

Credit Bureau Monitor

Fourth Quarter | December 2008

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This credit bureau monitor reflects the information held by the registered credit bureaux in terms of the National Credit Act. The data in this report covers quarter ending June 2007 to quarter ending December 2008.

Summary

Credit bureaux maintain credit information received monthly from credit providers and create consumer credit profiles based on this information. Both the credit bureaux and the quality of data are regulated and monitored by the National Credit Regulator.

As at December 2008, the credit bureaux had records for 17.56 million credit-active consumers*:

- Consumers are "in good standing" if none of their accounts are more than two months in arrears. The percentage of consumers in good standing was 58.4% in December 2008, which indicated a deterioration of 1.1% compared with the third quarter of 2008. The deterioration is 4% year-on-year (December 2007 / December 2008).
- Consumers have an impaired record if any of their accounts is classified as three or more payments in arrears, or has an "adverse listing", or consumers have a judgment or an administration order against their names. The percentage of consumers with an impaired record increased by 1.1% quarter-on-quarter (200,000 in number) and by 4% year-on-year (850,000 in number).
- On average each credit-active consumer has three active accounts.
- In the quarter ending December 2008, 115.05 million enquiries were made against consumer credit records. Enquiries from banks accounted for 34% and enquiries from retailers for 26% of all enquiries made during the quarter.
- 9,020 disputes were lodged by consumers relating to the accuracy of the credit information on their credit records. In the year of 2008, credit bureaux received 41,206 disputes. Disputes have decreased by 8.6% quarter-on-quarter and by 36% year-on-year.
- 33,827 free credit reports were issued to consumers in the fourth quarter of 2008 and 152,222 free credit reports were issued in the year of 2008.

Credit standing of consumers: December 2008

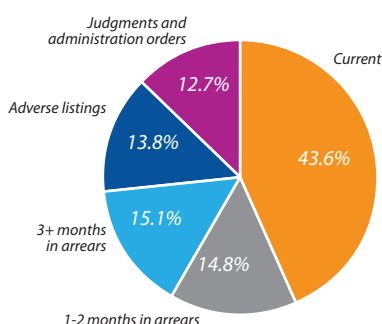


Table 1: Credit standing of consumers

	Jun'07	Sep'07	Dec'07	Mar'08	Jun'08	Sep'08	Dec'08
Credit-active consumers	16.78m	16.90m	17.12m	17.14m	17.17m	17.53m	17.56m
Good standing (#)	10.67m	10.52m	10.67m	10.55m	10.38m	10.43m	10.26m
Good standing (%)	63.6%	62.3%	62.4%	61.6%	60.4%	59.5%	58.4%
Current	47.5%	46.6%	47.2%	45.1%	44.9%	44.9%	43.6%
1-2 months in arrears	16.1%	15.7%	15.2%	16.5%	15.5%	14.6%	14.8%
Impaired record (#)	6.11m	6.38m	6.45m	6.59m	6.79m	7.10m	7.30m
Impaired record (%)	36.4%	37.7%	37.6%	38.4%	39.6%	40.5%	41.6%
3+ months in arrears	12.8%	12.6%	13.5%	14.3%	15.3%	15.7%	15.1%
Adverse listings*	11.8%	13.1%	12.7%	12.8%	13.1%	12.2%	13.8%
Judgments and administration orders	11.8%	12.0%	11.4%	11.3%	11.2%	12.6%	12.7%
Total	100%	100%	100%	100%	100%	100%	100%

