



# SA Consumer Credit Index | Q2 2018

## Executive Summary



**Credit index declines markedly in Q2 2018**



Index: 50.0 = breakeven

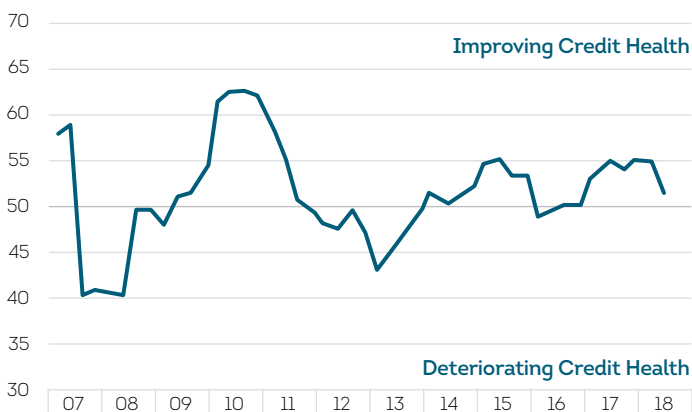
- The **TransUnion SA Consumer Credit Index (CCI)** declined notably from 55\* to 51 in Q2 2018. The index measures consumer credit health where 50.0 is the break-even level of improvement and deterioration.
- The 4-point fall in the index in Q2 2018 was mainly due to rising default rates and more constrained household cash flow due to higher inflation and continued weak income growth. Following a rise in consumer and business confidence indicators after significant political changes in Q4 2017 and Q1 2018, economic indicators have turned less positive in Q2 and Q3, and business confidence surveys reflect lingering uncertainty about business conditions.\*\*
- **Accounts in early default** (3 months in arrears) increased for the first time in over two years, suggesting some emerging additional consumer stress. **Distressed borrowing** (revolving credit utilisation) fell during the quarter, as credit providers increased credit limits with limited additional consumer take-up. Overall TransUnion consumer credit behaviour data shows relatively neutral consumer stress.
- **Household cash flow** decelerated to 0.4% y/y, showing lingering difficulty in household real earnings growth potential (based on Stats SA & SARB data).
- Household **debt service costs** (South African Reserve Bank data) remained similar during the quarter. The Reserve Bank left the repo rate unchanged during Q2 2018.

\*Revised from 56. Data is subject to revision due to subsequent underlying data/estimation finalisation. Changes are typically not material.

\*\*Bureau of Economic Research, SARB and Stats SA data

## Q2 2018 CCI: Key Facts and Figures

### TransUnion SA Consumer Credit Index



TransUnion, ETM, Macrobond

- No. of consumer accounts measured: **54 million**
- No. of accounts three months in arrears: **919,000**
- Value of revolving credit measured: **R150 billion**
- Estimated Q2 2018 non-discretionary consumer price inflation (NDCPI): **+4.4% y/y (Q1: +3.9% y/y)**
- Estimated Q2 2018 NDCPI-adjusted household disposable income growth: **+0.4% y/y (Q1: +1.5% y/y)**
- Estimated aggregate, annual household disposable income: **R2.2 trillion (Q1: R2.2tr)**
- Estimated national household bank debt as a percentage of disposable income: **71.7%**
- Prime overdraft rate at end Q2 2018: **10.00%**

### DATA WEIGHTING IN THE TRANSUNION CCI

TransUnion Defaults  
& Distressed Borrowing

**50%**

Household  
Cashflow

**35%**

Debt Servicing  
Costs

**15%**

## Unpacking the 2<sup>nd</sup> Quarter 2018 SA Consumer Credit Index

### Household credit behaviour

#### 1. Credit defaults

**TransUnion data shows that consumer repayment worsened somewhat in Q2 2018.** The number of accounts in early default (3-months in arrears) rose from around 906,000 to 919,000 between Q2 2017 and Q2 2018, a rise of 1.4%. A quarter on quarter comparison shows that the number of accounts in early default increased by 1.8%, which would be 7.5% on an annualized basis. The trend in early defaults has been moving roughly sideways since Q2 2017, after falling sharply through 2016 and early 2017. The trend does not suggest a significant worsening in loan repayment behaviour, but also shows a lack of further improvement, which constrains the index from rising above 50.

