DEBT INDEX
Q1 2021

For further information, contact our Public Relations office at debtometer@idmgroup.co.za.

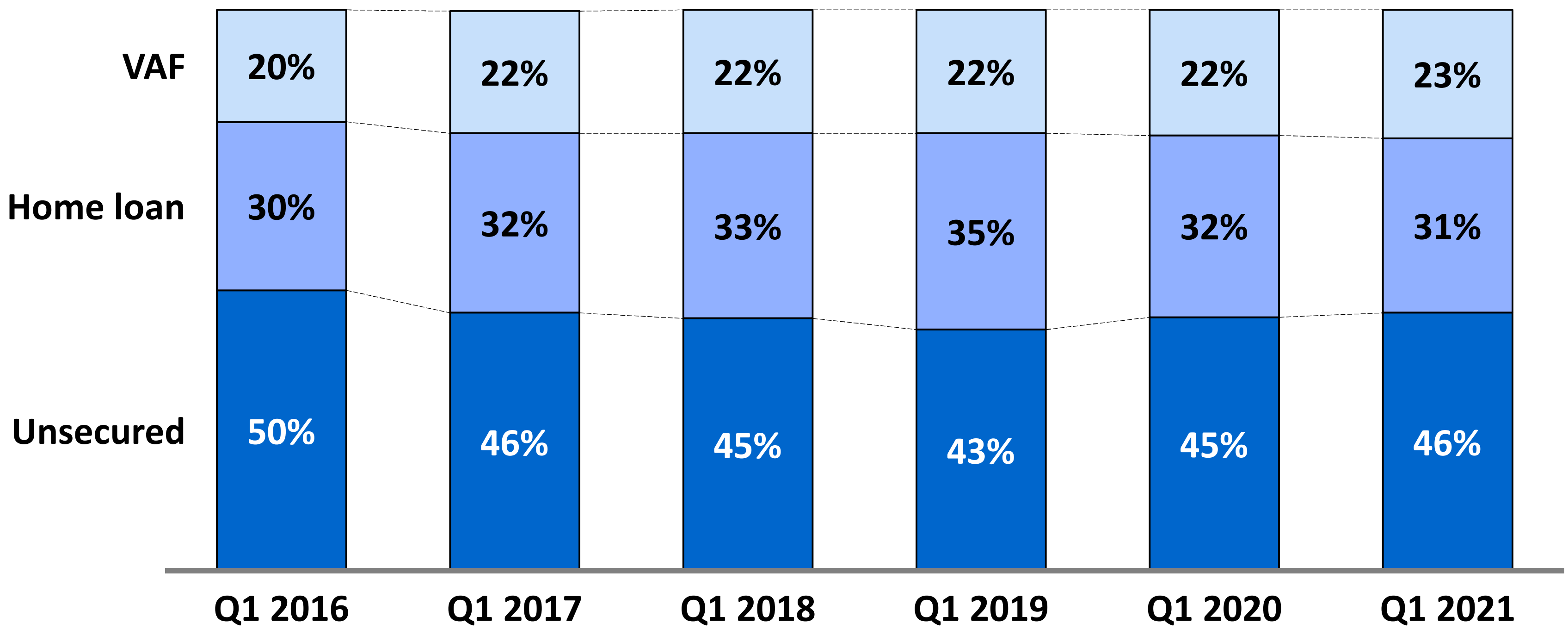
Foreword by Benay Sager, Head of DebtBusters

- In Q1 2021, there was overwhelming demand from consumers for debt counselling, **with inquiries up 31%** compared to the same period last year. Many consumers are seeking help proactively as bank payment holidays from 2020 came to an end and their ability to borrow has narrowed.
- It is clear that in absence of meaningful increase in real income growth, SA consumers continue to supplement their income with more unsecured credit. In this Debt Index, we have expanded our comparison to five years to give a better perspective on how consumer debt looks. Compared to 2016, **those clients who applied for debt counselling in Q1 2020 had**:
    - **Flat real income growth**: Nominal incomes were 7% higher compared to 2016 levels, however when cumulative inflation growth of 24% is factored in for the same period, real incomes shrank by 17% over the five-year period.
    - Those taking home over R20 000 per month **need to spend over 60% of their monthly net income to service this debt**, and their **debt-to-income ratio is persistently high at over 130%**.
    - **Unsecured debt that was 53% higher than that in 2016 levels**; **for those taking home R20 000 or more, the unsecured debt levels were 76% 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 clients completing debt counselling successfully has increased by 56% per annum over the last five years. **In Jan 2021 alone, consumers who had R142m worth of debt** (when they joined debt counselling) **completed debt counselling and received clearance certificates**.
    - In **Q1 2021, 56% 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.
- To help more consumers, DebtBusters has launched a range of free, self-help tools on www.debtbusters.co.za – these include budgeting, debt self-assessment, and other tools. We encourage consumers to explore these tools and get the true picture of their debt situation.

