

TRANSUNION INDUSTRY INSIGHTS REPORT

Quarterly Overview of Consumer Credit Trends Released by TransUnion South Africa

Third Quarter 2024



Executive Summary

TransUnion Industry Insights Report highlights the latest trends within the South African credit economy and underlying drivers shaping the future of consumer credit access and health. Recently, South Africa witnessed significant developments in the energy supply, leading to positive outcomes for the economy. President Cyril Ramaphosa recently signed into law the Electricity Regulation Amendment Act that allows the private sector to help South Africa with power generation. Further developments that may impact liquidity for South Africans include the ability for citizens to access a maximum of 10% of their retirement savings (capped at R30,000) once per tax year. While these are the macro tailwinds helping shape 2025, the country still faces socioeconomic challenges with a high unemployment rate — despite it falling for the first time in 2024 to 32.1% from 33.5%. The latest unemployment rate further highlights despite the decline of unemployed youth (15 to 34 years) from 46.6% to 45.5%, this age group of South Africans remains at risk.

TransUnion's Q3 2024 Consumer Pulse Survey (CPS) showed 13% of consumers surveyed cut back on savings for retirement, potentially leading to more disposable income. The survey further showed 25% (higher by three percentage points versus last quarter Q2, 2024) of consumers responded their household incomes are not keeping up with the rate of inflation.

As consumers manage to cope with the persistent high cost of living in South Africa, consumption products (credit cards, personal loans, retail revolving lines) continued to experience growth, with originations growing 14.4% year over year (YoY) in Q3, 2024. Retail revolving experienced the highest origination growth (21.9% YoY) amongst all major products, and average new credit limits assigned rose by 13.3% year over year. As inflation continues to drop below the SARB's target, the market anticipates further interest rate cuts. These cuts will help support and strengthen economic growth by alleviating the higher cost of living and borrowing.

Both home loan and vehicle asset products experienced a turning point in the third quarter of 2024. For the first time since 2023, home loan origination volumes dropped by 1.3% YoY, while the new average loan amount went up by 1.4%. The home loan product did not benefit much from the first cut of interest rates, but as the cost of borrowing lowers further as expected, we may experience an improvement in consumer affordability. The auto industry experienced a growth of 1.1% YoY in new auto loans originated — the first positive movement observed since Q4, 2022. Vehicle sales experienced a significant slowdown in recent years as values inflated and more consumers opted for used cars to manage stressors on purchasing power. With the economy starting to experience some relief in inflation rates and interest rates cuts, we expect to see growth in the auto sector as pent-up demand is met.

As the credit economy prepares for a new calendar year, it would be pertinent for lenders to more confidently identify resilient consumers to implement effective, proactive measures for predicting early signs of risk, and empower consumers with credit education to enable responsible payment behaviours.

Source:

1. TransUnion consumer credit database
2. TransUnion 2023 Q3 CPS
3. Stats SA
4. Interest Rates (South African Reserve Bank)

Age distribution key:

- Gen Z (born 1995–2010)
- Millennials (born 1980–1994)
- Gen X (born 1965–1979)
- Baby Boomers (born 1946–1964)
- Silent Generation (born 1945 and earlier)

Consumption products:

- Credit cards
- Personal loans (including non-bank)
- Retail revolving

Risk distribution key:

- Subprime (0–625)
- Near prime (626–655)
- Prime (656–695)
- Prime plus (696–720)
- Super prime (721–999)

Scores are based on TransUnion CreditVision® Generic scoring methodology.

