



Debt Index | Q3 2021

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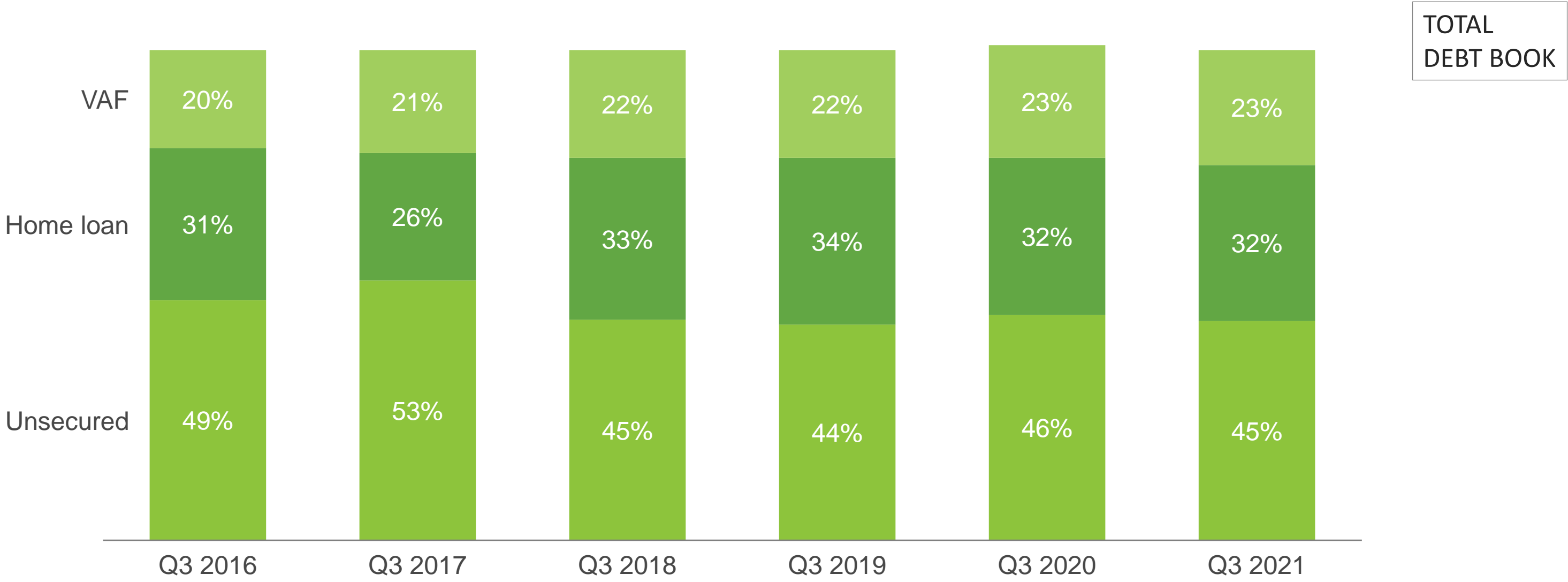
Executive Summary - Benay Sager, Head of DebtBusters



- In Q3 2021, **there was increased demand from consumers for debt counselling, with inquiries up 17% compared to the same period last year.** Many consumers are seeking help proactively as consumers are feeling the impact of the end of 2020 payment holidays, after-effects of several nationwide lockdowns and diminished ability to borrow.
- It is clear the debt situation of SA consumers has further deteriorated recently. In absence of meaningful increase in real income growth, SA consumers continue to supplement their income with more unsecured credit. Average loan sizes has increased by over 50% in a few years, and the number of debt obligations (open trades) has decreased by 19% over the same period – both indicating that consumers are seeking help sooner. Compared to 2016, **those consumers who applied for debt counselling in Q3 2021 had:**
 - **Zero nominal income growth and negative real income growth:** Nominal incomes were at 2016 levels, however when cumulative inflation growth of 24% is factored in for the same period, real incomes shrank by 24% over the five-year period.
 - **Higher debt to net income ratio:** Consumers consistently need to spend around 60% of their take home pay to service their debt before coming to debt counselling. More alarmingly, the debt-to-income ratio for all income bands is higher in Q3 2021 compared to same periods in the past: 116% across all income bands and 145% for those taking home R20k or more.
 - **Higher unsecured debt:** Unsecured debt levels were on average 25% higher than that in 2016 levels; for those taking home R20k or more, the unsecured debt levels were 59% higher. This is a direct result of erosion of net income (take home pay) – consumers need to supplement this erosion with unsecured credit.
- With all this said, there are some **positive news for consumers:**
 - The number of consumers successfully completing debt counselling successfully has increased by sixfold over the last five years. **Consumers who successfully completed debt counselling in Q3 2021 paid back over R300m worth of debt to their creditors as part of the debt counselling process.**
 - In **Q3 2021, 57% of new applicants were male, indicating that more men are becoming proactive about their debt.** In a society where debt is often not spoken about (especially by men), this is a welcome development.
- Also, in Q3 2021, DebtBusters won the Debt Review industry award for the **best Debt Counselling Company in the National category** – this was the **sixth win in eight years**, and we thank all our consumers, staff, and industry participants for the recognition. For more information and to find out how DebtBusters helps consumers with debt management, visit www.debtbusters.co.za.

Nature of debt is mostly stable, except a growing portion is from financed vehicles