Figure 1: Credit standing of consumers

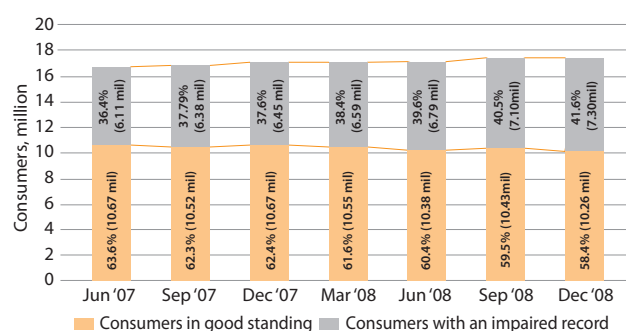


Figure 2: Consumers with impaired records

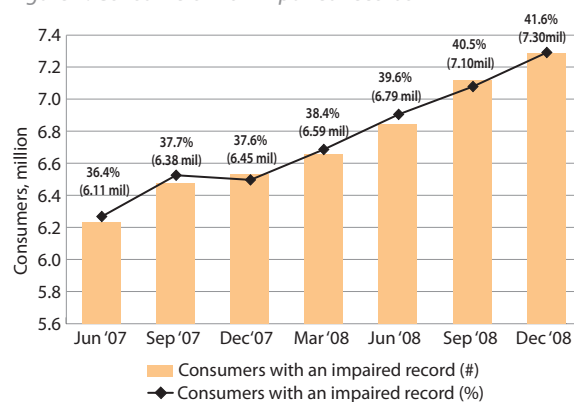


Table 2: Credit standing of accounts

	Jun'07	Sep'07	Dec'07	Mar'08	Jun'08	Sep'08	Dec'08
Consumer accounts	52.06m	51.55m	55.55m	58.12m	60.14m	60.82m	60.95m
Good standing (#)	40.69m	39.95m	43.04m	45.32m	46.81m	47.39m	47.22m
Good standing (%)	78.2%	77.5%	77.5%	78.0%	77.8%	77.9%	77.5%
Current	68.1%	67.2%	67.4%	67.3%	68.1%	68.7%	68.3%
1-2 months in arrears	10.1%	10.3%	10.1%	10.7%	9.7%	9.2%	9.2%
Impaired record (#)	11.36m	11.60m	12.51m	12.80m	13.32m	13.43m	13.73m
Impaired record (%)	21.8%	22.5%	22.5%	22.0%	22.2%	22.1%	22.5%
3+ months in arrears	10.0%	9.4%	10.2%	10.4%	11.4%	12.5%	12.4%
Adverse listings*	6.2%	7.3%	6.8%	6.6%	5.9%	4.9%	5.7%
Judgments and administration orders	5.6%	5.8%	5.5%	5.0%	4.9%	4.7%	4.4%
Total	100%	100%	100%	100%	100%	100%	100%

Introduction

This credit bureau monitor reflects the information held by the registered credit bureaux in terms of the National Credit Act. The data in this report covers quarter ending June 2007 to quarter ending December 2008.

Credit-Active Consumers

There were 17.56 million credit-active consumers as at the end of December 2008

As at the end of December 2008 credit bureaux held records for more than 37 million individuals on their databases of which 17.56 million (46.8%) were credit-active. The remaining 53.2% of records show only identification information but no credit activity (this includes minors, for whom only identification details are reflected).

The percentage of consumers in good standing continues to fall

Of the total 17.56 million credit-active consumers, the percentage of consumers in good standing reflected a quarter-on-quarter decrease of 1.1% and a year-on-year decrease of 4%, to 58.4% at the end of the December 2008 quarter. The level of debt stress has been increasing as expected, in line with the current economic conditions. The percentage of consumers with an impaired record (the inverse of those in good standing) had a quarter-on-quarter increase of 1.1% (200,000 increase in number) and a year-on-year increase of 4% (850,000 increase in number), to 41.6% at the end of the December 2008 quarter. A detailed breakdown of the nature of the impairments is provided in Table 1, Figures 1 and 2.

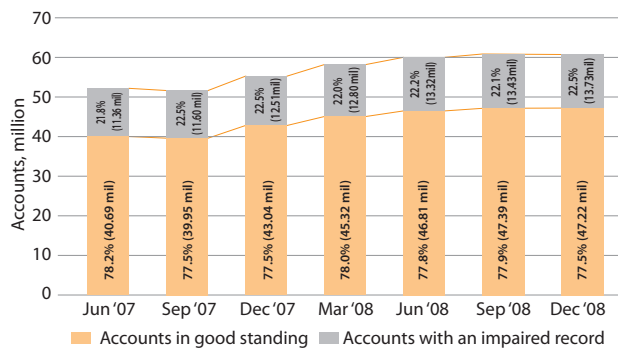
Consumer Accounts

As at the end of December 2008, 60.95 million open accounts were listed on the credit bureaux databases. This indicated a continuous increase in the number of open accounts recorded on credit bureaux databases, and was partly due to an increase in data submission from credit providers and not only to an increase in credit provision. Accounts held on credit bureaux databases increased by 5.4 million since December 2007.