#### 2. Distressed borrowing

Revolving credit (credit cards and store cards) used as a percentage of one's credit limit is a distressed borrowing indicator. According to TransUnion revolving credit data, distressed borrowing moderated again in Q2 2018, and overall remains below 2015/16 highs. The trend in revolving credit utilisation does not indicate immediate household financial or budgetary risks. It should be noted, however, that distressed borrowing still remains significantly higher than in 2010 and would need to fall considerably further to indicate meaningful restoration of financial health. **Also, the drop in credit utilisation is almost entirely the result of rising credit card limits, not falling card debt levels. This may also reflect a higher degree of confidence among lenders in 2017 and 2018 while households either don't need to or are cautious to take up this available credit.**

## Household cash flow

**Household cash flow growth moderated quite sharply in Q2, falling to 0.4% y/y.** In the Q1 2018 report, we said that "household cash flow would have to improve substantially more before one could start talking about a broad-based consumer recovery, and rising petrol prices in Q2 and some rand weakness could begin to scupper recent cash flow improvements." This indeed seems to have been the case in Q2 2018. With overall household disposable income growth remaining weak, taxes rising, and some important living costs rising too, the household cash flow component continued to constrain overall improvement in the CCI. In absolute terms, our cash flow indicators have not improved since early 2015.

## Household debt serviceability

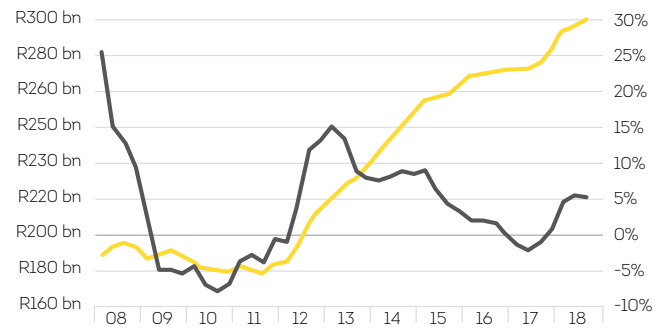
Household debt service costs changed very little on a y/y basis with only marginal y/y household bank credit deleveraging and no change in the repo rate by the Reserve Bank (SARB) in Q2. Financial market participants expect some rate hikes over the coming year, while the household deleveraging trend may be stalling.

## Further Insight: House Prices

Revolving credit card limits on credit and store cards provide some useful information on lending appetite by credit providers. TransUnion Credit Bureau card data shows a rise in nominal lending appetite since mid-2017. This continued in Q2 2018 but at a slightly slower pace, and could be constrained again by tougher economic conditions and currency risks.