Nature of debt: Vehicle debt has increased in the last few years, indicating that more consumers with assets (vehicles in particular) are becoming over-indebted

TOTAL DEBT BOOK

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



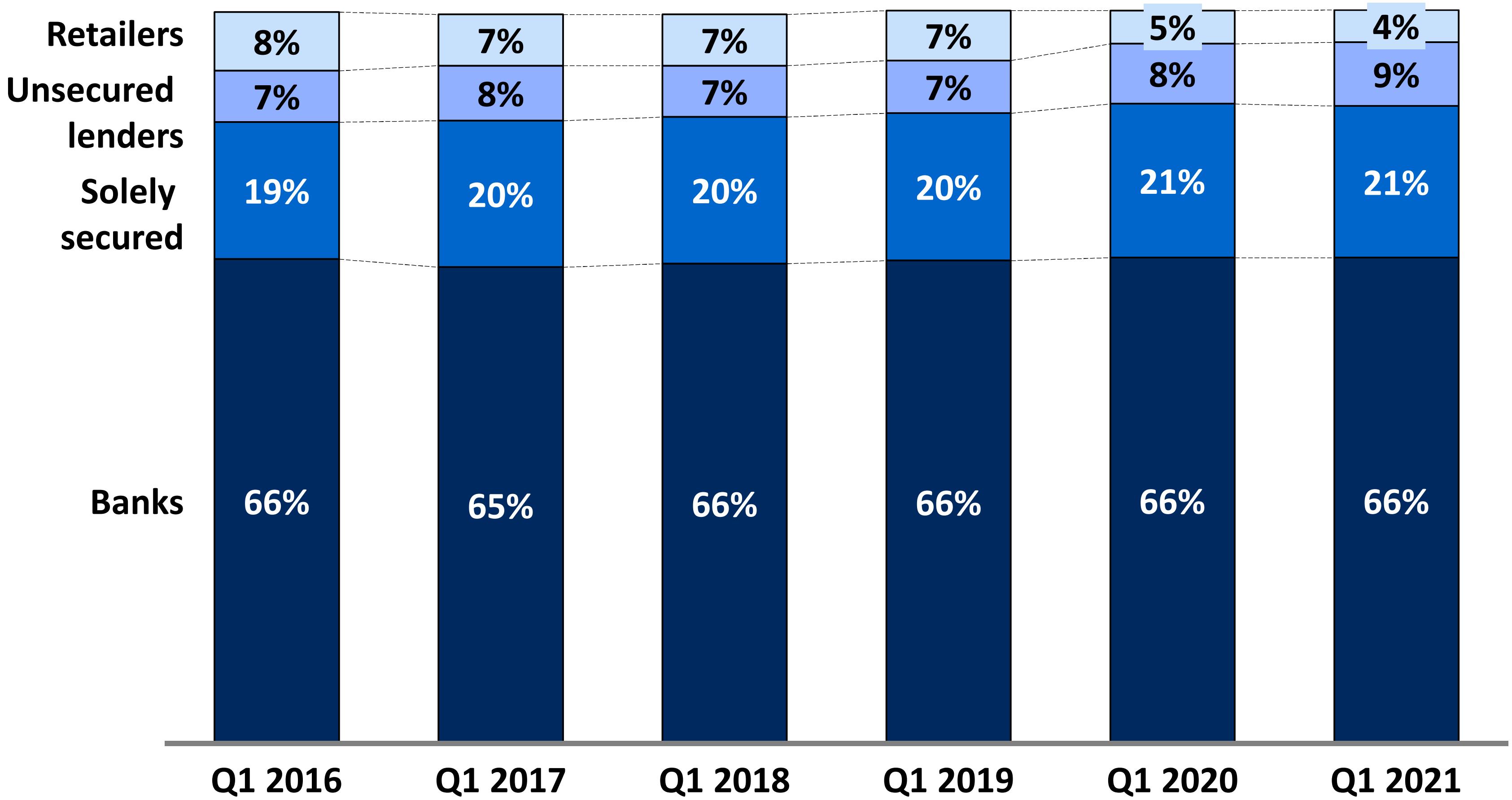
Source: DebtBusters

Lending institutions, total debt book: Shared of Unsecured lender originated debt has increased in the last year; this is because repo rate reductions had limited (if any at all) impact on the burden on consumers caused by unsecured debt

