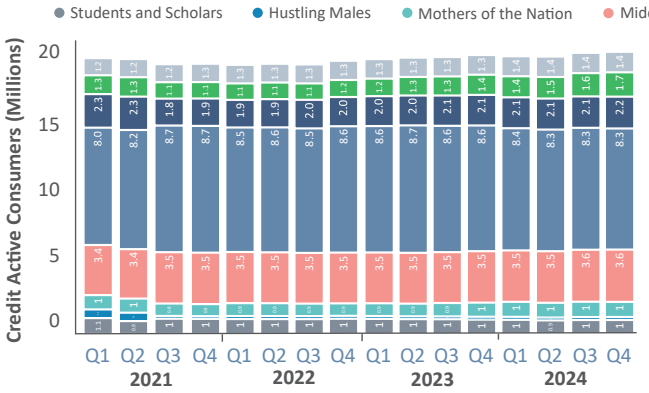
R8 070 ↓-6.4%
Avg. Monthly Instalments

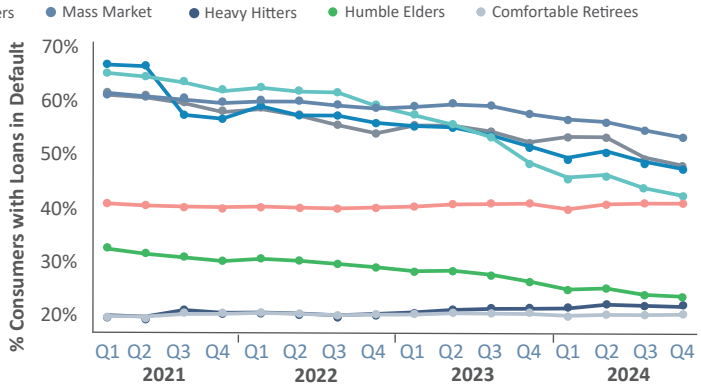
21%
Instalment to Monthly Income Ratio



Consumer Default by ENS Segment

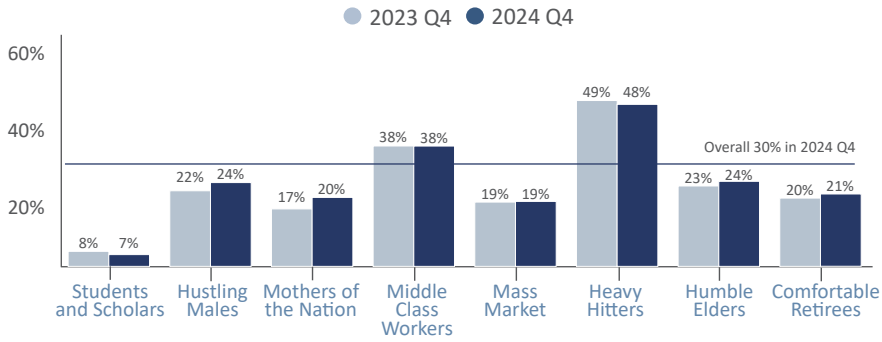
The credit active population continued to grow by 0.88% YoY. Total overdue balances saw growth of 3% QoQ, a significant increase following the marginal growth of 0.8% QoQ observed for 2024 Q3. The overall proportion of credit active individuals with 1+ loans in default decreased to 42%, continuing a trend of quarterly decreases in defaulters observed since 2023 Q3. Heavy Hitters, Humble Elders and Comfortable Retirees exhibited the lowest proportions in default. Conversely, the Mass Market and Middle Class Workers are at 53.3% and 41.8% in default respectively.



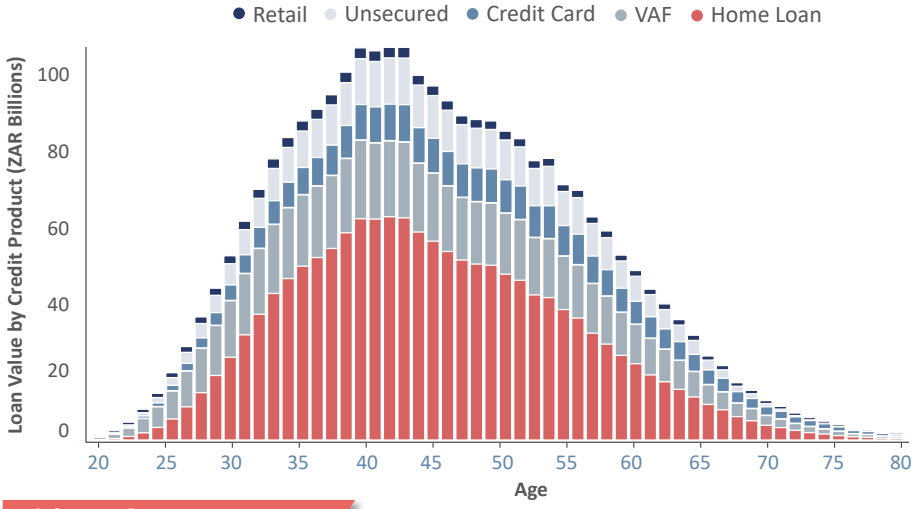


Instalment to Net Monthly Income Ratio

The overall instalment to net income ratio for all South Africans is 30%. This means that almost a third of the net income of all credit active people goes towards servicing debt. It is highest for the Heavy Hitters, at 48% of income going to instalments, followed by the Middle Class at 38%. The Mass Credit Market pays 19% of their income towards debt, with Comfortable Retirees at 21%.



*The calculation for Instalment to Net Income changed from mean to median, so numbers will differ from previous periods



Credit Holdings by Age

As people age, the distribution and size of their credit holdings changes. Those younger than 25 and older than 65 hold less than 5% of credit by value. From 25, VAF becomes an increasingly large part of the credit basket, with home loans following thereafter. There is a steep rise in credit acquisition that tops out between the ages of 35 and 45 (this cohort holds two fifths of all credit), then starts dropping off. As people get older, they downsize cars and houses, and shift from unsecured to credit card debt. 95% of credit by value is held by people over the age of 35.

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 helps companies enrich their customer data, create better segmentations, as well as providing alternative data for credit lifecycle modelling.

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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(021) 461 8020
Info@eighty20.co.za
Upper Eastside, 31 Pickwick Road, Woodstock, Cape Town