### Aggregate Revolving Credit Limit

Outstanding Balance (Credit Limit) on Revolving Credit\*

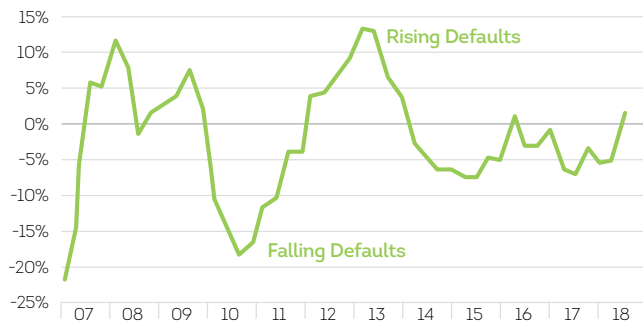


TransUnion, ETM, Macrobond

\* Credit & store cards

### TransUnion: Accounts in default

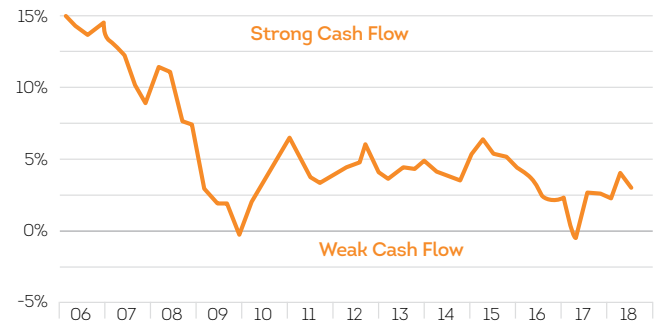
3m Arrear Acc/Total Accounts, y/y %chg



TransUnion, ETM, Macrobond

### ETM: Household cash flow

NDCPI-adj. money supply & disposable income, avg y/y %chg



TransUnion, ETM, Macrobond

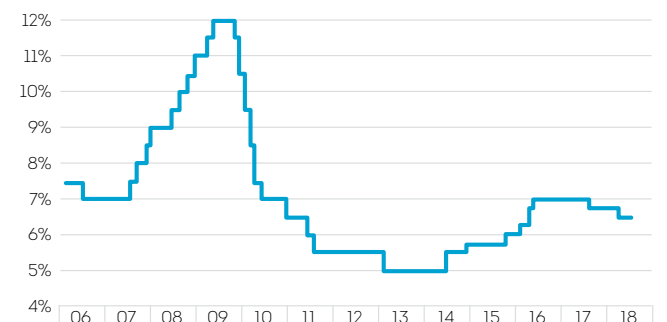
### TransUnion: Revolving Credit Utilisation

Revolving credit current/opening balance, y/y %chg



TransUnion, ETM, Macrobond

### South Africa Repo Rate



TransUnion, ETM, Macrobond



## The TransUnion SA Consumer Credit Index: Key Information

### What is the Consumer Credit Index?

The TransUnion SA Consumer Credit index is an **indicator of consumer credit health** compiled by **TransUnion, a global leader in risk and information solutions** with technical support from **ETM Macro Advisors**, and released quarterly.

It measures the aggregate consumer loan repayment record, tracks the use of revolving consumer credit facilities as an indicator of distressed borrowing, estimates household cash flow as a means of determining financial pressure/relief, and quantifies the relative cost of servicing outstanding debt.

The indicator combines actual consumer borrowing and repayment behaviour with key macroeconomic variables impacting on household finances.

### A 'diffusion' index

The index is designed to fluctuate within the set logical minimum and maximum of zero to 100, with 50.0 as the so-called 'breakeven' point. **Levels above 50.0** are associated with higher rates of loan repayment, lower credit card utilisation, improving household cash flow, lower interest rates, and credit deleveraging, and vice versa for **levels below 50.0**.

- 50-60/40-50: **moderate** improvement/deterioration.
- 60-70/30-40: **strong** improvement/deterioration.
- 70-90/10-30: **extreme/unusual** improvement/deterioration.
- 90-100/0-10: **highly improbable** improvement/deterioration.

### The data

The Index has three main data components:

- **TransUnion Credit Bureau data\***
- **Official public domain statistics**
- **Proprietary analytics of public domain statistics**

#### TRANSUNION CREDIT BUREAU

Consumer credit card utilisation\*\*; number of consumer credit accounts in arrears (TransUnion).