Credit Card Summary

CREDIT CARD METRICS	Q3 2024	QoQ Change	YoY Change
Number of Accounts	7.16M	0.32%	3.22%
Outstanding Balance	R 175.76B	1.01%	9.85%
Total Credit Lines	R 294.86B	1.68%	8.01%
Average Balance (per consumer)	R 34.29K	-10.15%	-7.21%
Average Credit Line (per consumer)	R 57.52K	2.9%	5.71%
Number of Consumers With Access to an Active Trade	5.13M	0.07%	2.23%
Origination Volumes (Q3 2024)	196.86K	1%	4.68%
Average New Account Credit Line (Q3 2024)	R 27.11K	-4.2%	-2.6%
Account-Level Delinquency Rate (3+ MIA)	12.08%	-34 bps	-4 bps
Consumer-Level Delinquency Rate (3+ MIA)	16.96%	14 bps	-16 bps
Balance-Level Delinquency Rate (3+ MIA)	17.75%	-20 bps	35 bps

Source: TransUnion South Africa consumer credit database

The credit card market experienced steady, positive momentum in demand and supply with consumers leveraging assigned credit lines and improving performance behaviours. Cards have benefitted from greater consumer adoption, likely driven by the resilient ecommerce sector that has outperformed the overall retail sector. Furthermore, the increased usage of digital wallets embedded in smartphones that integrate digital copies of credit cards has enabled consumers to tap into amplified purchasing convenience at point of sale, especially among younger consumers who prioritise convenience and speed above other factors when it comes to payment channels of choice.

With higher consumption needs fuelled by persistent inflationary pressures and younger generation preferences toward credit cards, the card market continues to be an enabler of inclusion in the credit ecosystem. The most recent quarter further showed new credit cards issued grew across all risk tiers, with super prime experiencing the highest growth (21% YoY). While access to credit cards has grown, the average new credit limit declined across all risk tiers except for prime where it remained flat. Amongst all risk tiers, subprime consumers experienced the largest decline at 10% YoY, indicating mild caution in card issuers' risk appetites.

Credit performance continued to show improvements as collection efficiencies have enabled a higher rollback rate in the early stages of delinquencies. Consumers are clearly prioritising their card payment obligations to protect access to transactional abilities. Card issuers would benefit from equipping new-to-credit consumers entering the credit marketplace for the first time with credit education tools. This would help ensure younger consumers graduate to more complex wallets with greater access as their financial needs grow over the years, in addition to facilitating customer lifecycle journeys that are proactive and predictive to maintain loyalty.

Personal Loans Summary

PERSONAL LOAN METRICS	Q3 2024	QoQ Change	YoY Change
Number of Accounts	12.10M	-1.83%	4.00%
Outstanding Balance	R384.17B	-0.37%	5.89%
Average Balance (per account)	R31.76K	1.48%	1.81%
Origination Volumes (Q3 2024)	5.53M	2.97%	14.49%
Average New Loan Amount (Q3 2024)	R9.06K	2.99%	-2.97%
Account-Level Delinquency Rate (3+ MIA)	33.35%	73 bps	-85 bps
Balance-Level Delinquency Rate (3+ MIA)	32.26%	65 bps	-17 bps

Source: TransUnion South Africa consumer credit database

Q3 2024 figures for personal loans indicate they're still in high demand by consumers. While new loan originations experienced healthy growth, new average amount originated declined, potentially driven by risk-based pricing strategies in effect. Additionally, a higher market share of new loans being issued by non-bank lenders, which accounted for 82% of originations growing at 16.1% YoY, is another driver of this change. Bank personal loans grew 15% within the below prime risk segment, while prime and above decreased by 1%, indicating demand and supply in this market is being driven by non-prime consumer segments.

An improving picture of performance indicates consumers' priorities, as well lender strategies to manage risk effectively. As we enter into an economic period where consumers may experience an improvement in affordability and find renewed confidence in making big purchases/decisions, personal loan lenders need to deploy strategies for identifying consumers with shifting needs and preferences to build and maintain loyalty for repeat borrowers. While portfolio growth is evident, implementing predictive analytics to sustain prudent growth becomes crucial.

