



# Debt Index | Q2 2023

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# Executive Summary - Benay Sager, Head of DebtBusters

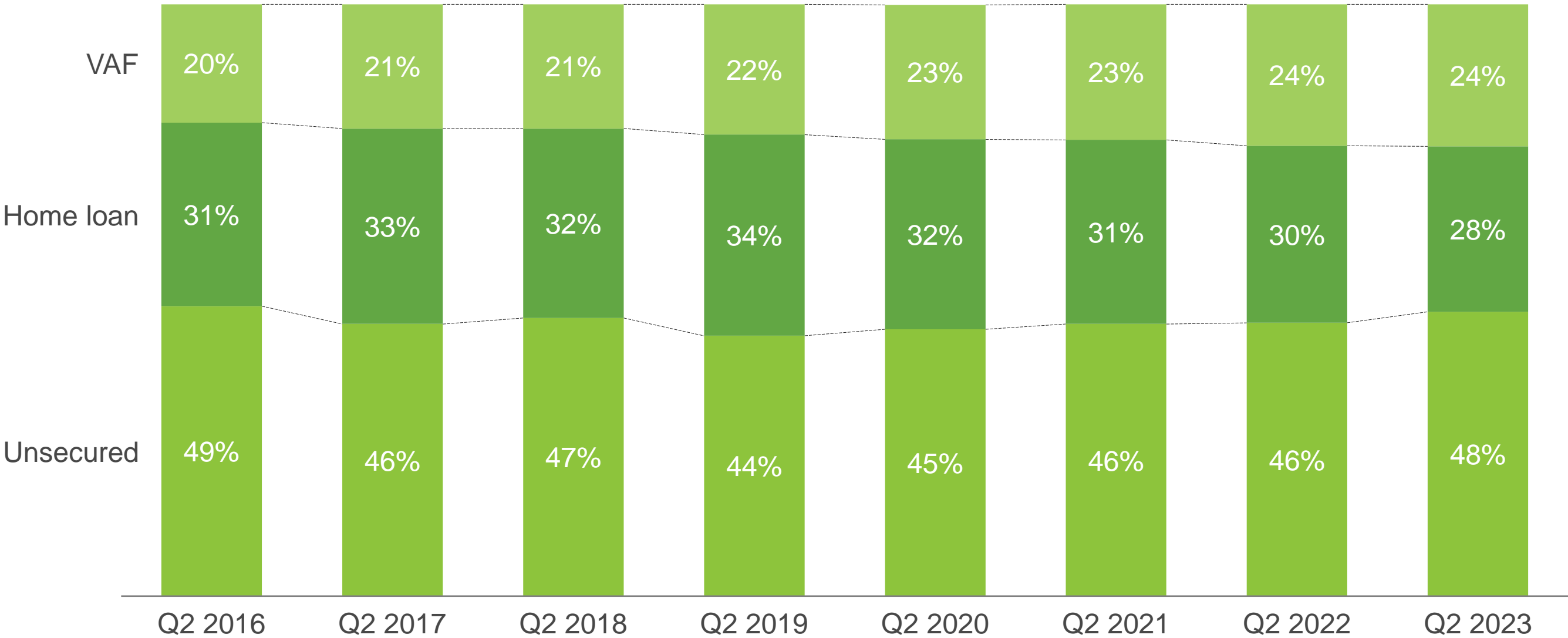


- In Q2 2023, **there was increased demand from consumers for debt management, with debt counselling inquiries up by 43% and online debt management up by 99% compared to the same period last year.** For the rest of 2023 we expect a similar trend.
- The full impact of successive interest rate increases since November 2021 and elevated levels of inflation is now fully evident in consumer finances. With interest rate increases, lending activity has increased: average loan size has increased by 78% since 2016; virtually all consumers (95%) who applied for debt counselling in Q2 2023 had a personal loan – both indicating that consumers continue to supplement their income with unsecured credit, and personal loans have become a lifeline for many. Compared to 2016, **those consumers who applied for debt counselling in Q2 2023 had:**
  - **38% less purchasing power:** Nominal incomes were 1% higher than 2016 levels, however when cumulative inflation growth of 39% is factored in for the same seven-year period, consumers' purchasing power diminished by 38% over this period. This means consumers are feeling like they are taking home 38% less today in real terms than they did in 2016. In fact, when one considers petrol price almost doubled and electricity has increased by ~90% over the same period, consumers feel like they are taking home far less than they did previously.
  - **Higher debt service burden with 66% of net incomes going towards paying debt:** Consumers need to spend around 66% of their take home pay to service their debt before coming to debt counselling; this ratio seems to be the highest for lowest and highest income earner: those taking home R5k or less & those taking home R35k or more p.m. need to use 71% of their income towards debt repayments. The debt-to-income ratio for top two income bands is higher in Q2 2023 compared to same periods in the past: 150% for those taking home more than R20k p.m. and 189% for those taking home R35k or more p.m. These ratios are at all time high levels.
  - **Unsustainably high levels of unsecured debt:** Unsecured debt levels were on average 26% higher than that in 2016 levels. While this ratio is lower than some recent quarters, for those taking home R20k or more, the unsecured debt levels were 39% higher. This is a direct result of erosion of net income (take home pay): consumers need to supplement this erosion with unsecured credit.
- As interest rates started to increase in November 2021, consumers started to feel the increasing burden of servicing asset-linked debt: average interest rate for a bond went from 8.3% in Q4 2020 to 12.2% in Q2 2023, and more asset debt has been restructured as part of debt counselling during this period. **Debt counselling is the best tool to help consumers:**
  - Unsecured debt interest rates can be reduced by over 90% while under debt counselling from an **average of 24.8% to ~1.9%, allowing consumers to pay back expensive debt quicker.**
  - The number of consumers successfully completing debt counselling successfully has increased by over seven times since 2016. **Consumers who successfully completed debt counselling in Q2 2023 paid back over R450m worth of debt to their creditors as part of the debt counselling process.**
- During the same period, we observed increasing levels of interest from consumers for **online debt management on [www.debtbusters.co.za](http://www.debtbusters.co.za).** New (free) subscriber base increased by 99% over the past year. Younger consumers generally have less debt burden and have been taking advantage of online debt management tools to help manage their debt more pro-actively. These consumers are keen to learn how best to manage their debt using proprietary tools such as Debt Radar and recognise that if addressed early in their professional career, management of debt can become part of daily life.
- For more information and to find out how DebtBusters helps consumers with debt management, visit our website.

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

Share of vehicle debt has increased in the last few years, indicating that more consumers with financed vehicles are seeking financial assistance

TOTAL  
DEBT BOOK



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

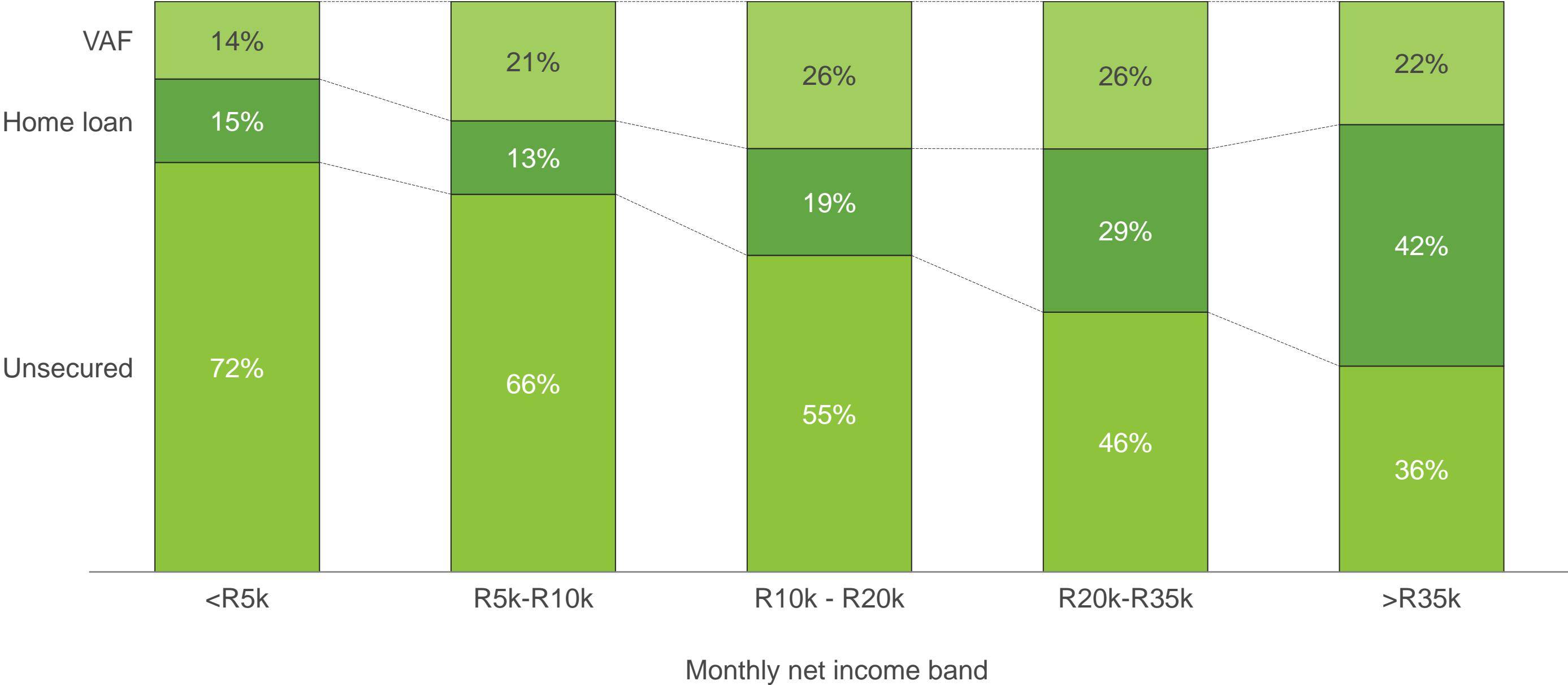
VAF refers to vehicle finance agreements.