TOTAL DEBT BOOK

Breakdown of DebtBusters debt under management

Percent by type of lender, by value at end of Quarter



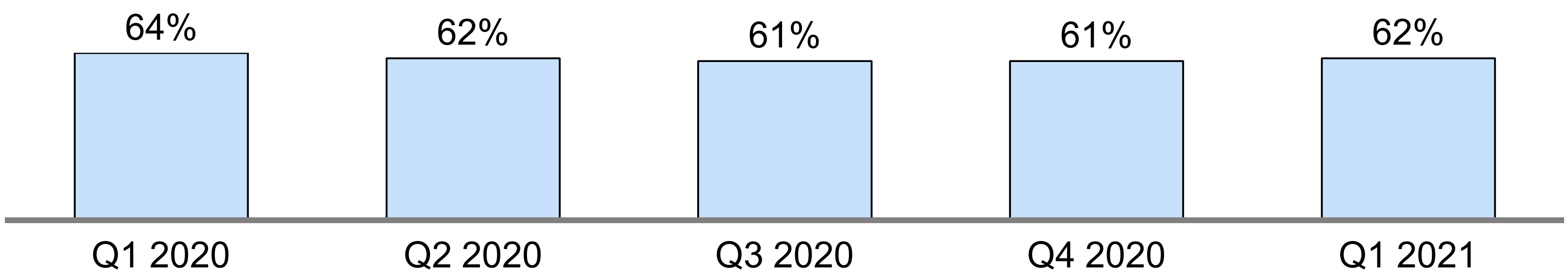
* Includes MFC, SA Homeloans, Wesbank, Mercedes and BMW, who grant secured credit only

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

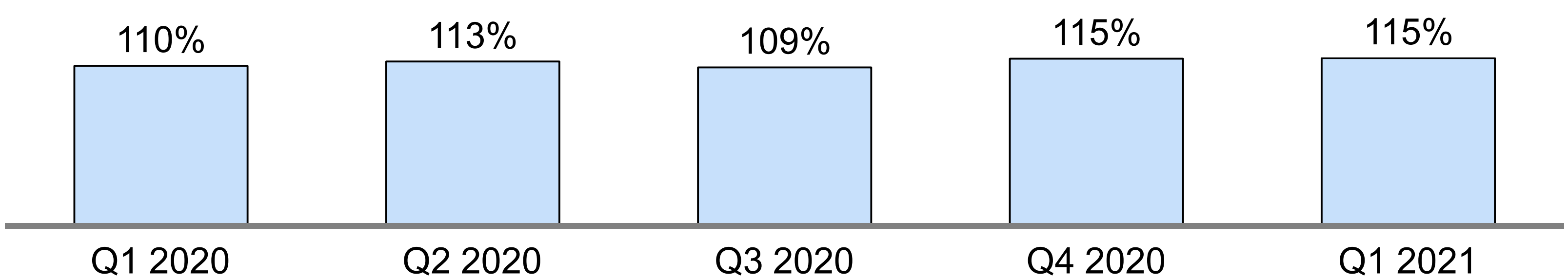
Source: DebtBusters

Debt repayment to net income[1] ratio and debt exposure for our clients are both above sustainable levels with increases in overall debt levels towards the festive season and year end

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



…and quarter-on-quarter overall debt levels remained high
Total debt exposure to annual net income ratio, when clients sign up with DebtBusters