Vehicle Finance Summary

VEHICLE FINANCE METRICS	Q3 2024	QoQ Change	YoY Change
Number of Accounts	2.13M	-0.71%	-2.34%
Outstanding Balance	R 521.46B	0.28%	2.45%
Average Balance (per consumer)	R 278.59K	1.37%	3.84%
Average Balance (per account)	R 244.77K	0.91%	4.87%
Origination Volumes (Q3 2024)	119.61K	7.20%	1.11%
Average New Loan Amount (Q3 2024)	R 400.96K	1.6%	2.4%
Account-Level Delinquency Rate (3+ MIA)	5.14%	-21 bps	-35 bps
Consumer-Level Delinquency Rate (3+ MIA)	5.44%	-20 bps	-41 bps
Balance-Level Delinquency Rate (3+ MIA)	6.48%	-33 bps	-35 bps

Source: TransUnion South Africa consumer credit database

The auto finance market experienced a significant slowdown since Q3 2022 due to the high cost of vehicles and cost of borrowing pressures faced by consumers. Consumers turned to used vehicles in lieu of new vehicles to manage affordability pressures. This quarter marks a shift in the auto finance industry with 1.11% YOY growth in auto loans originated observed for the very first time in two years.

While consumers borrowed to purchase a new or old vehicle at a higher rate, auto sales overall dropped by 7.1% YoY. New vehicles sales were a negative contributor, declining 13.9% YoY. As vehicle prices start to subside as cheaper manufacturers enter the South African market, and lower costs of borrowing ease affordability pressures, auto lenders are optimistic they'll see some recovery in the industry, particularly in new vehicle sales.

With no growth in the auto portfolio over the last two years, credit performance remains stable in nature. As the industry expects a recovery, it's pertinent auto lenders consider enhanced strategies to enable consumers entering to fulfil pent-up demand that was not met in the last few years due to lack of affordability to buy their first-ever vehicles. This in addition to empowering younger consumers with effective education tools to influence strong repayment behaviours for healthy financial futures.

Home Loan Summary

HOME LOAN METRICS	Q3 2024	QoQ Change	YoY Change
Number of Accounts	1.85M	0.21%	-0.26%
Outstanding Balance	R1.23T	0.84%	2.52%
Average Balance (per account)	R663.53K	0.50%	3.12%
Origination Volumes (Q3 2024)	55.95K	-14.29%	-1.29%
Average New Loan Amount (Q3 2024)	R917.23K	-2.49%	1.42%
Account-Level Delinquency Rate (3+ MIA)	7.23%	6 bps	33 bps
Consumer-Level Delinquency Rate (3+ MIA)	7.79%	14 bps	32 bps
Balance-Level Delinquency Rate (3+ MIA)	6.82%	15 bps	75 bps

*Joint accounts reflected as one single account

The home loan market in South Africa experienced a marginal decline in originations (down by only 1.29% YoY) for the third quarter of 2024. This drop comes after experiencing consistent growth since the beginning of 2023. Consumers are potentially eyeing the easing of inflationary pressure and hoping interest rates cuts will be implemented before they dive back into the housing market. As the cost of borrowing improves, the home loan market may also revert back to a healthy trend of greater demand and supply.

Slight deterioration in credit performance indicates some distress from a vulnerable segment of consumers, especially as delinquencies in the home loan portfolio remain at record-high levels. Lenders would benefit from implementing advanced underwriting criteria, especially for first-time homebuyers, by leveraging holistic consumer behaviours regarding past repayment performance and capacity to borrow. Additionally, as interest rates are expected to drop, lenders may consider a proactive approach to identifying and predicting consumers who are likely to refinance existing mortgages — tapping into better rates and generating higher liquidity.