Unsecured debt refers to all debt other than vehicle finance and bonds. Therefore it includes credit card debt, overdraft facilities, personal loans, retail cards, store cards and the like.

# Nature of debt varies for each income group; perhaps predictably higher income earners having a larger proportion of secured debt

**Breakdown of DebtBusters debt under management  
At end of Q2 2023**

TOTAL  
DEBT BOOK



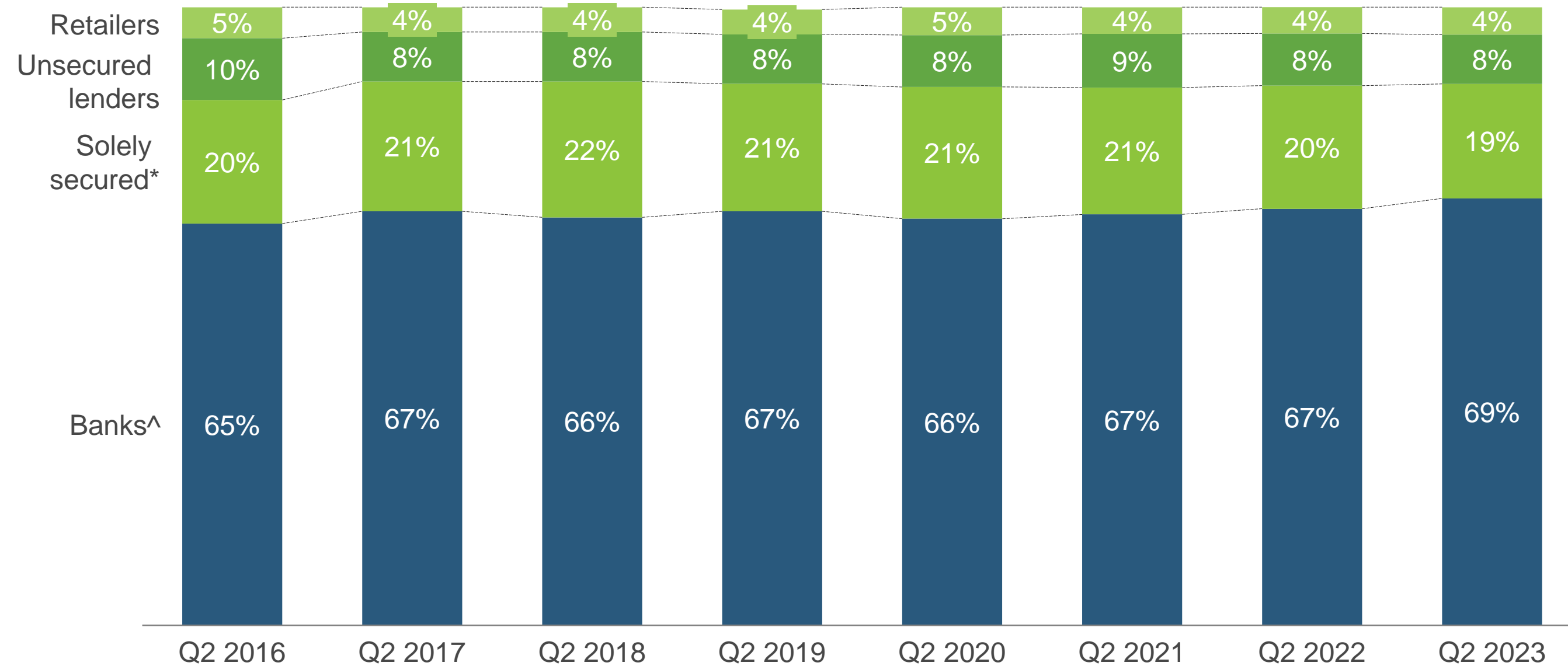
Share of debt that is asset-based increases to 55% for those taking home R20k-R35k; for those taking home R35k or more the share of debt that is asset-based goes up to 64%

**VAF** refers to vehicle finance agreements.  
**Unsecured** debt refers to all debt other than vehicle finance and bonds. Therefore it includes credit card debt, overdraft facilities, personal loans, retail cards, store cards and the like.

# Share of lending institutions is largely stable

Banks make up two thirds of debt; there is slight decrease in share of unsecured-only lenders over the past year

TOTAL DEBT BOOK



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

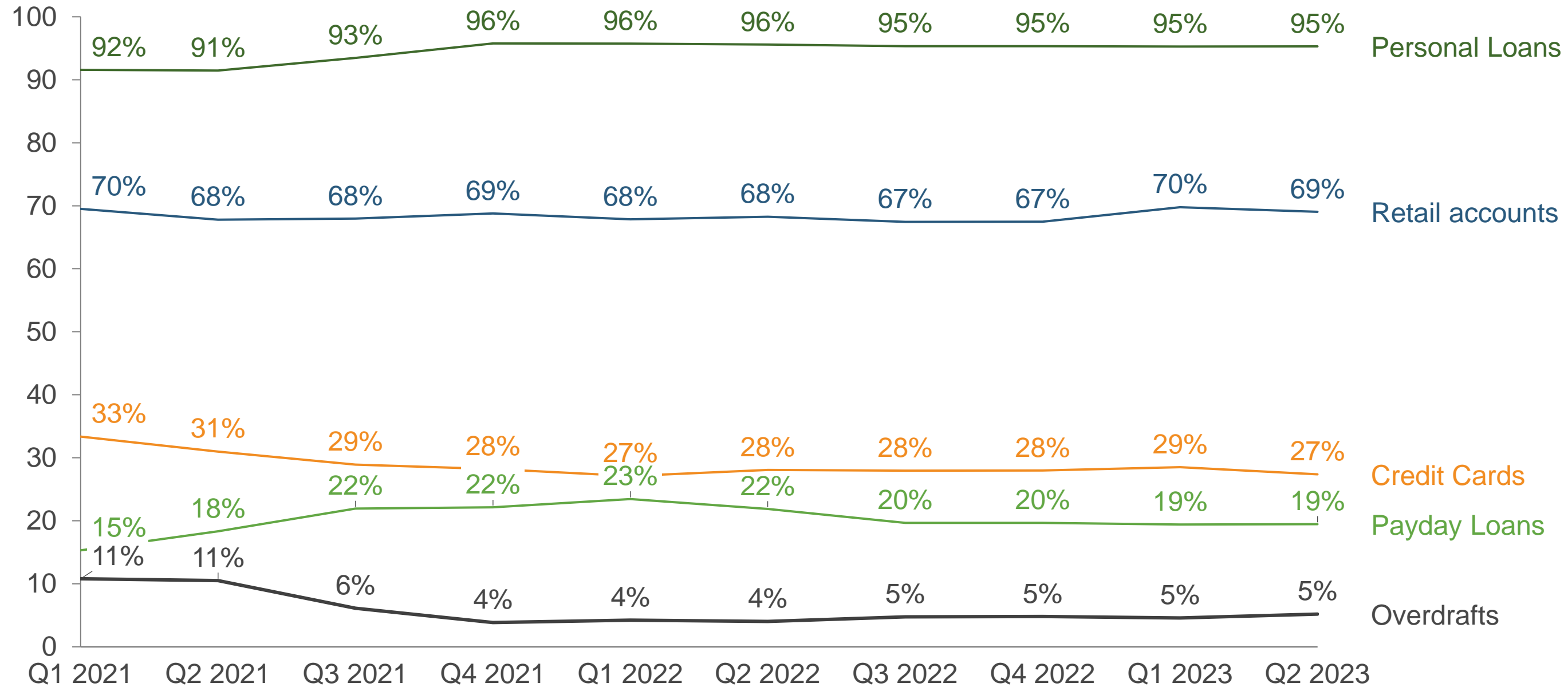
\* Includes MFC, SA Homeloans, Wesbank, Mercedes and BMW Finance who grant secured credit only (some of these institutions are linked to the banks)

<sup>^</sup> Includes ABSA, African Bank, Capitec, FNB, Investec, Nedbank, Standard Bank

# Looking more closely at unsecured debt... 95% of new applicants have a personal loan (at the time they apply for debt counselling) & 19% come with a payday loan, indicating consumers continue to supplement their incomes with loans



Share of new applicants with...