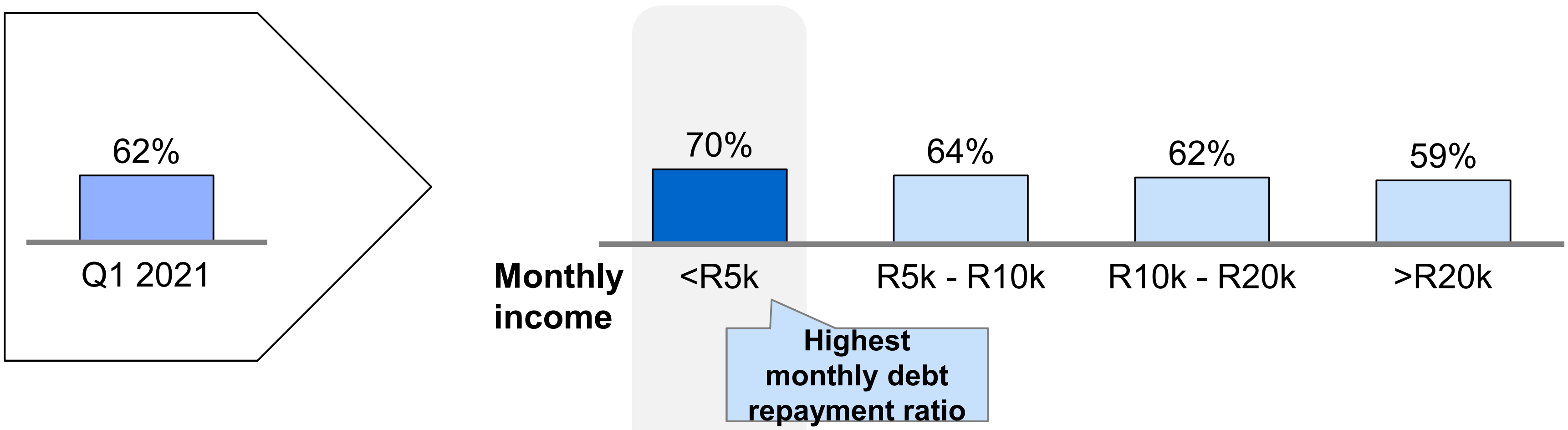
1 Median debt to net income ratio for all new clients signed up in that quarter

Source: DebtBusters

Those taking home less than R5,000 pm need to spend highest portion of their salary on debt repayments; those taking home over R20,000 pm have the highest overall debt to income ratio in years

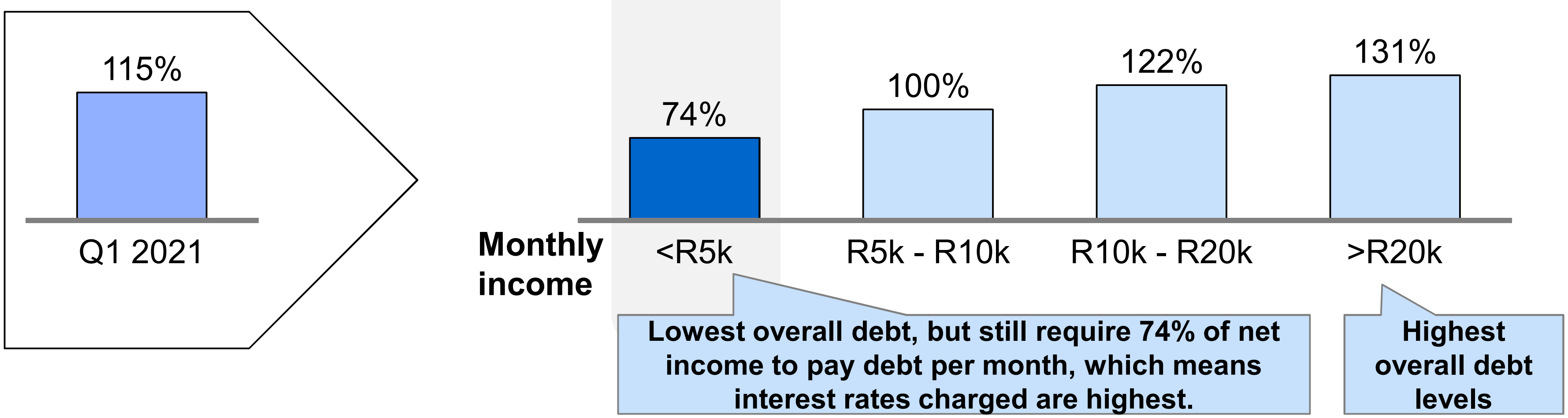
Original monthly debt repayment to net income ratio[1]