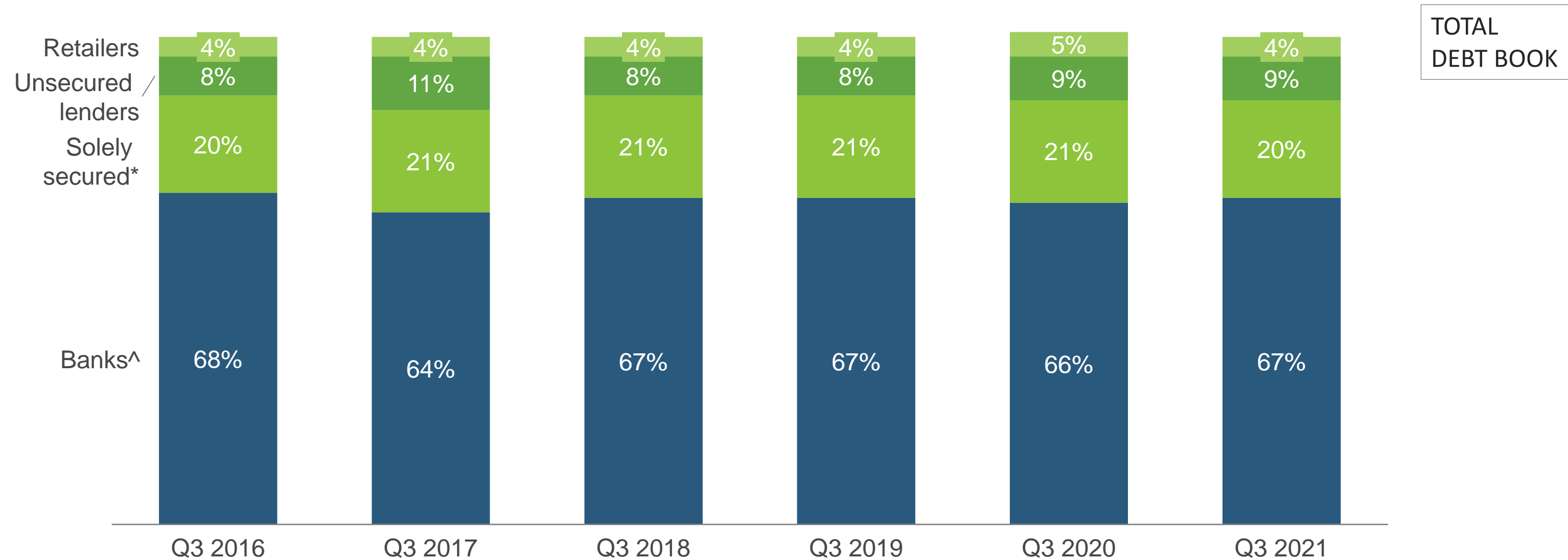
Vehicle debt has increased in the last few years, indicating that more consumers with assets (vehicles in particular) are seeking financial assistance



Breakdown of DebtBusters debt under management
Percent by type, by value at end of Quarter

Share of lending institutions is largely stable

Banks make up two thirds of debt; there is slight increase in share of unsecured debt over the past year



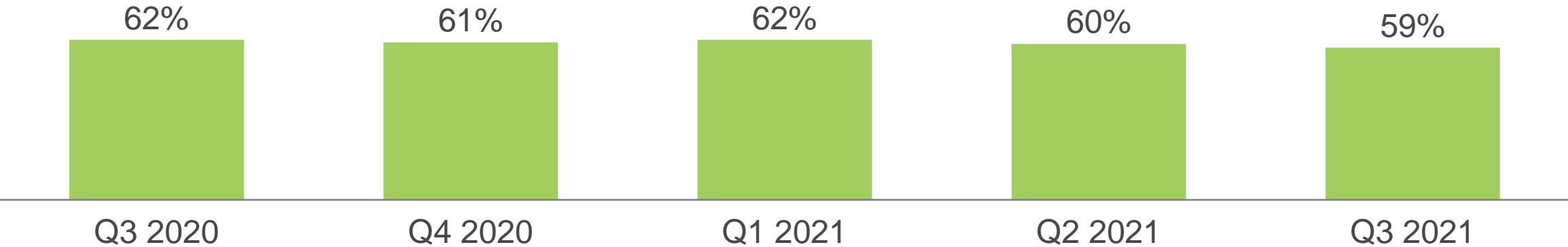
Breakdown of DebtBusters debt under management
Percent by type of lender, by value at end of Quarter

* Includes MFC, SA Homeloans, Wesbank, Mercedes and BMW, who grant secured credit only

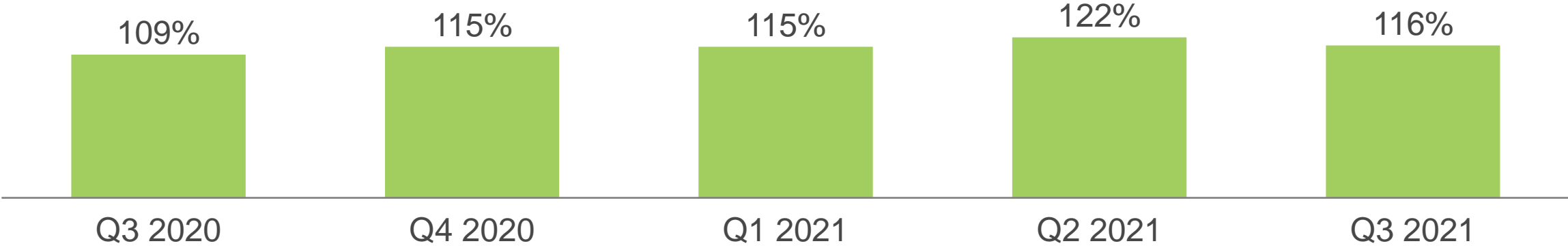
[^] Includes ABSA, African Bank, Capitec, FNB, Investec, Nedbank, Standard Bank

Compared to previous quarters, overall debt levels have remained high, where total debt to annual net income ratio is now 116% on average...

Original (median) monthly debt repayment to net income ratio has stayed steady...
Percent of net income that was required to pay debt before signing up with DebtBusters



...however, quarter-on-quarter overall debt levels increased substantially
Total debt exposure to annual net income ratio, when consumers sign up with DebtBusters

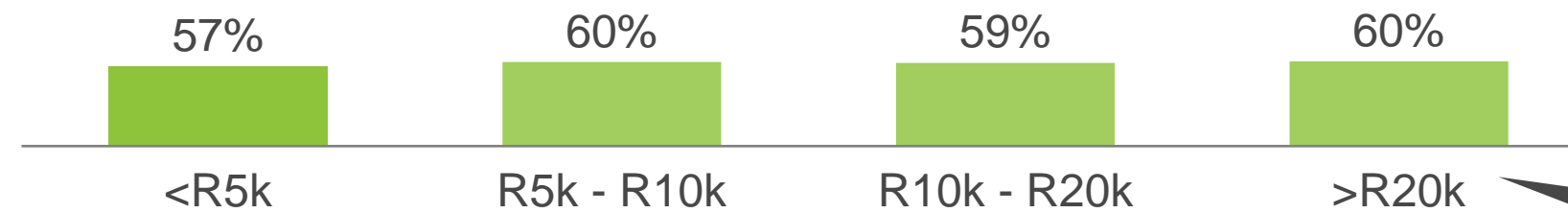
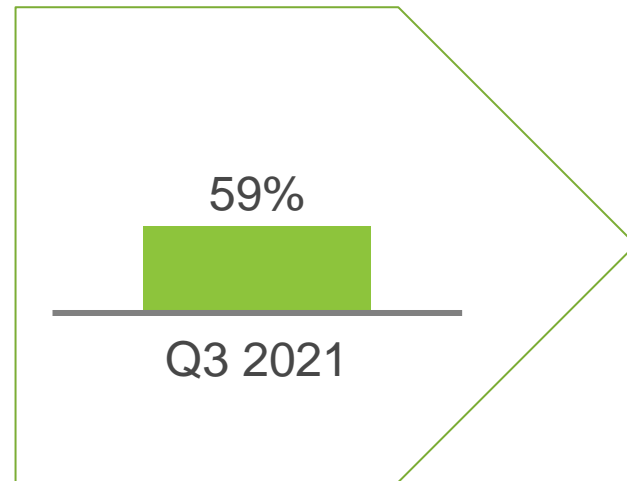