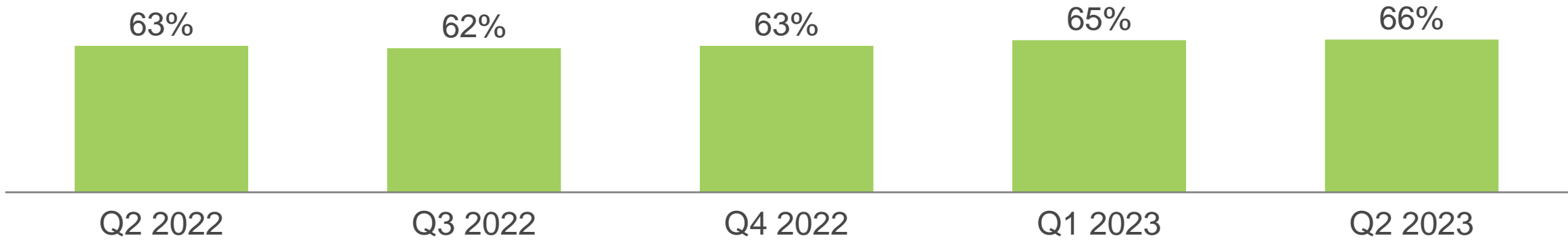
- 95% of new applicants have a personal loan at time of application for debt counselling
- ~19% have a payday loan
- It appears loans are back in favour in line with increases in repo rate which started in November 2021

**Payday loans** refers to short-term unsecured loans  
**Retail** refers to clothing accounts, store cards, furniture accounts and similar  
**Credit Cards** refers to revolving credit facilities excluding those linked to stores or retail

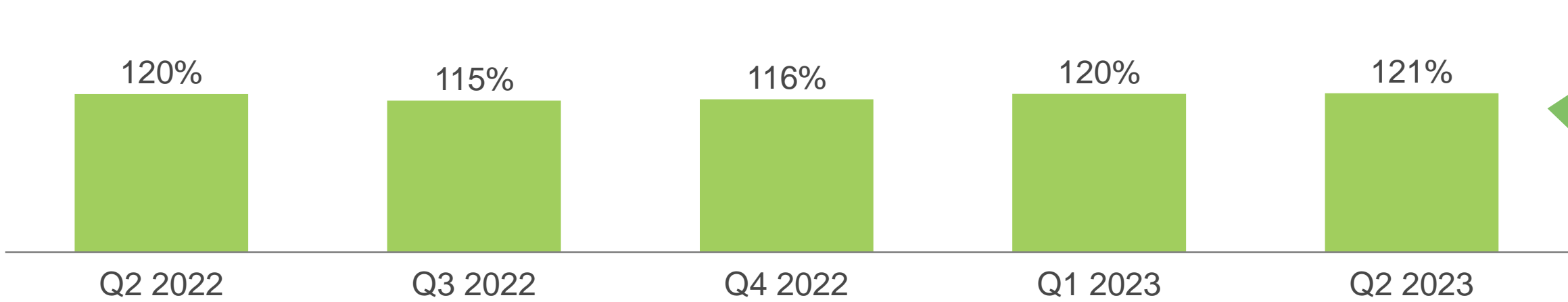
# Compared to previous quarters, overall debt levels have remained high, where total debt to annual net income ratio is now 121% on average...



**Original (median) monthly debt repayment to net income ratio<sup>1</sup> has stayed steady...**  
 Percent of net income that was required to pay debt before signing up with DebtBusters



**...quarter-on-quarter overall debt levels also stayed at elevated levels**  
 Total debt exposure to annual net income ratio, when consumers sign up with DebtBusters



Comparable figure for other select countries (from OECD):

Russia 37%	Brazil 45%
Italy 90%	Germany 102%
USA 101%	UK 148%
Korea 206%	Australia 211%

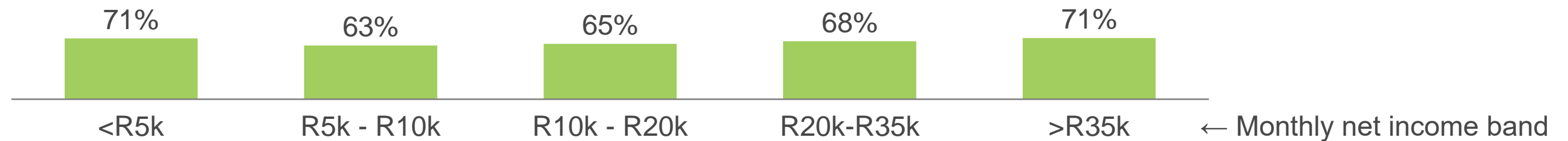
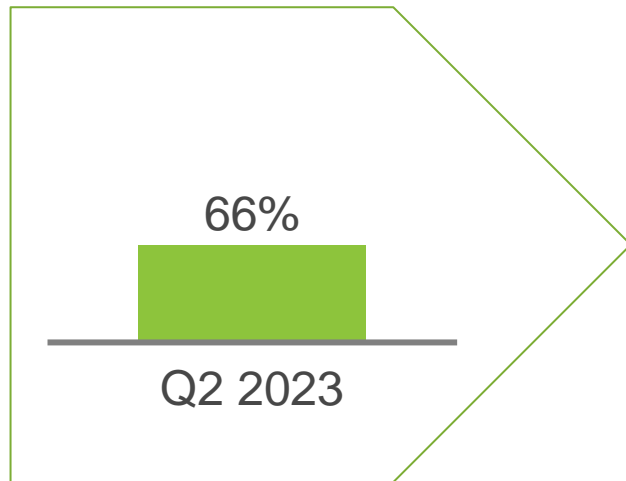
In many countries, debt is mostly mortgage debt at very low interest rates

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

# ...for those taking home more than R35k per month the total debt to annual net income ratio is 189% and they need 71% of their take home pay to service their debt repayments...

## Original monthly debt repayment to net income ratio<sup>1</sup>

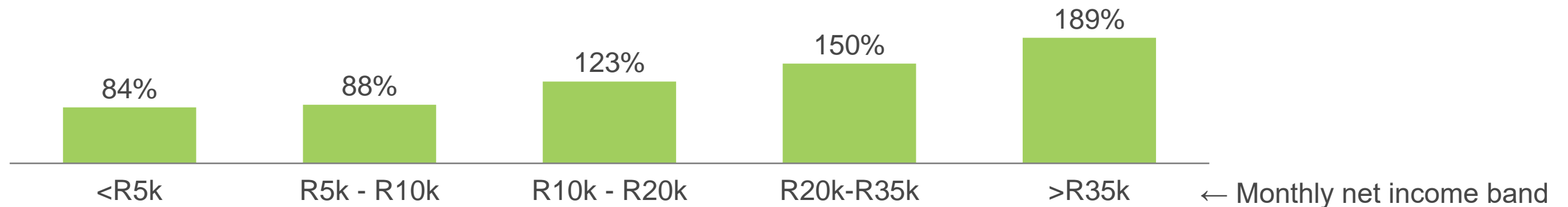
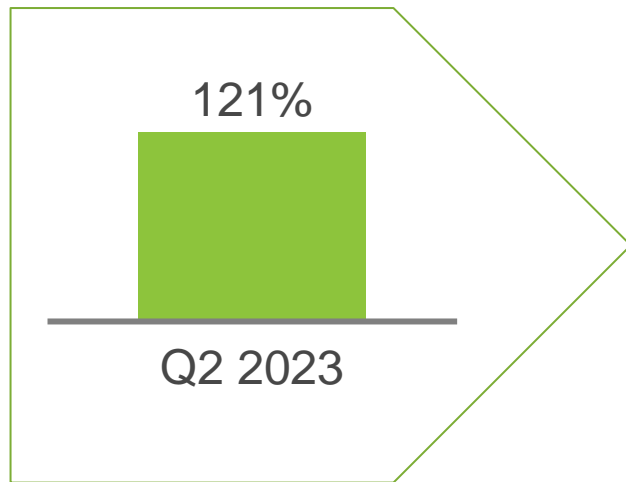
Percent of net income that was required to pay debt before signing up with DebtBusters



Highest monthly debt repayment ratio

## Original overall debt to annual net income ratio<sup>1</sup>

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



Lowest overall debt ratio at 84%, but still require 71% of net income to pay debt each month, which means interest rates charged are highest.