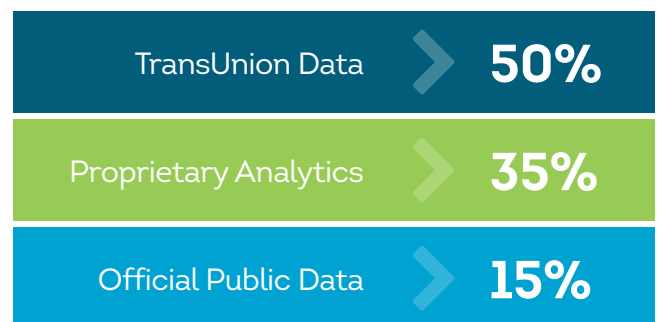
#### OFFICIAL PUBLIC DOMAIN STATISTICS

Prime interest rate; household debt to disposable income ratio (South African Reserve Bank).

#### PROPRIETARY ANALYTICS OF PUBLIC DOMAIN STATISTICS

Non-discretionary CPI derived from the official Consumer Price Index, 'Alternative Money Supply' derived from official money supply and credit data (ETM Analytics; SARB, Stats SA)

#### Data weighting in the TransUnion CCI

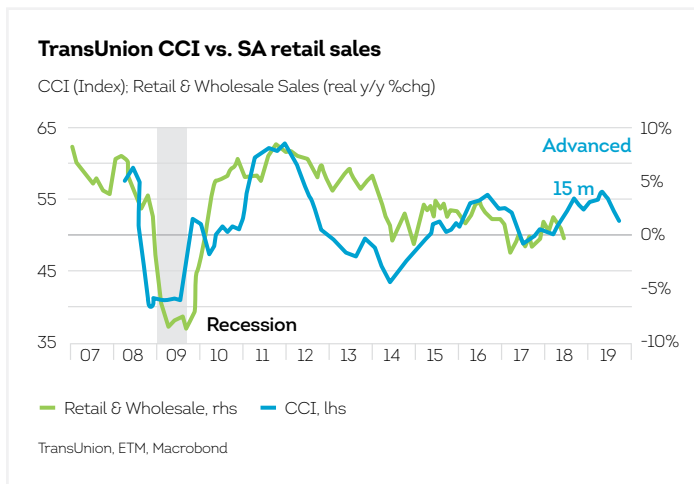


## Real world application

The index may be considered a credible indicator of macroeconomic events and growth cycles for sectors affected by consumer finances and credit behaviour. In the following chart, the TransUnion SA CCI is compared to year-on-year retail & wholesale sales growth, with a 15-month lag. The relationship suggests that retail & wholesale sales volumes may improve somewhat over the coming 1-2 years, though are likely to be constrained.

The sub-components of the index provide valuable business insights in their own right, which can be used to evaluate consumer behaviour, financial distress, household cash flow, and household budget dynamics.

**Contact TransUnion to gain access to more granular CCI insights.**



## Consumer Credit Report

Information is a powerful thing. As a credit bureau we provide you with credit data which credit lenders use to evaluate your credit history when you apply for loans and credit. Your credit report gives you a view of all your debt and payments in the last 24 months.

**To order your credit report:** Call the TransUnion Interactive Call Centre at **0861 482 482** or visit us at [www.mytransunion.co.za](http://www.mytransunion.co.za).

Monday–Friday, 07h30–18h00 Saturday, 09h00–13h00

## CreditVision

A TransUnion analysis identified 3 million consumers who could not gain access to credit based on traditional scoring models. **What would an extra 3 million potential customers mean for your business?**

CreditVision not only allows you to say yes more, but now you can say yes more confidently. By using trended and alternative data in how you score a consumer, our analysis also showed we could improve risk predictability by 56%.

Find out how you can safely expand your borrower universe in a competitive market.

Visit us at [transunion.co.za/business](http://transunion.co.za/business).



## Contact Us

TransUnion SA Consumer Credit Index queries can be sent to:  
Lizette Swart | [mcmmailbox@transunion.co.za](mailto:mcmmailbox@transunion.co.za) or on: **+27 11 214 6000**.

You can view the index online at [transunion.co.za/lp/CCI](http://transunion.co.za/lp/CCI).

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\* Incorporating SACCRA data \*\*As supplied by SACCRA members