1 Median debt to net income ratio for all new consumers signed up in that quarter
Source: DebtBusters

...for those taking home more than R20k per month the total debt to annual net income ratio is 145%...

Original monthly debt repayment to net income ratio¹

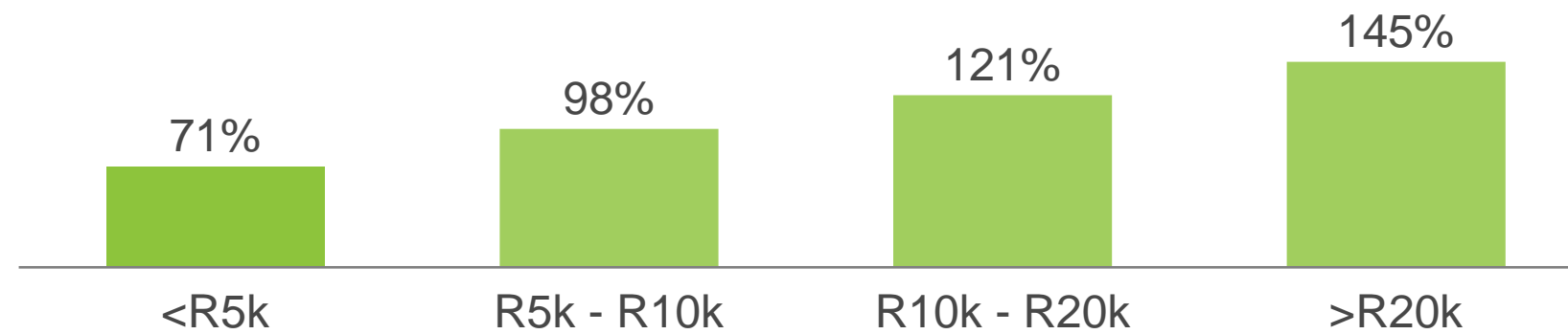
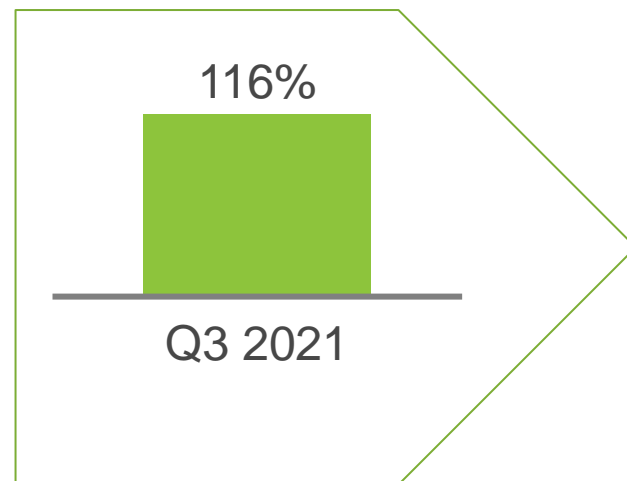
Percent of net income that was required to pay debt before signing up with DebtBusters



Highest monthly debt repayment ratio

Original overall debt to annual net income ratio¹

Debt exposure to net income ratio, when consumers sign up with DebtBusters



Highest debt to income ratio

Lowest overall debt ratio, but still require 71% of net income to pay debt per month, which means interest rates charged are highest.

¹ Debt to Income ratio is calculated by looking at the median in each quarter

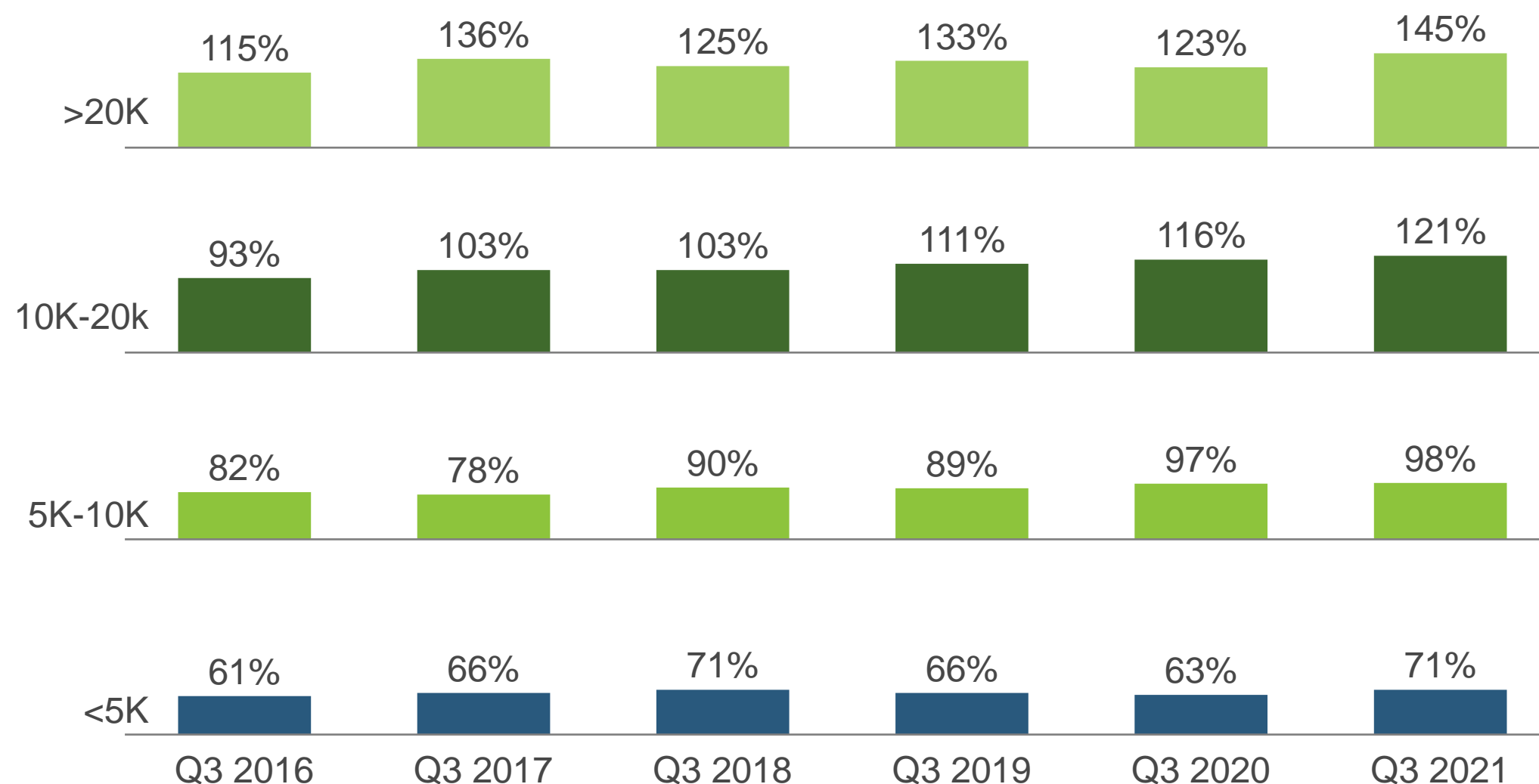
...the debt to annual net income ratio for all income bands is at its highest level ever for Q3 consumers; those taking home R20k or more have a debt-to-income ratio of 145%