Highest debt to income ratio

<sup>1</sup> Debt to Income ratio is calculated by looking at the median in each quarter



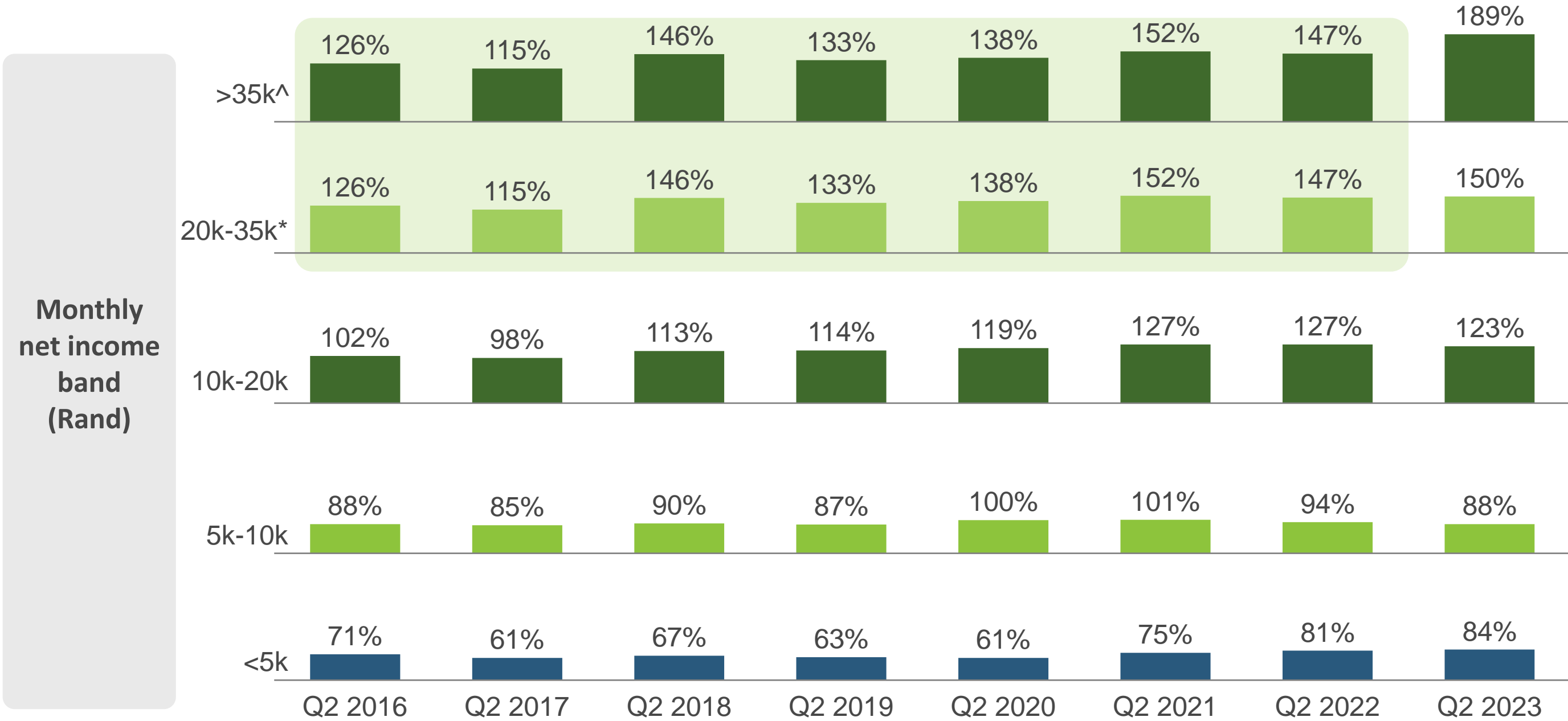
# ...the debt to annual net income ratio for most income bands is near its highest level ever; those taking home R35k or more have a debt-to-income ratio of 189%



Ratios are the same for this period because these two income groups were tracked together until 2023

## Original overall debt to annual net income ratio<sup>1</sup>

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



- Debt exposure worsened significantly for top two income groups in the last few years, which are the some of the highest levels recorded
- Worst debt exposure is for those taking home R35k or more: their debt-to-income ratio now sits at 189%, due to high exposure to bonds

<sup>1</sup> Debt to Income ratio is calculated by looking at the median in each quarter

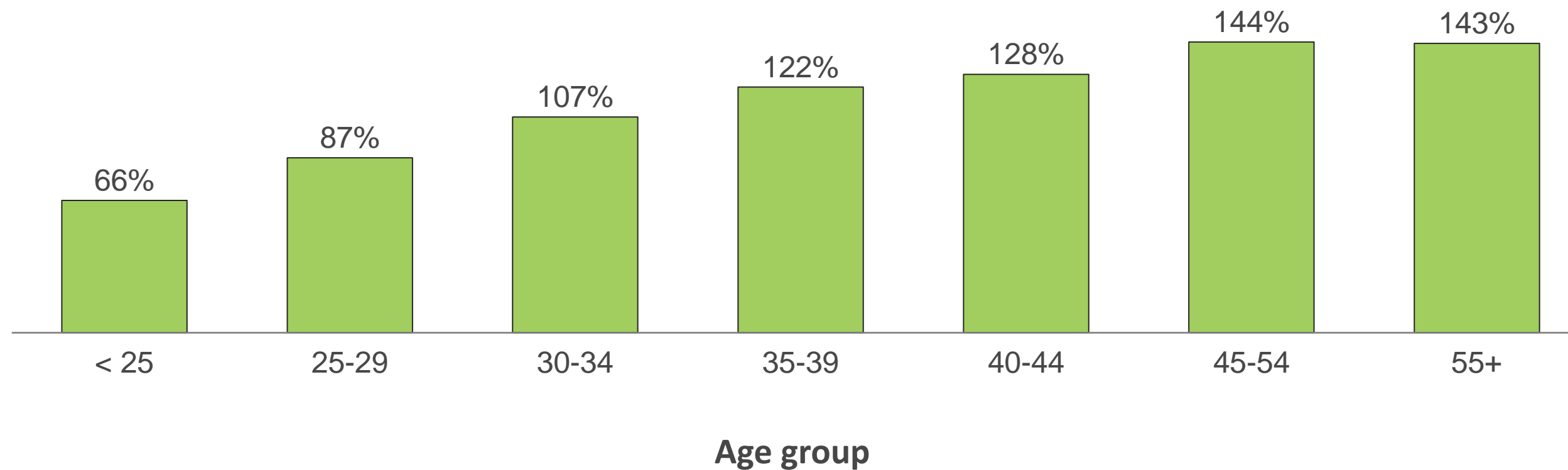
<sup>^</sup> New income band reported from Q1 2023 (Split from a broader group of >R20k); previously was part of the >20k income band. Previous quarters' ratios are attributed to this group as well as R20k-35k income band

<sup>\*</sup> New income band reported from Q1 2023 (Split from a broader group of >R20k); previously was part of the >20k income band. Previous quarters' ratios are attributed to this group as well as >R35k income band

# Debt-to-income ratio varies with age group; indicating there is an opportunity for younger consumers to address their debt earlier in their professional lives

**Original overall debt to annual net income ratio<sup>1</sup>**

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

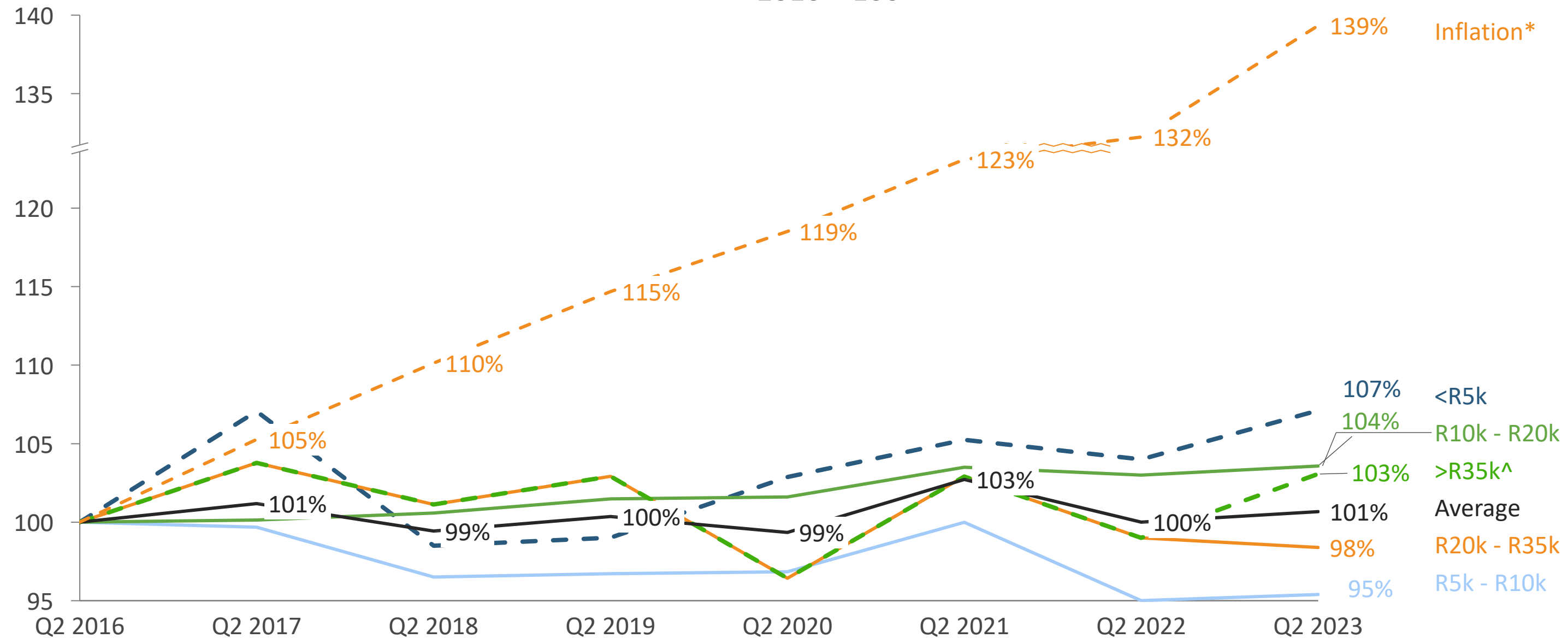


<sup>1</sup> Debt to Income ratio is calculated by looking at the median for each age group; for most recently completed quarter

In the last seven years, average net incomes (take home pay) increased by 1% while inflation went up by 39%. This means that in real terms most South Africans had 38% less disposable income in 2023 compared to 2016 due mainly to the impact of high inflation...