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



Original overall debt to annual net income ratio[1]

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



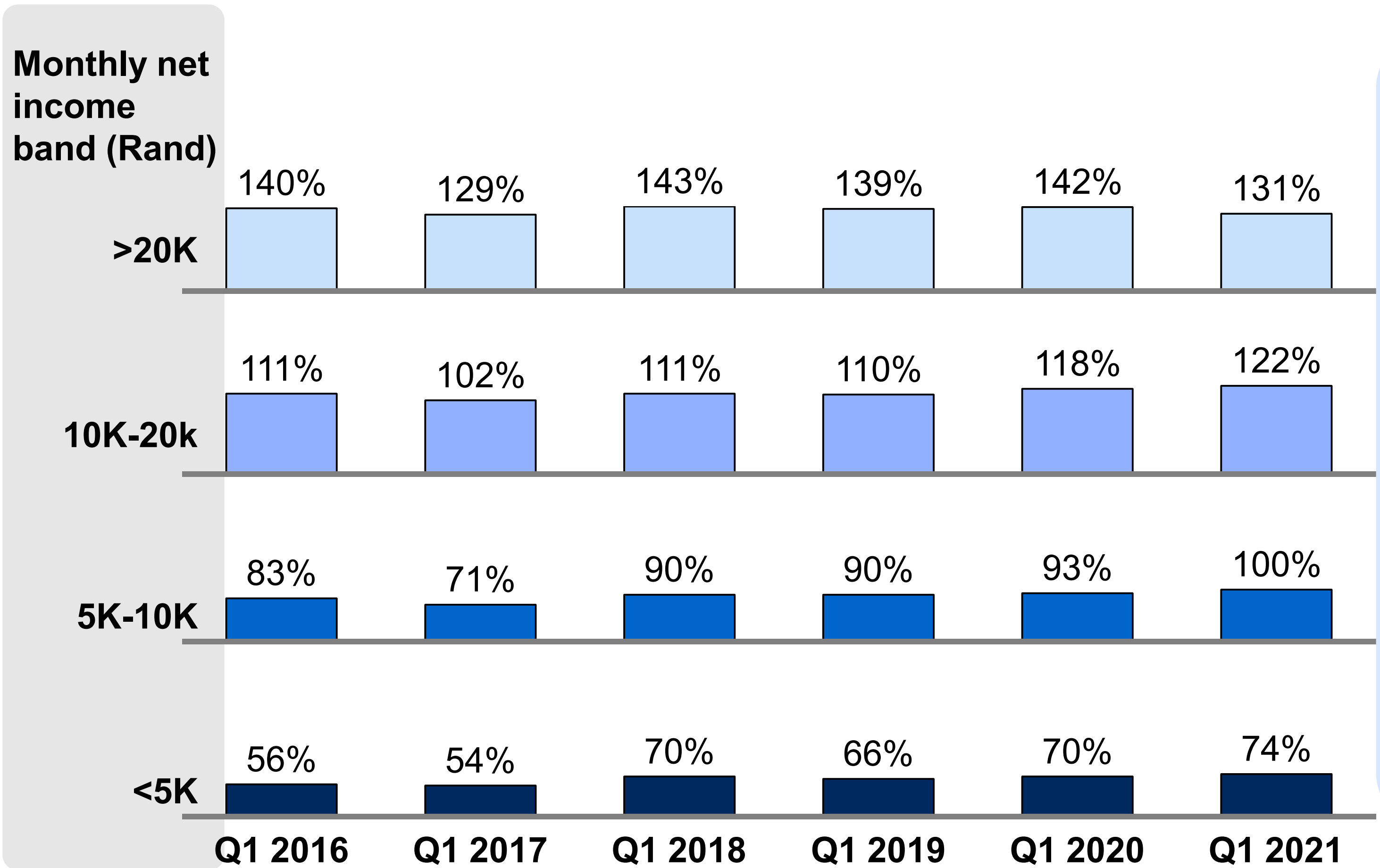
1 Debt to Income ratio is calculated by looking at the median in each quarter

Source: Debtbusters

Total debt exposure to annual net income[1] ratio comparison indicates earners in most income brackets are worse off compared to five years ago; those taking home between R5,000 and R20,000 pm are under growing pressure