Original overall debt to annual net income ratio¹

Debt exposure to net income ratio, when consumers sign up with DebtBusters

Monthly net income band (Rand)

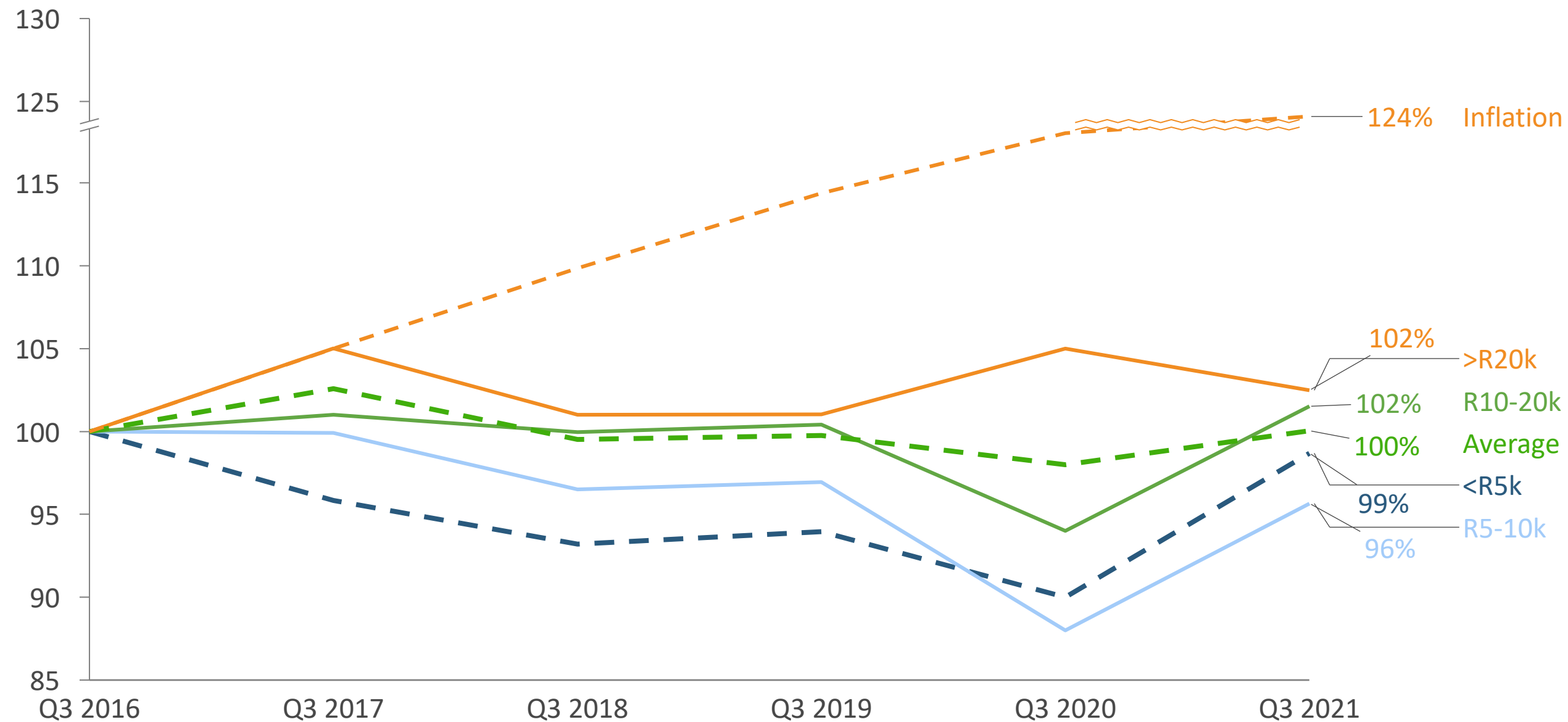


- Debt exposure worsened for all income groups compared to previous years
- Worst increases are for those taking home R10k or more – their debt to income ratio is 121% or more, which is the highest we have ever recorded for Q3 consumers

¹ Debt to Income ratio is calculated by looking at the median in each quarter

In the last five years, average net incomes were flat, meaning in real terms most South Africans had 24% less disposable income in 2021 compared to 2016...