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 increased by ~1% in the last seven years; during the same period compounded increase in inflation was 39%
- This means disposable incomes shrank by almost 38% during the past seven years

Source: DebtBusters

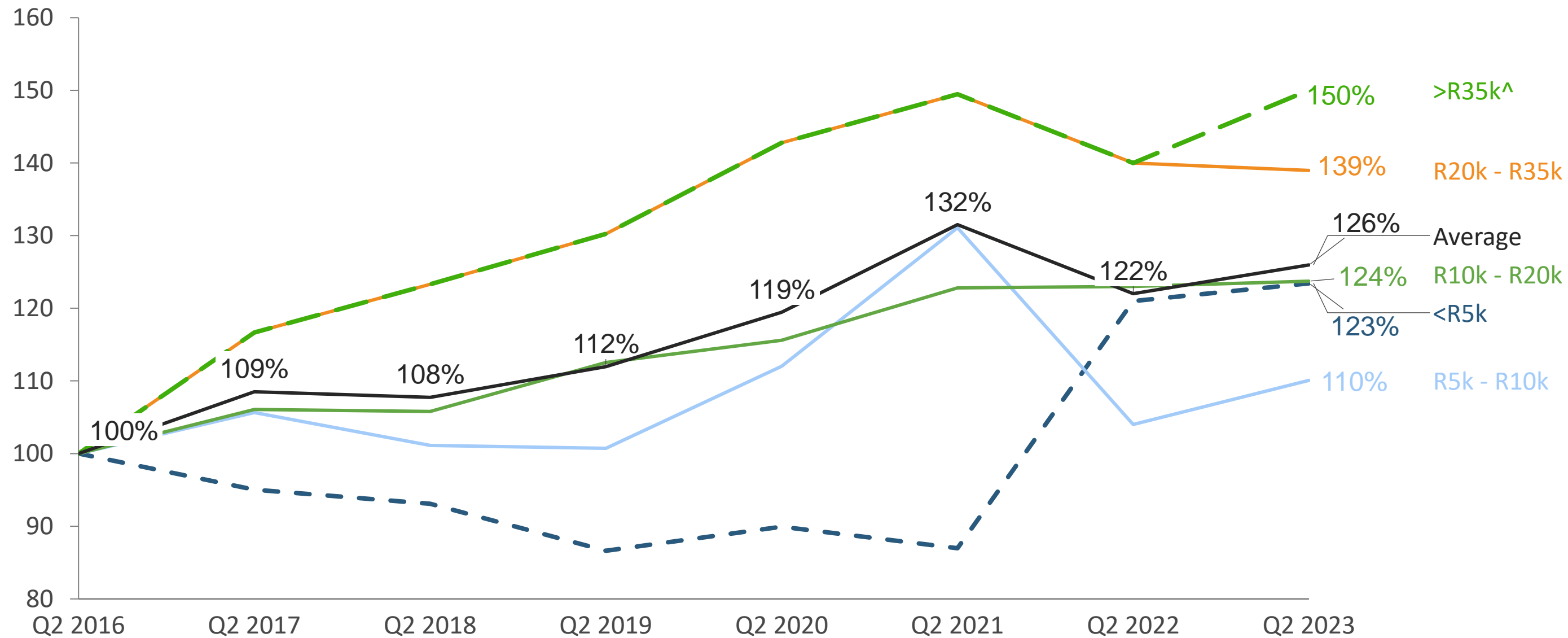
• Source: Stats SA CPI history

<sup>^</sup> New income band reported from Q1 2023; previously was part of the >20k income band

...resulting in the need to supplement this income with unsecured borrowing. On average, consumers have 26% more unsecured debt in 2023 compared to 2016, those taking home R35k or more have unsecured debt levels that are 50% higher than 2016



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



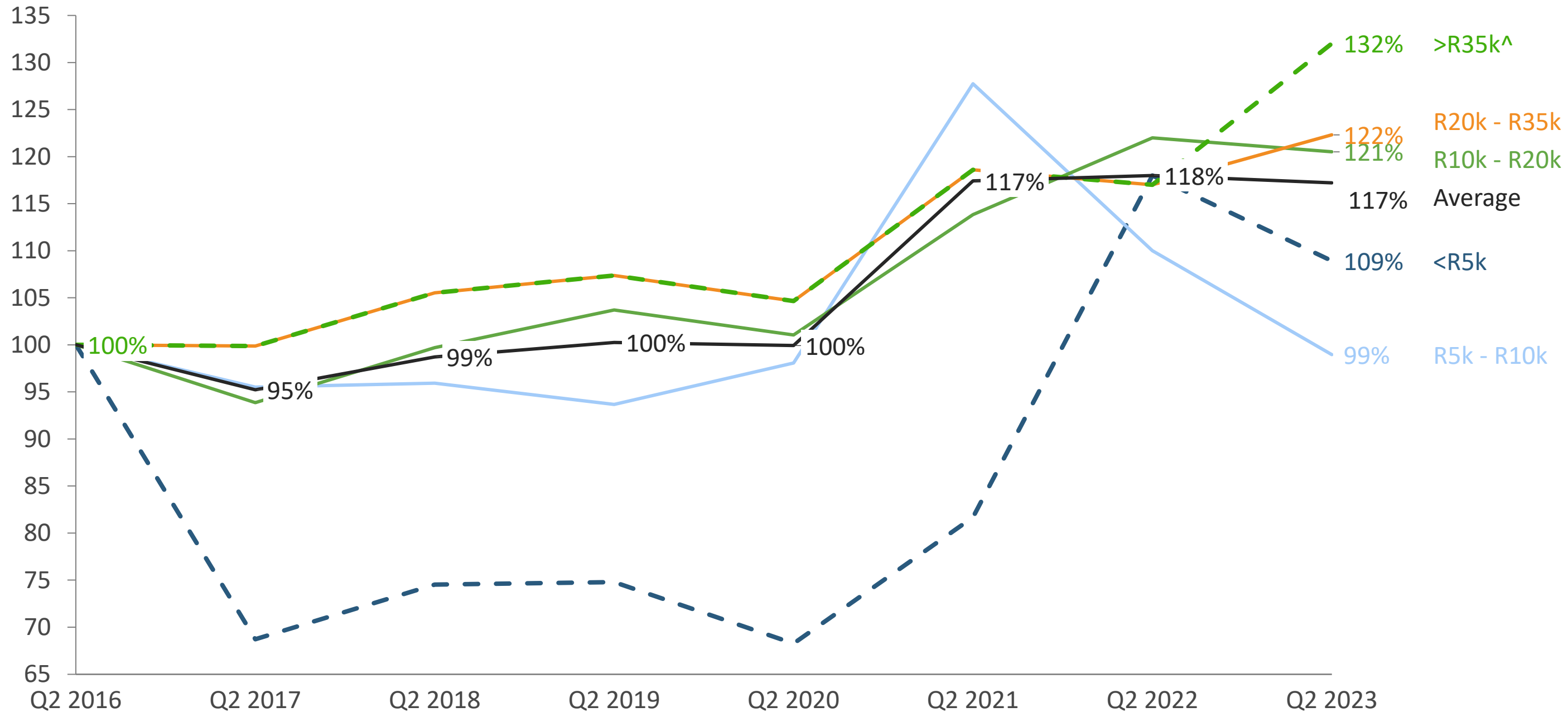
- Unsecured debt for the average consumer is 26% higher than 2016 levels; for top earners the figure is 50%
- This indicates consumers continue to use unsecured credit to supplement their incomes and the situation has worsened significantly due to high inflation and interest rates

Source: DebtBusters

<sup>^</sup> New income band reported from Q1 2023; previously was part of the >20k income band

**Total debt levels (which include both secured and unsecured debt) have increased by 17% compared to 2016; this increase is lower than both inflation and unsecured debt growth. It confirms the view that unsecured debt is used as a lifeline for many income groups to supplement their incomes**

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



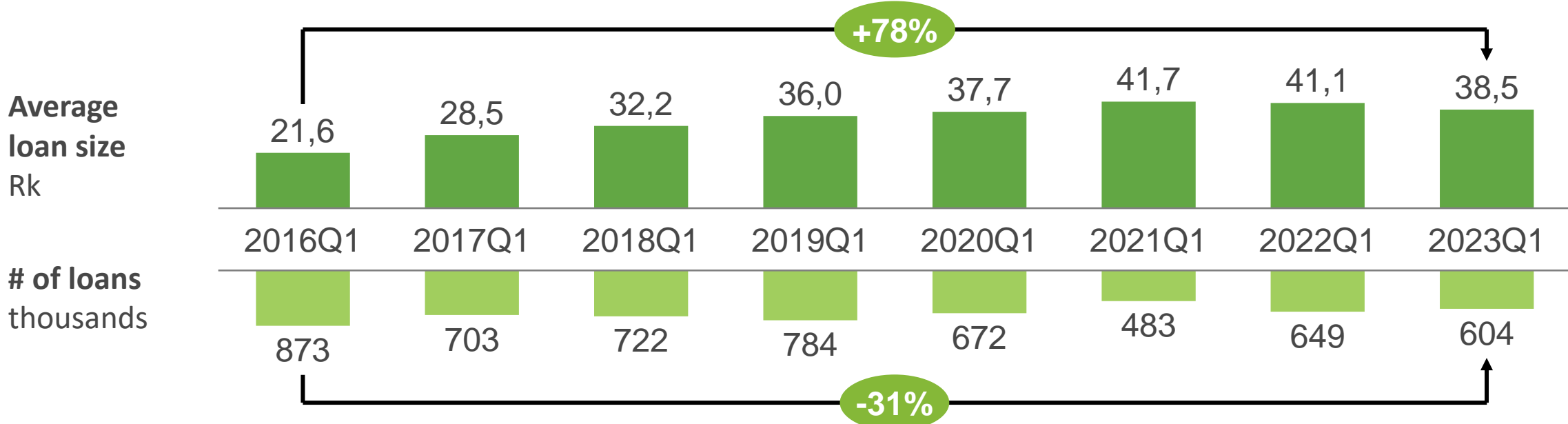
- Compared to 2016, the total debt level increased by 17% on average
- Those taking home more than R35k had 32% increase in overall debt levels since 2016

