



SA Consumer Credit Index - Q1 2017

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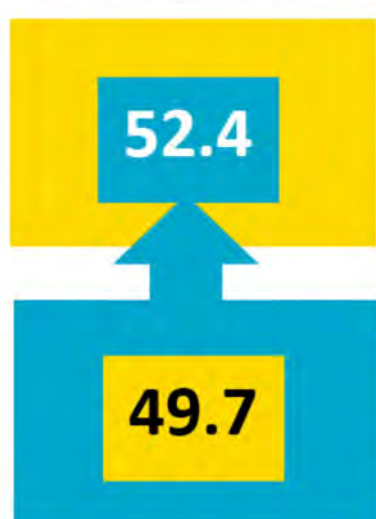


The TransUnion SA Consumer Credit Index (CCI) is an indicator of consumer credit health compiled by TransUnion, a global leader in risk and information solutions, with technical support from ETM Analytics. It measures the aggregate consumer loan repayment record, tracks the use of revolving consumer 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. These aspects are then combined into a single indicator of credit health.

What does it mean?

The index is constructed to resemble a diffusion index whereby levels above a certain threshold indicate positive trends or improving outcomes while levels below the threshold indicate the opposite. The index is designed to fluctuate within the set logical minimum and maximum of 0.0 to 100.0, with 50.0 as the '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. Levels below 50.0 indicates the opposite.

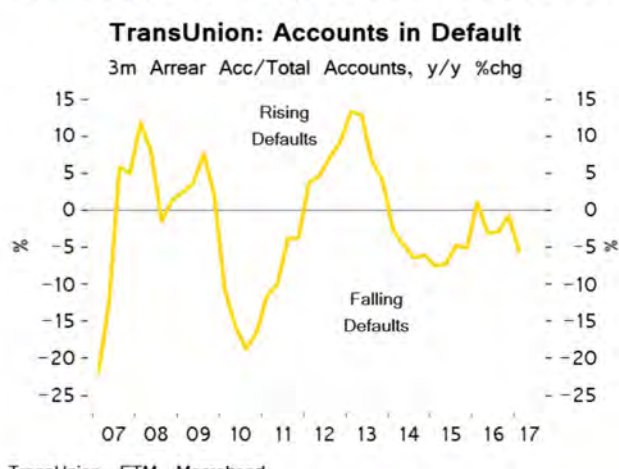
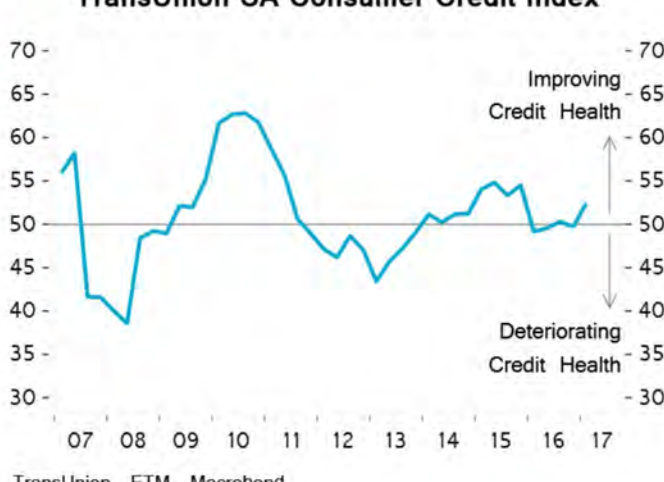
Exploring the key findings and what they mean



CCI Improved in Q1

The TransUnion SA Consumer Credit Index (CCI) increased in the first quarter 2017 to 52.4 from 49.7

TransUnion SA Consumer Credit Index



New accounts in default

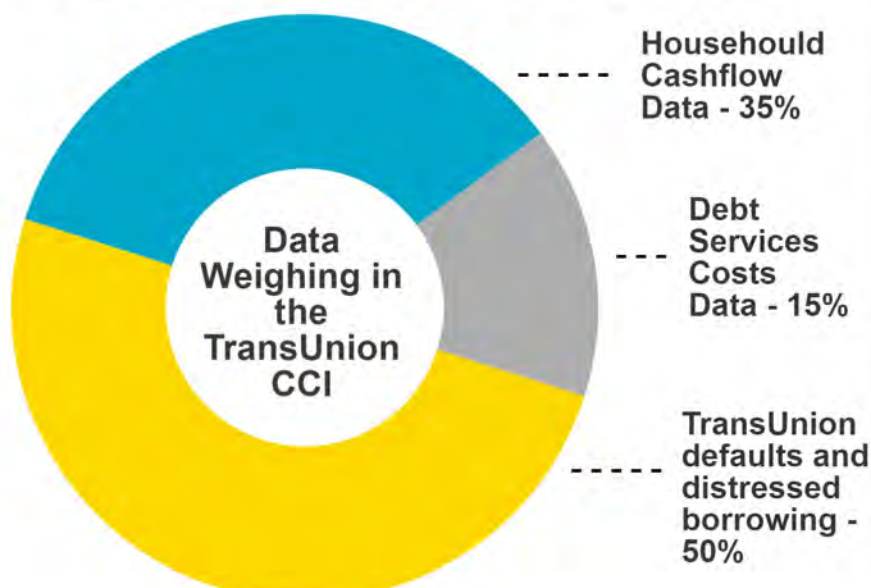
Distressed borrowing increased by 1% y/y, a moderate rate of increase not suggestive of much additional financial stress.