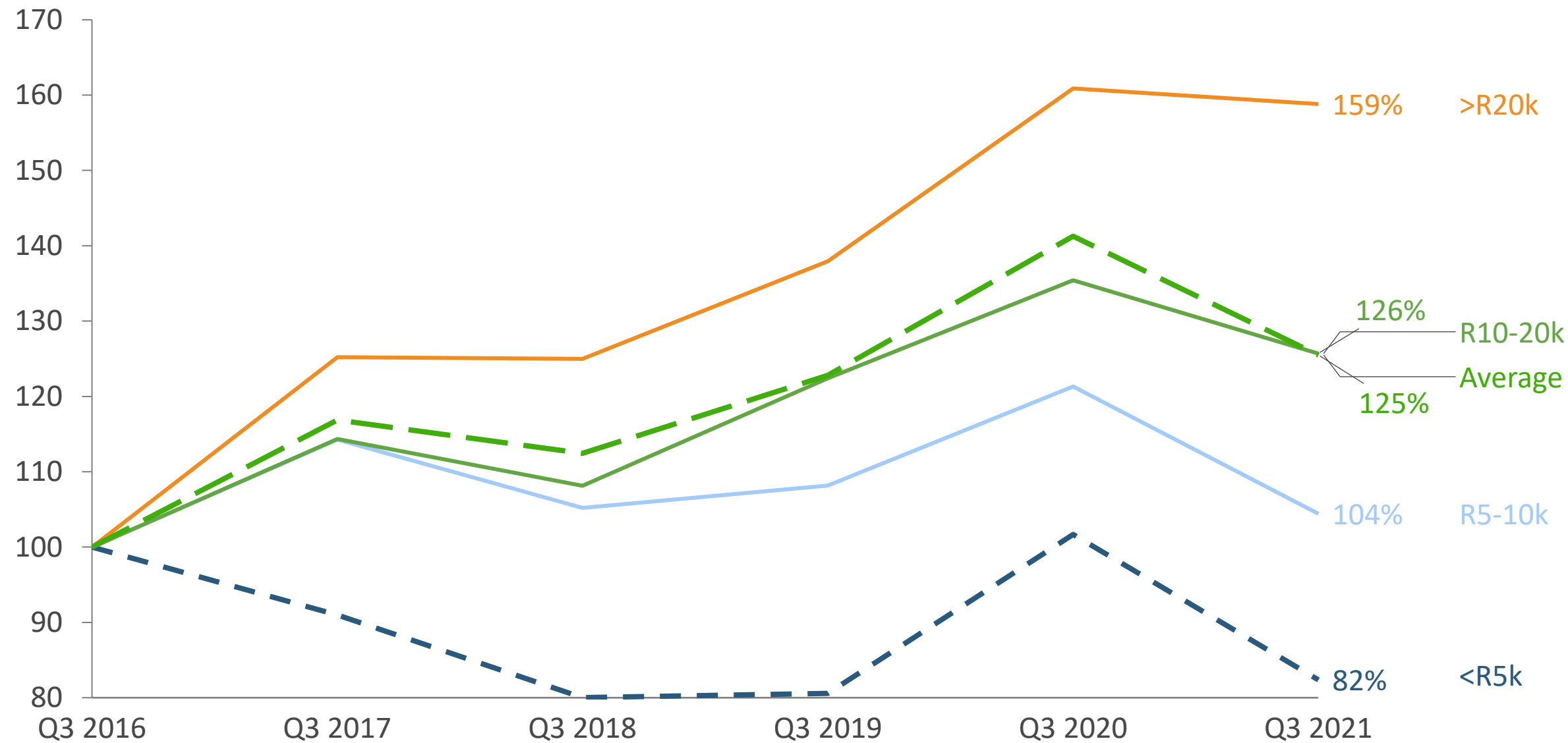
Change in net income levels per income band of consumers signed up in the quarter
Indexed to 2016 levels
2016 = 100



- On average, net incomes were flat in the last five years; during the same period inflation was 24%
- This means real incomes shrank by 24% during the past five years

...resulting in the need to supplement this income with unsecured borrowing. On average, consumers have 25% more unsecured debt in 2021 compared to 2016, those taking home R20k or more have unsecured debt levels that are 59% higher than 2016...

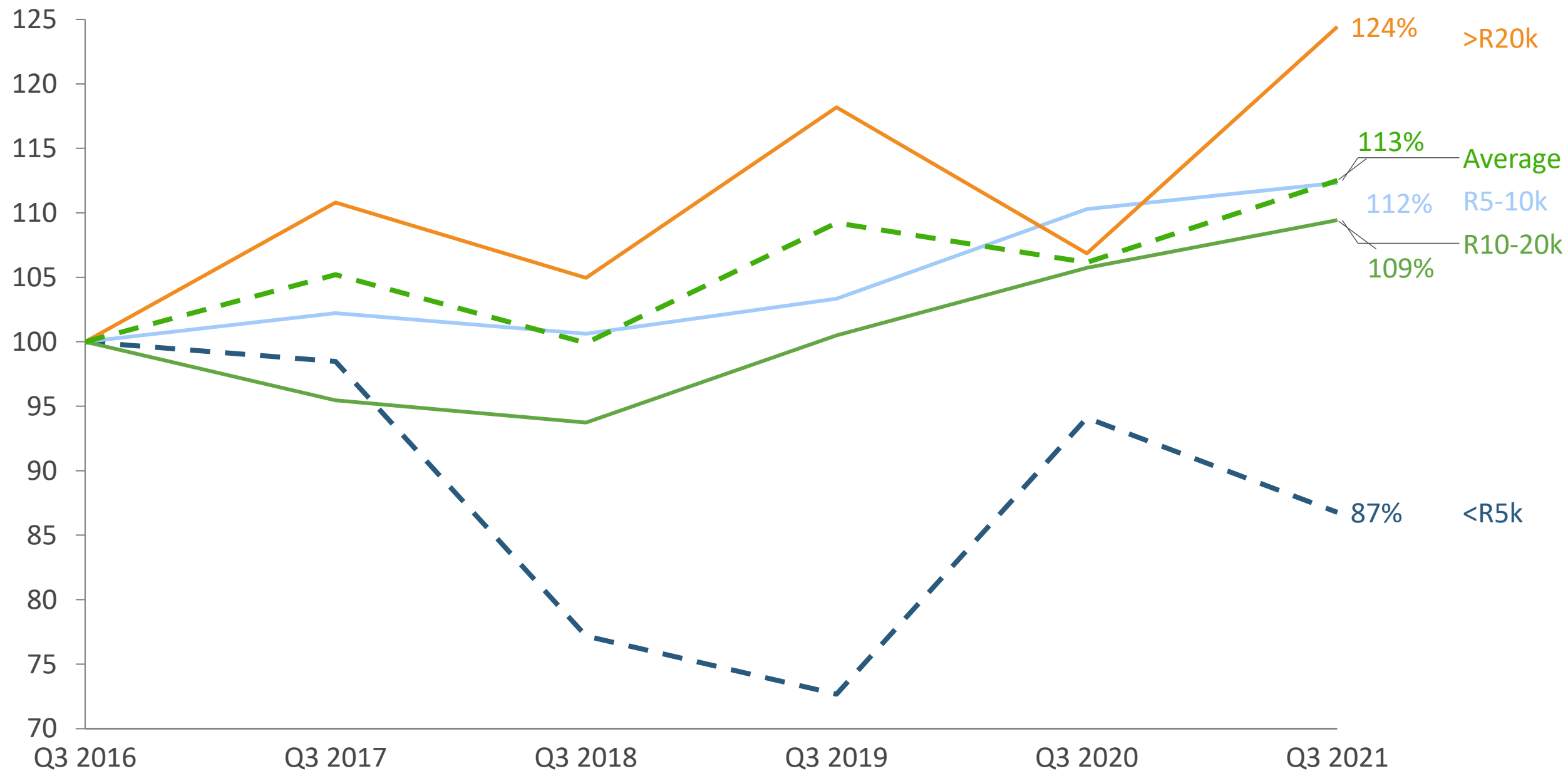
Change in unsecured debt levels per income band of consumers signed up in the quarter
Indexed to 2016 levels
2016 = 100