Source: DebtBusters

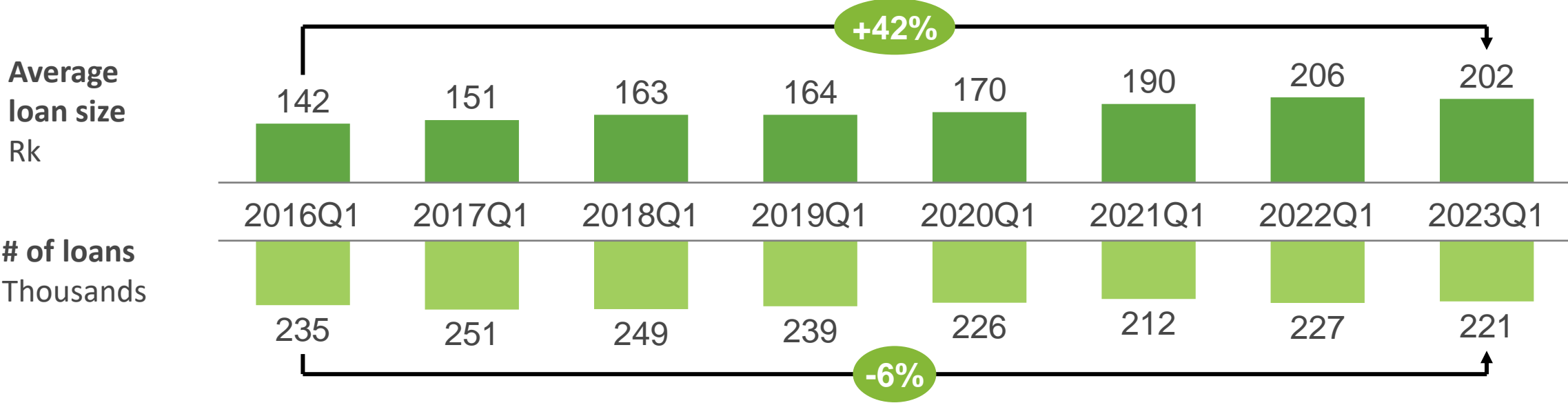
^ New income band reported from Q1 2023; previously was part of the >20k income band

Since 2016, average unsecured loan size increased by 78% whereas the volume of new unsecured loans declined by 31%. This means larger loans are being granted to a smaller number of consumers, highlighting that risk is being concentrated on an ever-smaller group of consumers.

Unsecured loans granted<sup>^</sup>



Secured loans granted<sup>^</sup>



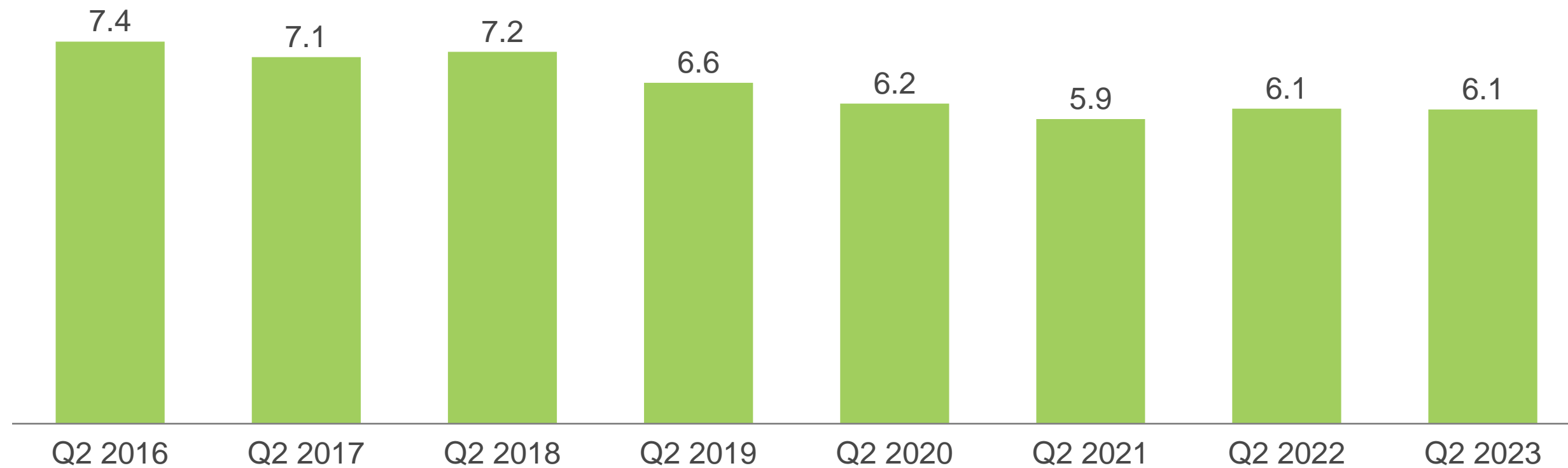
- The the total amount of secured credit granted now exceeds 2019 levels, with the total amount of unsecured still lower.
- Since 2020, average unsecured loan size remained consistent, but the number of new unsecured loans are still not back to pre-pandemic levels.
- For secured loans, in contrast, the number of loans have remained the same while the average amount has increased.

<sup>^</sup>: Q1 2023 was the most recent quarter available at time of publication

Source: NCR Consumer Credit Market Report Data Q4 2007 – Q1 2023

The average number of credit agreements (open trades) a consumer has continues to be at historical low levels. When factoring in debt levels, this indicates consumers have more debt per credit agreement and are seeking help faster than before.

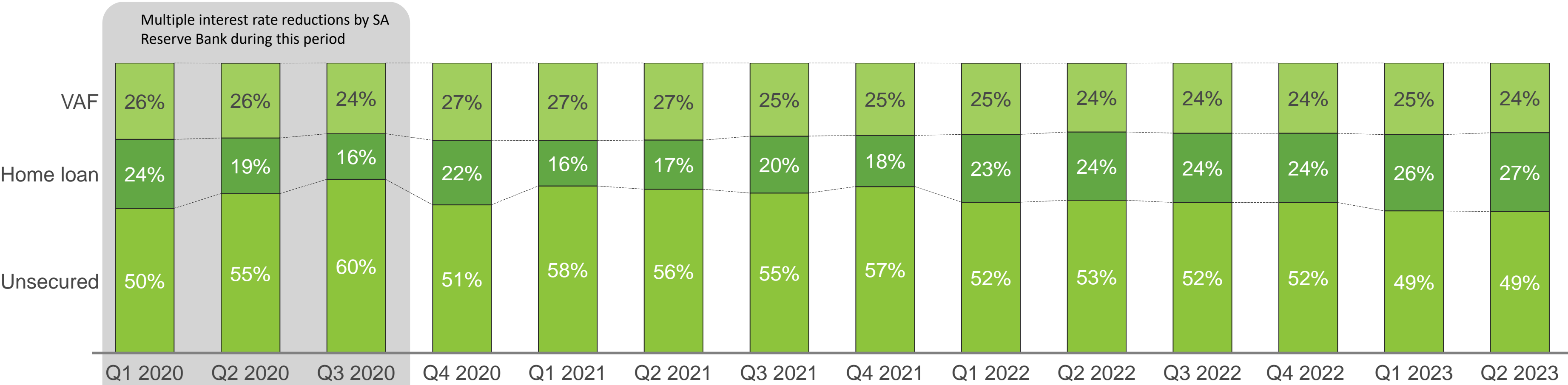
Credit agreements (open trades) per new consumer  
Number, when consumers sign up with DebtBusters



# The debt mix for new applicants has shifted over the last few years driven by change in interest rates. Since early 2022, the share of home loan debt has increased and now makes up 27% of new applicants' debt – highest recorded in last several years



Breakdown of new applicants' debt  
Percent by type



- Interest rate reduction combined with bank payment holidays in first three quarters of 2020 resulted in dip in asset debt share
- With interest rates increasing from Q4 2021, we have seen an increase in the home loan share from Q1 2022 onwards