Of the 60.95 million open accounts, 77.5% were classified as "good standing" whereas 22.5% were classified as "impaired record". The percentage of accounts in good standing decreased by 0.4%, from the September 2008 quarter to the December 2008 quarter.

As at the end of December 2008, 68.3% were classified as current, 9.2% had missed one or two instalments, 12.4% had missed three or more instalments, 5.7% had an adverse listing and 4.4% had a judgment or administration order. On a quarter-on-quarter basis, accounts in current decreased by 0.4%, accounts with one or two instalments missed remained steady, accounts with three or more instalments missed decreased by 0.1%, accounts with adverse listings increased by 0.9% and accounts with judgments or administration orders decreased by 0.3%. The increase

Figure 3: Credit standing of accounts



in adverse listings may be partly caused by credit providers taking action to recover debts from consumers who can no longer meet their renegotiated debt commitments and where reasonable restructuring compromises cannot be reached. See Table 2 and Figure 3 for detailed breakdown since June 2007 quarter to December 2008 quarter.

Independent opinion by Econometrix

Credit standing of consumers

The figures continue the trend of increasing levels of debt stress in line with forecasts. In the months ahead, increases in remuneration and the downward trend in interest rates should start to assist various categories of consumer. However, the increasingly poor economic trends in various sectors of the economy, are going to strongly increase stress levels of persons in those sectors. The conflicting economic trends, suggest that the absolute levels of debt stress will remain at high levels, if not increase, for at least the next two quarters.

Consumer accounts

Consumers with impaired records increased for the quarter ending December indicating rising levels of debt stress. The substantial increase in adverse listings tends to confirm the argument that credit providers are taking action to recover money owing from those who cannot meet their renegotiated obligations and where reasonable compromises are no longer possible. The combined figures confirm the trend set out above that debt stress is still increasing in line with economic conditions.

Enquiries made on consumer records

Enquiries due to consumers seeking credit increased slightly due probably to seasonal factors. It should be noted that the total was slightly lower than the total in the same quarter of the previous year ending 2007. This would tend to confirm that consumer demand for credit is slowing as would be expected in the circumstances.

Current economic outlook

The fourth quarter decline in manufacturing was the main contributor towards the negative overall GDP annualised growth rate of -1.8% in that quarter. This further deterioration, coming on the back of publication of a further sharp decline in manufacturing and mining production in January, enhances the likelihood that negative growth will have been recorded in the first quarter

of 2009 as well. In other words, it now looks highly likely that South Africa will have experienced its first "official" recession in 17 years. There can be no doubt that the steep declines in mining and manufacturing production will contribute towards further cuts in interest rates in the months ahead. However, the fact that the slump in manufacturing is really confined to certain industries and is not broadly based, coupled with the vulnerability of the balance of payments and that overall economic activity excluding manufacturing and mining is not being quite as negatively affected by the global recession, will work against interest rates being reduced to the extent that many anticipate.

Conclusion

There remain sectors of the economy that are adversely affected with consequent job losses. The seriously affected sectors include the domestic mining, metal processing, durable goods and the automotive sectors. However, the downturn in other parts of the economy as noted is less severe. It can therefore be expected that the level of debt stress for consumers in the economy will continue at relatively high levels in some sectors particularly in the geographic areas where these sectors predominate. These stress levels could possibly increase in the immediate future as the impact of job losses takes effect. A slow economic recovery can only be expected to start in the second half of the year.

This commentary was obtained from Econometrix on the trends reflected in the Credit Bureau Monitor



Table 3: Enquiries

	Number of enquiries					Percentage change			
	Dec'07	Mar'08	Jun'08	Sep'08	Dec'08	Dec'07 to Mar'08	Mar'08 to Jun'08	Jun'08 to Sep'08	Sep'08 to Dec'08
Enquiries due to consumers seeking credit	12.81m	11.14m	12.75m	12.41m	12.76m	-13.0%	14.5%	-2.6%	2.8%
Other credit-related enquiries	39.29m	62.50m	57.68m	66.45m	57.56m	59.1%	-7.7%	15.2%	-13.4%
Enquiries not related to credit	49.44m	35.24m	39.81m	45.80m	44.73m	-28.7%	12.9%	15.0%	-2.3%
Total credit bureau enquiries	101.54m	108.88m	110.24m	124.66m	115.05m	7.2%	1.3%	13.1%	-7.7%