Retail Industry Summary

CLOTHING ACCOUNT METRICS	Q3 2024	QoQ Change	YoY Change
Number of Accounts	17.45M	2.18%	9.69%
Outstanding Balance	R39.36B	1.25%	7.37%
Total Credit Lines	R104.41B	3.38%	12.53%
Average Balance (per consumer)	R3.57K	-11.46%	-11.93%
Average Credit Line (per consumer)	R9.48K	3.95%	3.89%
Number of Consumers With Access to an Active Trade	11.02M	2.17%	8.33%
Origination Volumes (Q3 2024)	894.57K	2.68%	6.68%
Average New Account Credit Line (Q3 2024)	R6.53K	6.6%	9.3%
Account-Level Delinquency Rate (3+ MIA)	27.62%	-91 bps	-254 bps
Consumer-Level Delinquency Rate (3+ MIA)	41.09%	-15 bps	-219 bps
Balance-Level Delinquency Rate (3+ MIA)	30.8%	-18 bps	28 bps

RETAIL INSTALLMENT METRICS	Q3 2024	QoQ Change	YoY Change
Number of Accounts	1.28M	3.34%	8.63%
Outstanding Balance	R 12.34B	3.58%	12.99%
Average Balance (per account)	R 9.66K	0.22%	4.01%
Origination Volumes (Q3 2024)	167.02K	8.63%	18.71%
Average New Loan Amount (Q3 2024)	R 12.1K	-0.4%	0.1%
Account-Level Delinquency Rate (3+ MIA)	28.1%	23 bps	-183 bps
Consumer-Level Delinquency Rate (3+ MIA)	28.64%	72 bps	-172 bps
Balance-Level Delinquency Rate (3+ MIA)	32.92%	107 bps	-131 bps

RETAIL REVOLVING METRICS	Q3 2024	QoQ Change	YoY Change
Number of Accounts	2.15M	-0.23%	3.56%
Outstanding Balance	R 14.80B	1.42%	10.65%
Total Credit Lines	R 31.79B	1.62%	20.68%
Average Balance (per account)	R 6.9K	1.7%	6.8%
Average Credit Line (per consumer)	R 17.50K	6.09%	16.84%
Number of Consumers With Access to an Active Trade	1.82M	-0.2%	-3.92%
Origination Volumes (Q3 2024)	210.38K	-16.19%	21.89%
Average New Account Credit Line (Q3 2024)	R 12.12K	6.1%	13.3%
Account-Level Delinquency Rate (3+ MIA)	17.05%	-35 bps	-202 bps
Consumer-Level Delinquency Rate (3+ MIA)	20.28%	-47 bps	-269 bps
Balance-Level Delinquency Rate (3+ MIA)	17.14%	-39 bps	-50 bps

Source: TransUnion South Africa consumer credit database

Overall, the retail industry has experienced steady and healthy growth in consumer demand amid the backdrop of persistent inflationary pressures and high unemployment rate. Clothing accounts continue to serve as a gateway/entry point into the consumer credit market for many South Africans. This is represented by the 11.02 million consumers (highest participation than any other credit product) with access to an active trade, an increase of 8.33% YoY. The industry continued to show growth and resilience despite challenges faced by international online retailers. Sixty-five percent of Q3 2024 clothing account originations came from Gen Z (28%) and Millennials (37%) consumers.

In the case of retail instalment loans, as South Africa remains resilient and anticipates further interest rates reductions, this portfolio experienced healthy growth trends. Consumers may be further motivated by low debt costs to upgrade their households' goods and electronics. New account growth was observed across all age groups, with a leading growth rate of 34.2% YoY amongst Gen Z consumers, while Millennials and Gen X dominated the origination share by 66% and experienced a growth rate of 14.3% and 16.2%, respectively compared to September 2023.

Total retail revolving accounts saw significant growth over this past quarter (3.6% YoY), reaching to 2.2 million accounts. As a result, outstanding balances increased in tandem, driven both by higher average account balances and overall account growth. The increase in new and existing credit line access and outstanding balances suggests lenders are confident and consumers are leveraging credit to meet their financial needs. The growth in recent originations was witnessed across all age segments, with Gen Z consumers growing 49% YoY. This highlights the revolving line product is gaining traction among younger consumers, and lenders are serving well to meet the higher demand and preference.

Credit performance in the retail lending industry continued to improve as consumers appear to be managing their obligations — and hence, further empowering greater access and growth for this very important sector crucial for financial inclusion.



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