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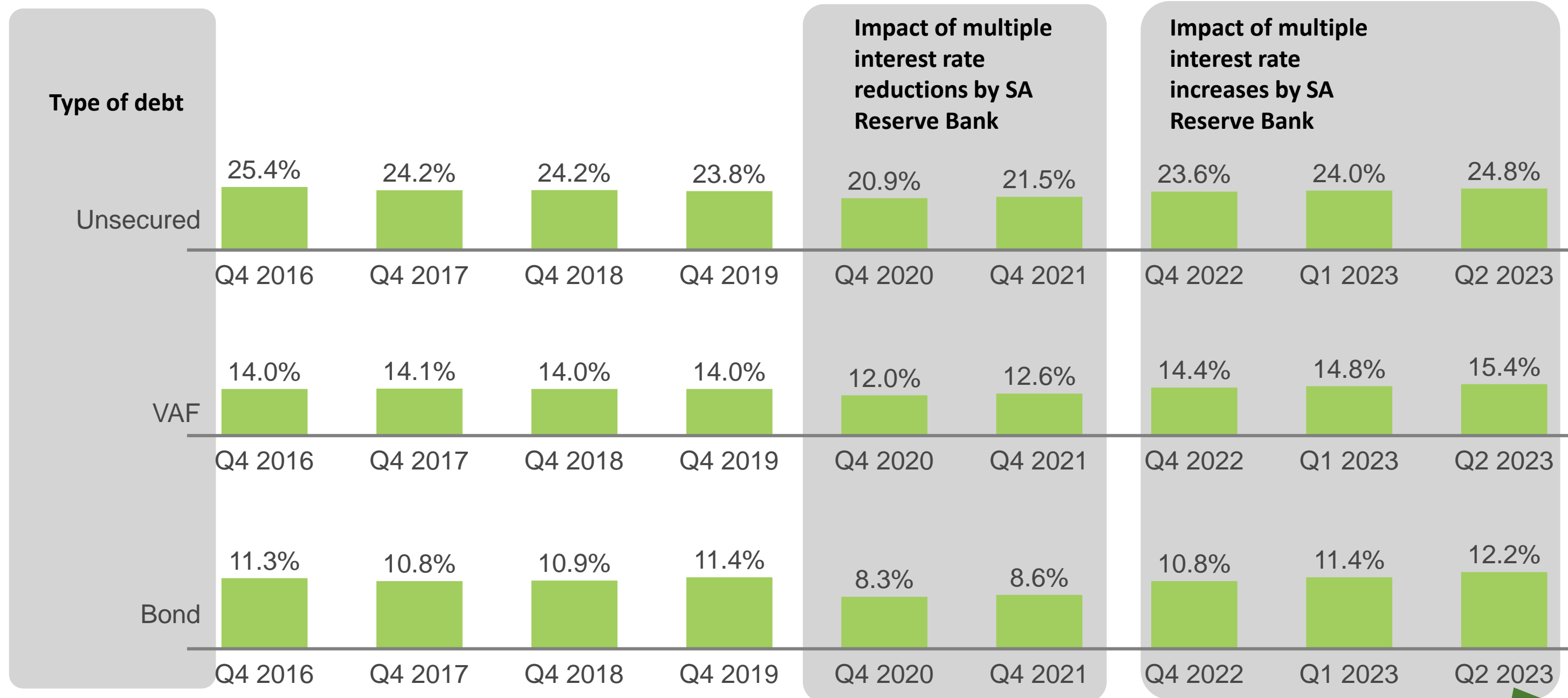


# Most consumers with assets had benefited from successive interest rate reductions by the SA Reserve Bank in 2020. Since 2022, we saw the reverse: successive interest rate increases resulted in higher average interest rate of new applicants, which we expect to continue in 2023.



## Average interest rate for new applicants (before debt counselling)

Percent, per annum



- Bonds very sensitive to changes in interest rates – big swing from 2020 to 2023
- Unsecured debt interest rates have been increasing as well – almost back at 2018 levels
- Unsecured debt interest rate has big impact on what percent of incomes are needed to service debt

Max allowed at end of quarter:

- Unsecured: 29.25% p.a.
- VAF: 25.25% p.a.
- Bond: 20.25% p.a.

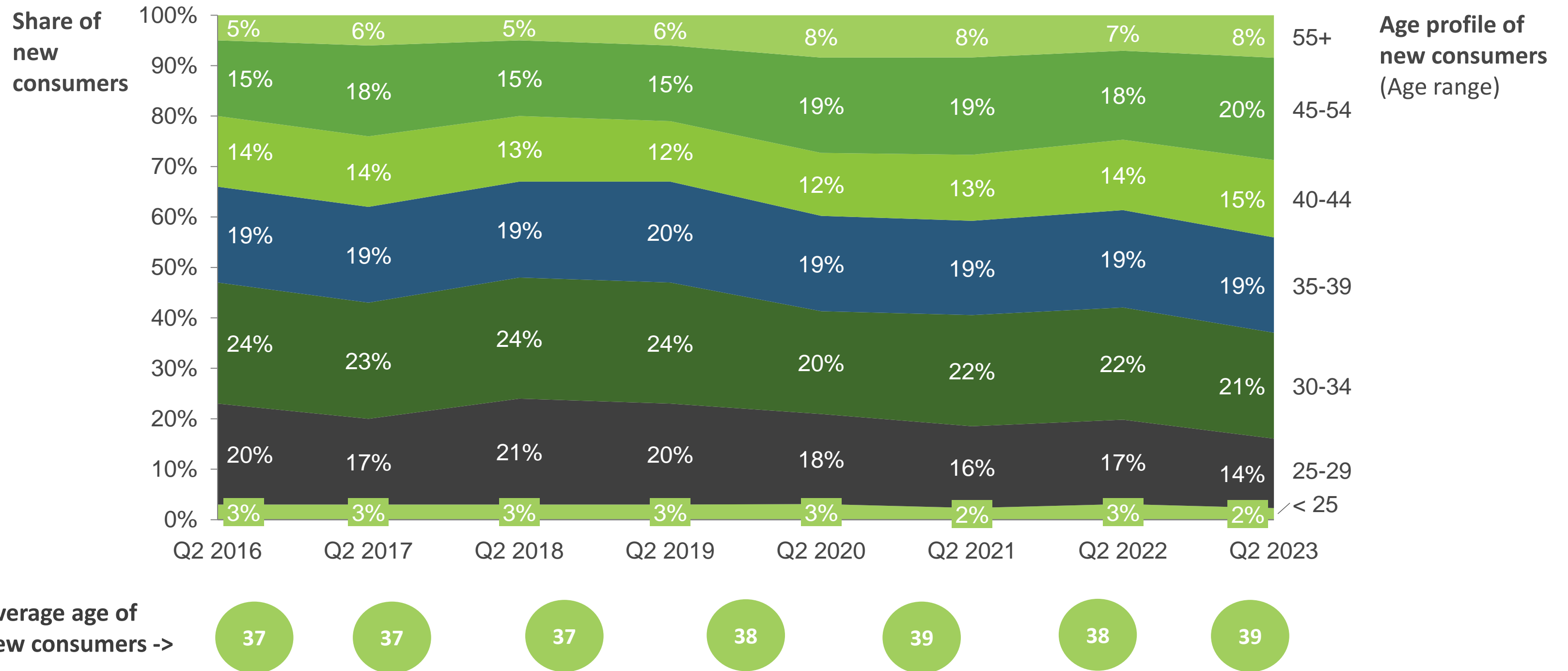
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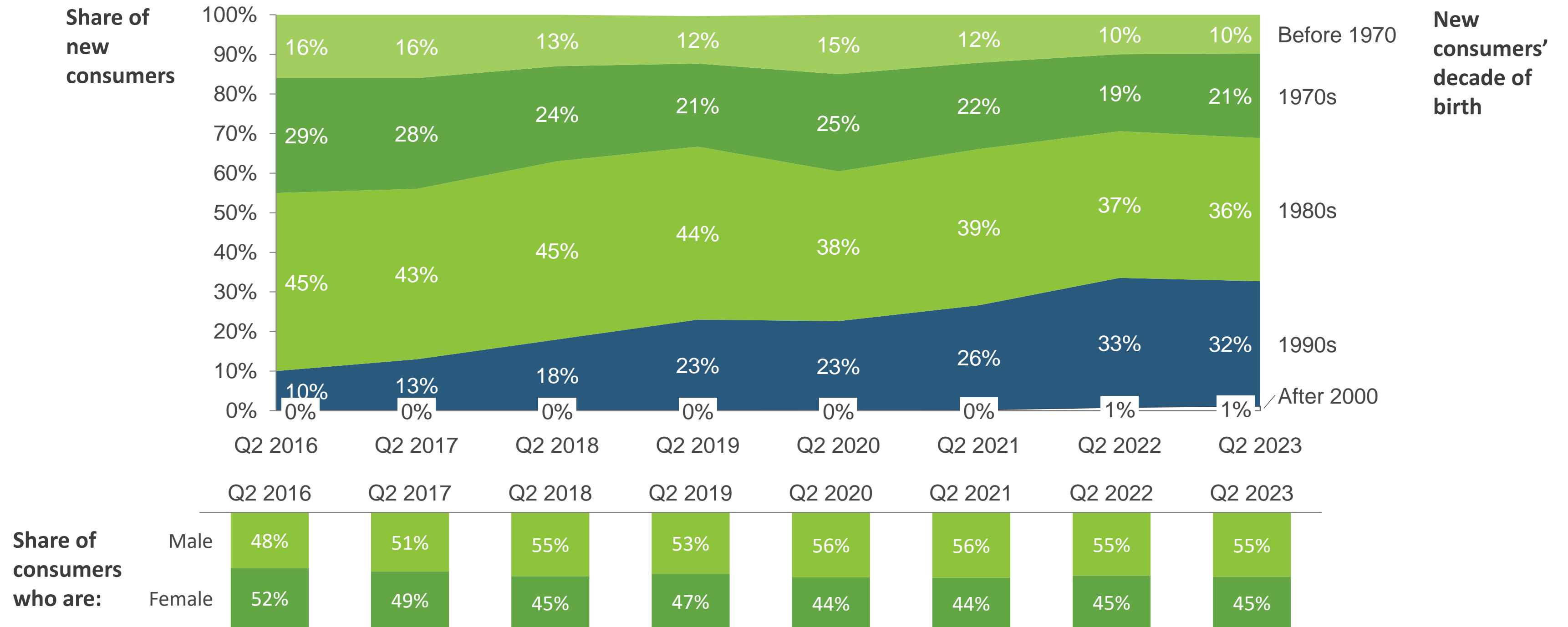
# Consumer age profile indicates increasing financial stress in 45+ age group