Table 4: All enquiries – distributions according to sectors

	Number of enquiries					Percentage change			
	Dec'07	Mar'08	Jun'08	Sep'08	Dec'08	Dec'07 to Mar'08	Mar'08 to Jun'08	Jun'08 to Sep'08	Sep'08 to Dec'08
Banks	37.75 m	52.77m	43.40m	40.76m	39.15m	39.8%	-17.8%	-6.1%	-3.9%
Retailers	28.69m	24.51m	28.38m	40.98m	29.83m	-14.6%	15.8%	44.4%	-27.2%
All other*	35.10m	31.60m	38.46m	42.92m	46.07m	-9.9%	21.7%	11.6%	7.3%
Total	101.54m	108.88m	110.24m	124.66m	115.05m	7.2%	1.3%	13.1%	-7.7%

*All other includes enquiries made by microlenders, telecommunications, utility, insurance, on-sellers and collections agencies.

Table 5: Credit reports issued

	Number of enquiries					Percentage change			
	Dec'07	Mar'08	Jun'08	Sep'08	Dec'08	Dec'07 to Mar'08	Mar'08 to Jun'08	Jun'08 to Sep'08	Sep'08 to Dec'08
Credit reports issued without charge	40,342	33,868	38,068	46,459	33,827	-16.0%	12.4%	22.0%	-27.2%
Credit reports issued with charge	5,355	3,776	2,989	2,072	1,953	-29.5%	-20.8%	-30.7%	-5.7%
Total number of credit reports issued	45,697	37,644	41,057	48,531	35,780	-17.6%	9.1%	18.2%	-26.3%

Credit Market Activity

Enquiries made on consumer records decreased

Table 3 indicates that 115.05 million enquiries were made on consumer records in the December 2008 quarter. This was a decrease of 7.7% quarter-on-quarter and an increase of 13.3% year-on-year. Enquiries due to consumers seeking credit increased quarter-on-quarter by 2.8% but decreased by 0.3% year-on-year. The quarter-on-quarter increase can be attributed to the festive season and the year-on-year decline to consumers responding to the economic environment. Comparing the December 2007 quarter to the December 2008 quarter, there was a slight decline, confirming that consumer demand for credit is still slowing.

Other credit-related enquiries decreased quarter-on-quarter by 13.4% but increased 46.5% year-on-year. The biggest contributor in this category is enquiries made by service providers for marketing purposes.

Users of credit bureaux data

Table 4 represents enquiries made on consumer records by sector. Bank enquiries decreased by 3.9% quarter-on-quarter and increased by 3.7% year-on-year. Retailer enquiries decreased by 27.2% quarter-on-quarter mainly due to bulk enquiries made for marketing purposes in the September 2008 quarter. Retailer enquiries increased by 4% year-on-year.

All other enquiries increased by 7.3% quarter-on-quarter and 31.3% year-on-year and these mainly constitute microlenders, telecommunications, insurance and collections agencies.

Credit bureaux activity

Of the total of 35,780 credit reports requested by consumers during the quarter ending December 2008, 33,827 credit reports were issued free of charge. The total number of credit reports issued to consumers were down by 26.3% when compared with the September 2008 quarter. There were 163,012 credit reports issued to consumers during the year of 2008 of which 152,222 were free. See Table 5 for details.

Consumer disputes

In the December 2008 quarter, 9,020 disputes were lodged relating to the accuracy of the information recorded on consumers' credit records. This was a decrease of 8.6% when comparing to the quarter ending September 2008, and a decrease of 35.5% compared to the previous year. 41,206 disputes were lodged in year 2008.

Definitions

Terms used in this report	Definitions
Credit-active consumers	Consumers that have an obligation to pay a credit provider and/or have an account with a supplier of goods or services (e.g. telecommunications service providers, doctors, plumbers, etc) and these obligations resulted in an entry on the consumer's credit record at the credit bureaux.
Impaired record	A record on which any of the accounts are either classified as three or more payments in arrears, or has an "adverse listing", or that reflects a judgment or administration order.
Good standing	An account which is current or on which the client has not missed more than one or two instalments, which has no adverse listings and has no judgments.
Adverse listing	Accounts with adverse classifications such as 'slow-paying', 'absconded', 'default', 'handed over' and/or 'write-off'.
Current	A consumer is up-to-date with payments and has not missed any instalment over the period of the credit agreement.