- Unsecured debt for the average consumer is 25% higher than 2016 levels; for top earners the figure is 59%
- This indicates consumers continue to use unsecured credit to supplement their incomes

Total debt levels (which include both secured and unsecured debt) have increased by 13% compared to Q3 2016; this increase is lower than inflation and much lower than unsecured debt growth

Change in total debt levels per income band of consumers signed up in the quarter
Indexed to 2016 levels
2016 = 100



- Compared to 2016, the total debt level increased by 13% on average
- Those taking home less than R5k have lower levels of debt, indicating that lending to this group has been significantly reduced over the last few years

The average number of credit agreements a consumer has continues to decline, indicating that consumers are seeking help faster than before....

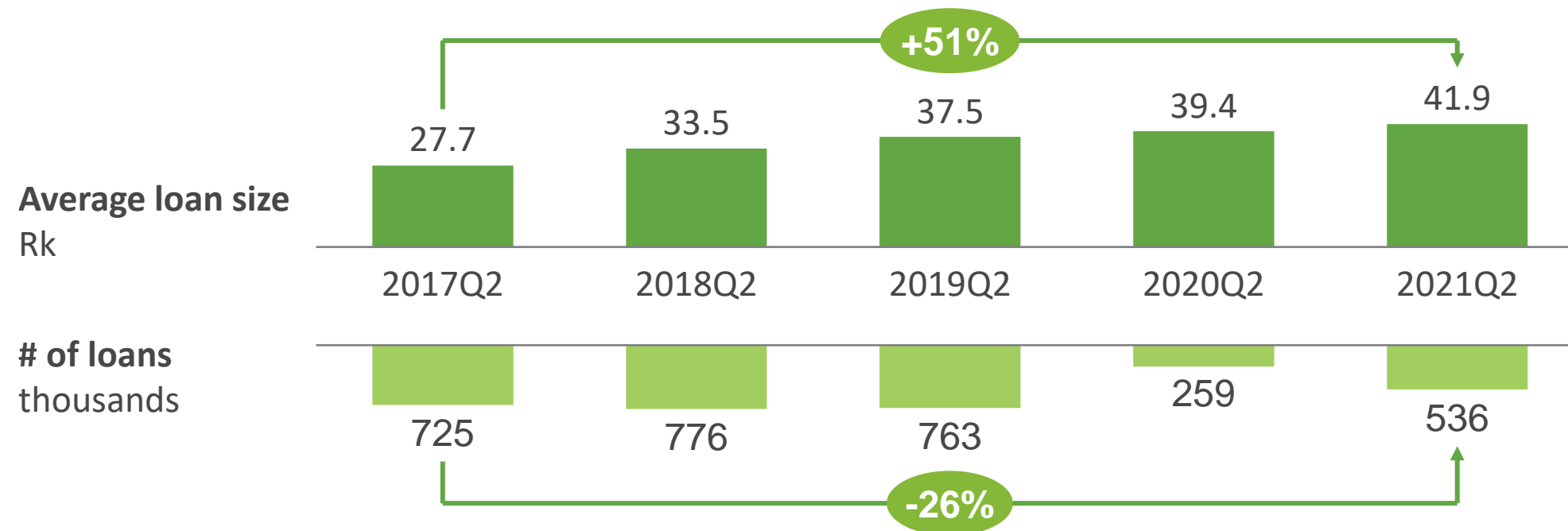


Credit agreements (open trades) per new consumer
Number, when consumers sign up with DebtBusters