While the average new applicant age has been consistent, the share of applicants who are 45 or older has increased from 20% to 28% over the past seven years, indicating financial stress is becoming more prevalent in this age category

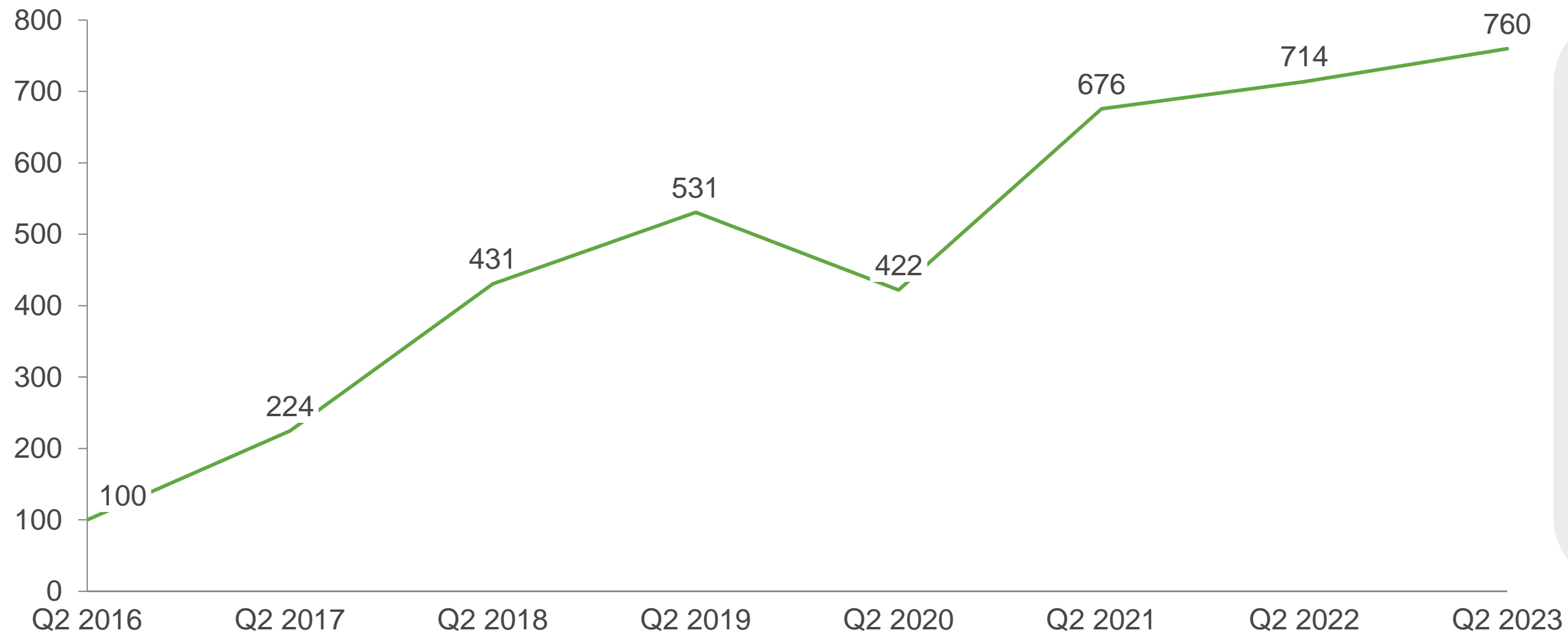


Consistent with recent quarters, there is steady interest from male applicants, indicating men are becoming more proactive about addressing financial distress. For the most recent quarter, 55% of applicants were male.



**In the most recent quarter, the number of consumers graduating from debt counselling (successfully receiving their clearance certificates) was over seven times higher than the same period in 2016; consumers who graduated in Q2 2023 paid over R450m to their creditors while under debt counselling**

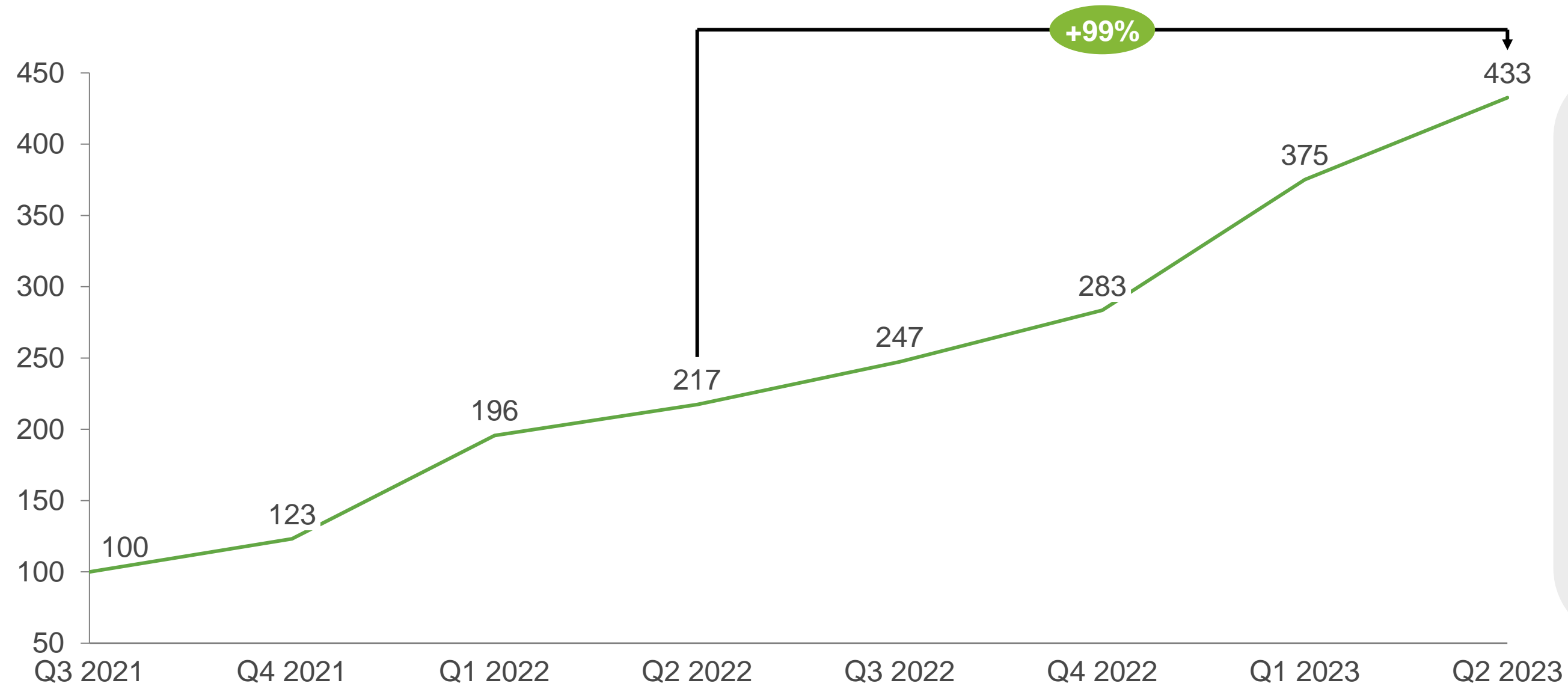
**Clearance certificates issued**  
Indexed to 2016 levels  
2016 = 100



- In Q2 2023, there were 7.6x more consumers “graduating” or getting clearance certificates compared to 2016 levels
- Consumers who received clearance certificates in most recent quarter paid over R450m to their creditors while under debt counselling

**Consumers' interest in online debt management continues to increase. We have observed that the non-debt counselling userbase for DebtBusters website has grown 99% over the past year.**

**Number of new non-debt counselling subscribers to DebtBusters website**  
Indexed to Q3 2021 levels; Q3 2021 = 100



- 99% increase in last year in new subscribers for online debt management on DebtBusters website
- Consumers enjoy the freedom of managing their debt profile at their own time and have access to debt management tools, such as budgeting, Debt Radar, and others

**For further information, contact our Marketing Manager Amelia de Milander at:**  
[amelia.demilander@idmgroup.co.za](mailto:amelia.demilander@idmgroup.co.za)