New accounts in default (3 months in arrears) fell by a hefty 5.7% y/y, the fastest rate of decline in new defaults since 2015

-5.7%

The CCI climbed at its fastest pace in two years in Q1, reflecting improved debt repayment and easing interest costs. There will likely remain some caution in credit markets following SA's sovereign credit downgrades in April 2017. However, encouragingly the rand has been resilient so far, despite downgrades and SARB rate expectations have not spiked.

Data used to compile the CCI

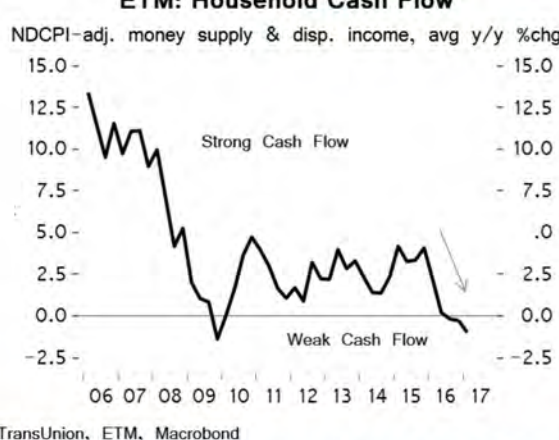


Household cash flow

Household cash flow weakened further in Q1 2017, down 1% y/y. Income growth remained relatively subdued while inflation remained stubbornly above the Reserve Bank's 6% upper target, and money supply growth was soft.



ETM: Household Cash Flow



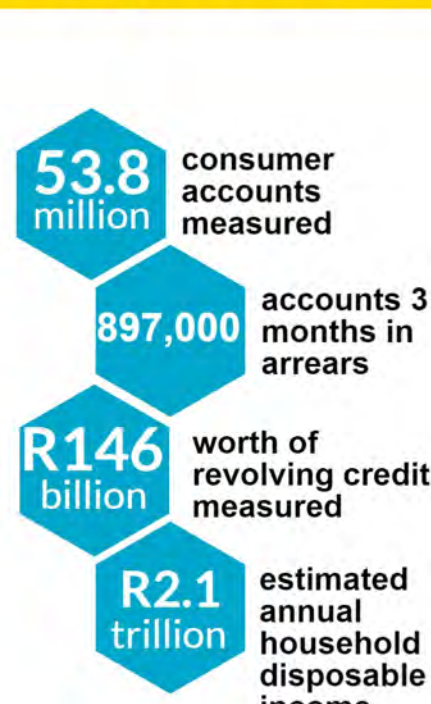
Household debt cost



Interest rates remained steady in Q1 while investor expectations have shifted to expecting some modest interest rate cuts in the coming year.

TransUnion SA CCI is compared to year-on-year retail sales volumes, lagged 1 year. The relationship suggests that the retail sales volumes should stabilise and then improve somewhat in the coming 9 to 15 months.

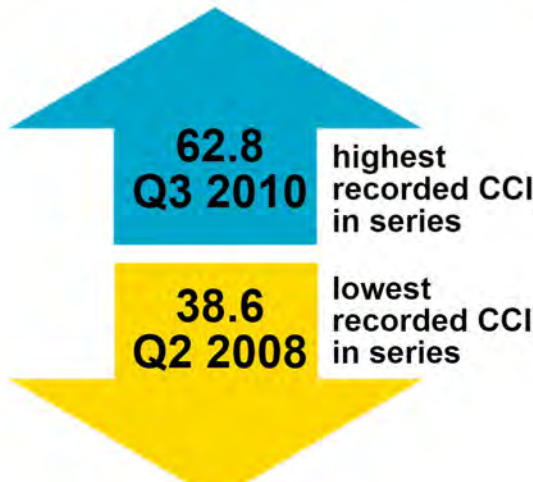
Key facts and findings



73%
Estimated national household bank debt as a percentage of disposable income in Q1 2017

6.8%
Estimated Q1 2017 non-discretionary (NDCPI) consumer price inflation (NDCPI): 6.8% y/y (Q4: 6.5% y/y)

-2.7%
Estimated Q1 2017 NDCPI-adjusted household disposable income growth: -2.7% y/y (Q4: -2.1% y/y)



10.50%
prime overdraft rate at the end of Q1 2017