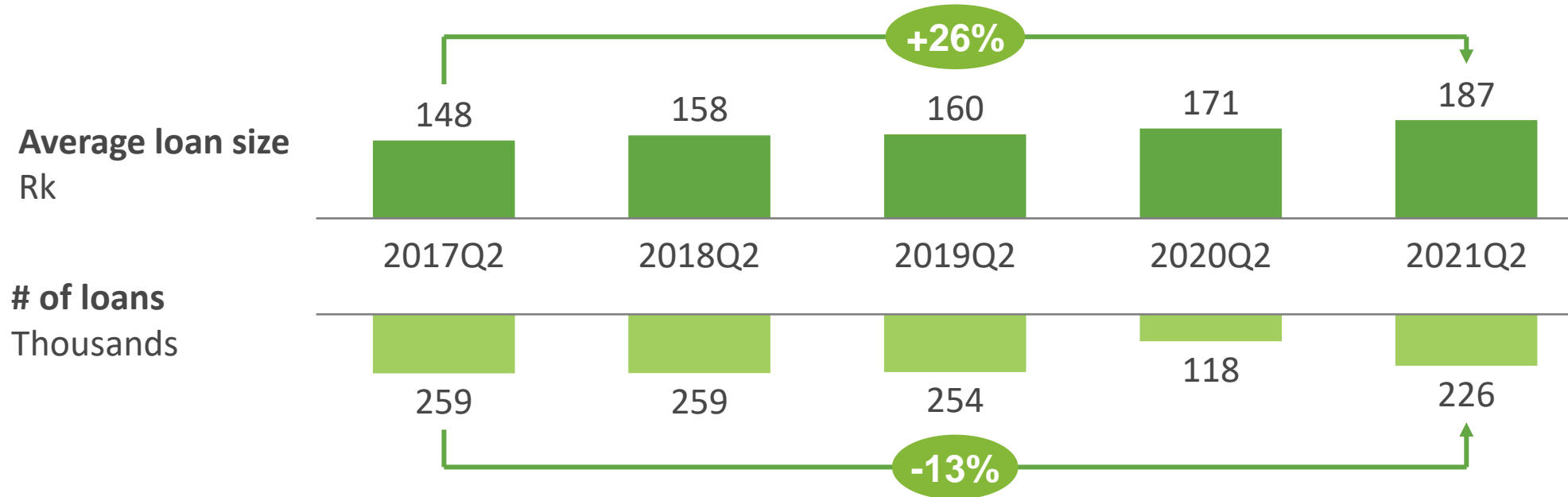


...this decrease in number of loans per consumer and growth in average debt is also supported by NCR data; average unsecured loan size grew by 51% whereas number of new unsecured loans shrank by 26% in the last four years

Unsecured loans granted, Q2 2021[^]



Secured loans granted, Q2 2021[^]



- There has been some recovery in the lending environment since lockdowns of 2020; however, volumes are not at the same levels as they were before 2020
- **Average unsecured loan size has grown by 51% in four years, whereas the number of loans has shrunk by 26%, indicating an ever-smaller pool of consumers are receiving unsecured loans**
- Secured loans have also grown in size, but by a much smaller percentage (26%) compared to unsecured loans

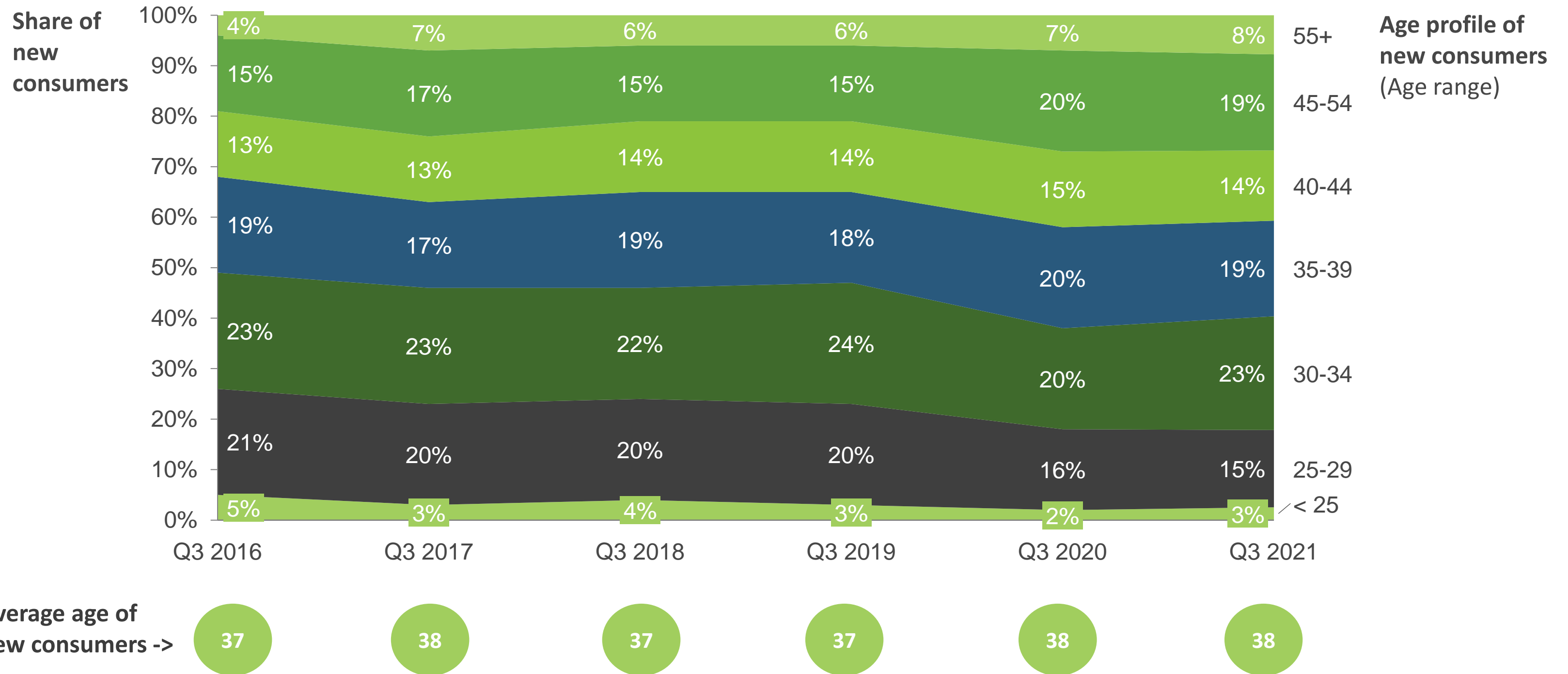
[^]: Most recent quarter available at time of publication

Source: NCR Consumer Credit Market Report Data Q2 2007 – Q2 2021

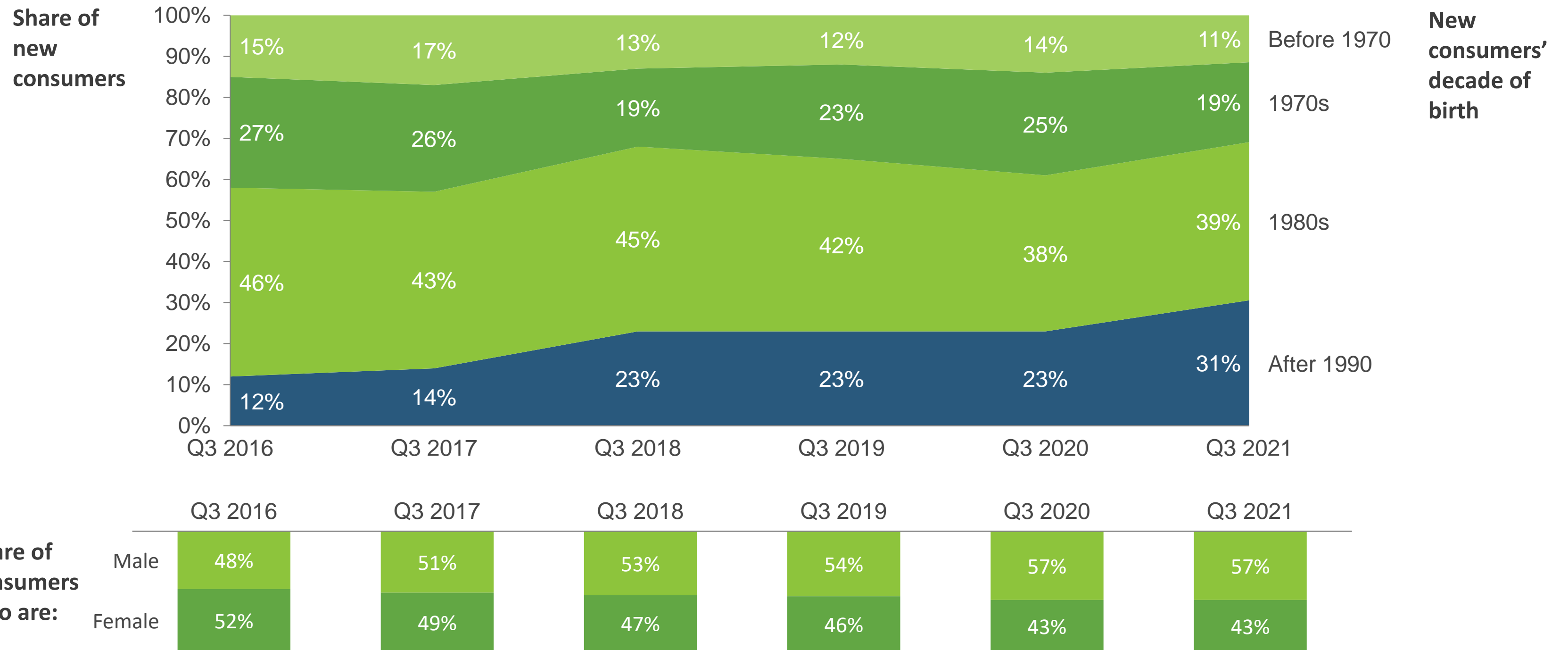
Consumer age profile indicates increasing financial stress in 45+ age group



While the average new applicant age has been consistent, the share of applicants who are 45 or older has increased from 19% to 27% over the past five years, indicating financial stress is becoming more prevalent in this age category

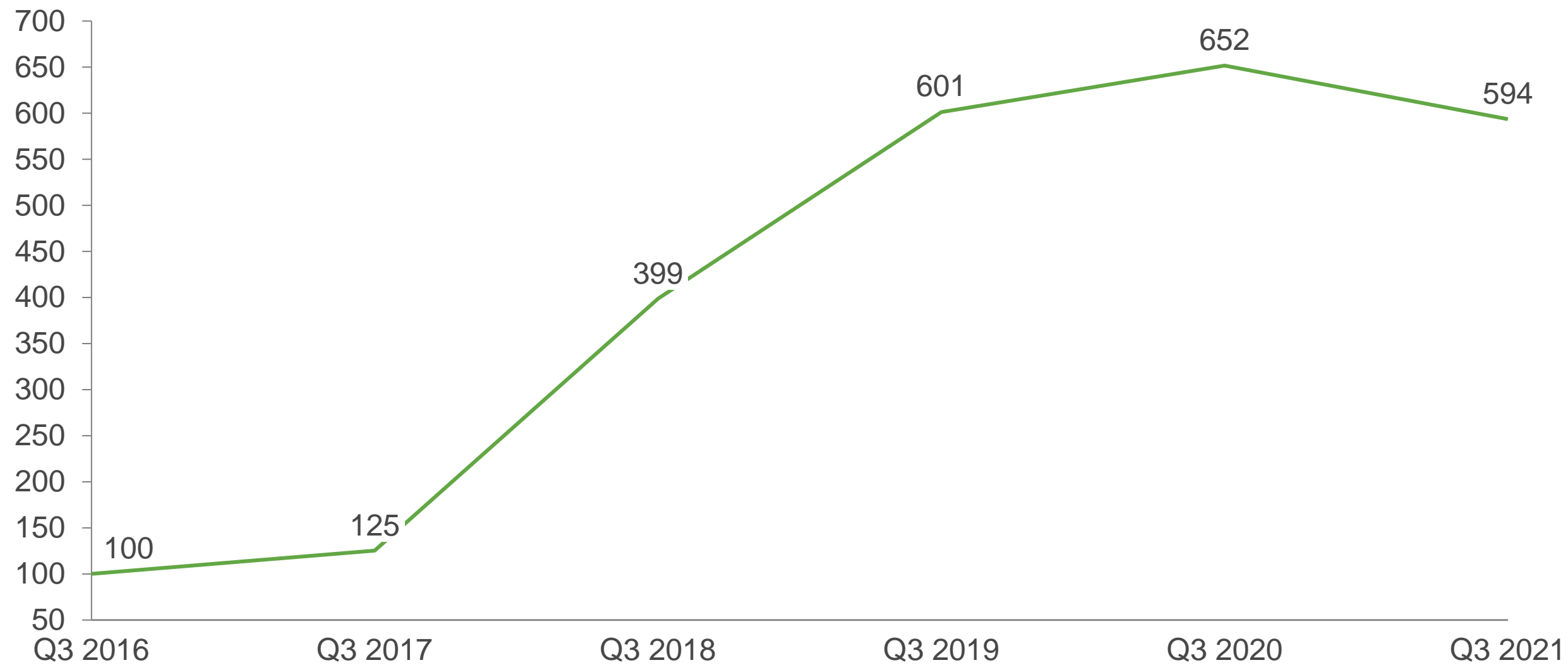


There is increasing interest from male applicants, indicating men are becoming more proactive about addressing financial distress. For the most recent quarter, 57% of applicants were male



The number of consumers graduating from debt counselling (successfully receiving their clearance certificates) has increased by six-fold since 2016; consumers who graduated in Q3 2021 paid over R300m to their creditors while under debt counselling

Clearance certificates issued
Indexed to 2016 levels
2016 = 100



- In Q3 2021, there were 6x more consumers “graduating” or getting clearance certificates compared to 2016 levels
- Consumers who received clearance certificates in most recent quarter paid over R300m to their creditors while under debt counselling

For further information, contact our Marketing Manager Amelia de Milander at:
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