Original overall debt to annual net income ratio[1]

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



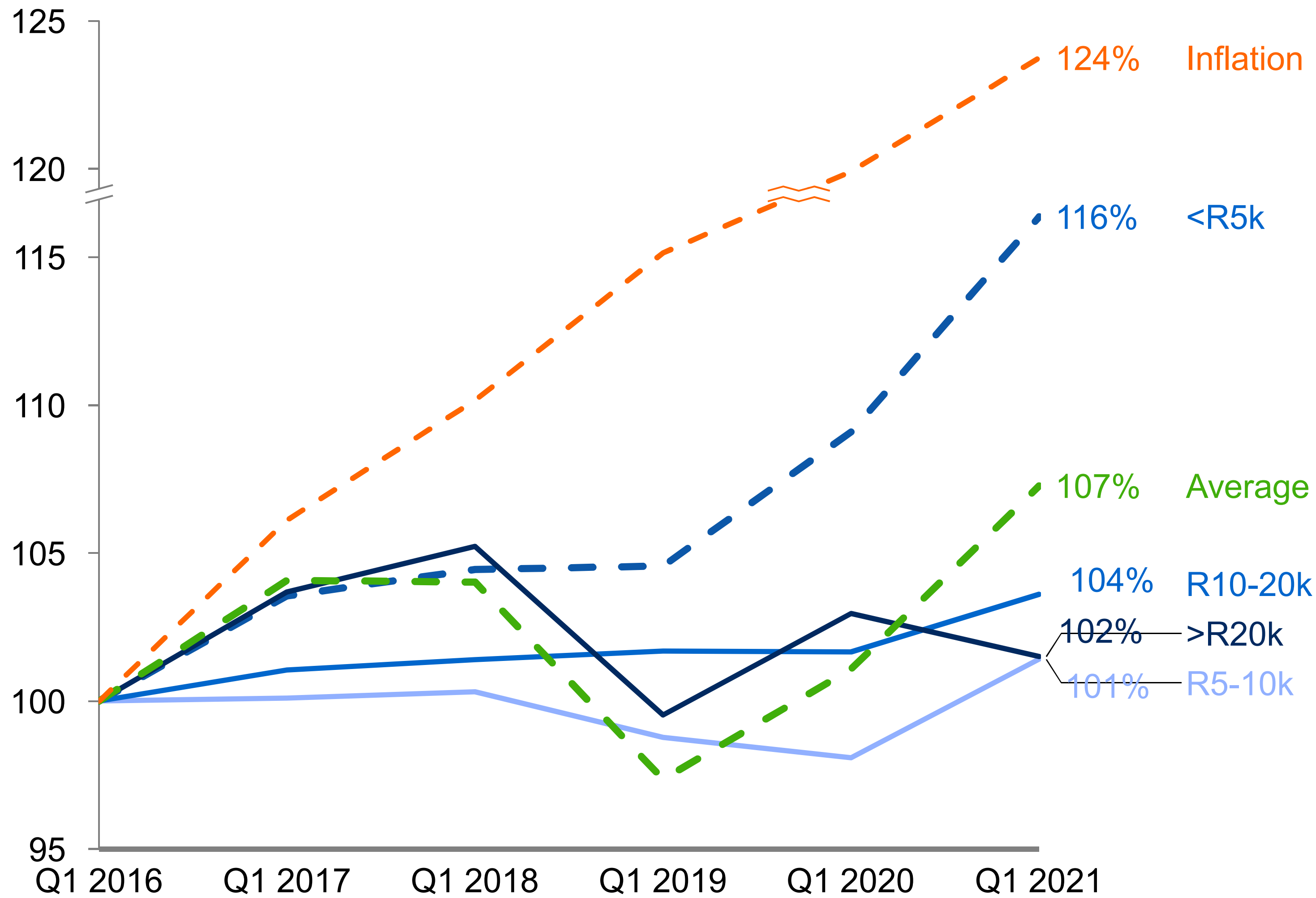
- Debt exposure worsened for clients earning less than 20K
- South Africans in the highest income bracket have the highest exposure to debt with a slight decrease in the last year

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

Source: DebtBusters

In the last five years, average net income growth was 17% behind inflation, meaning in real terms most South Africans had significantly less disposable income…

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



On average, net income growth in five years was 7%; whereas inflation growth was 24%

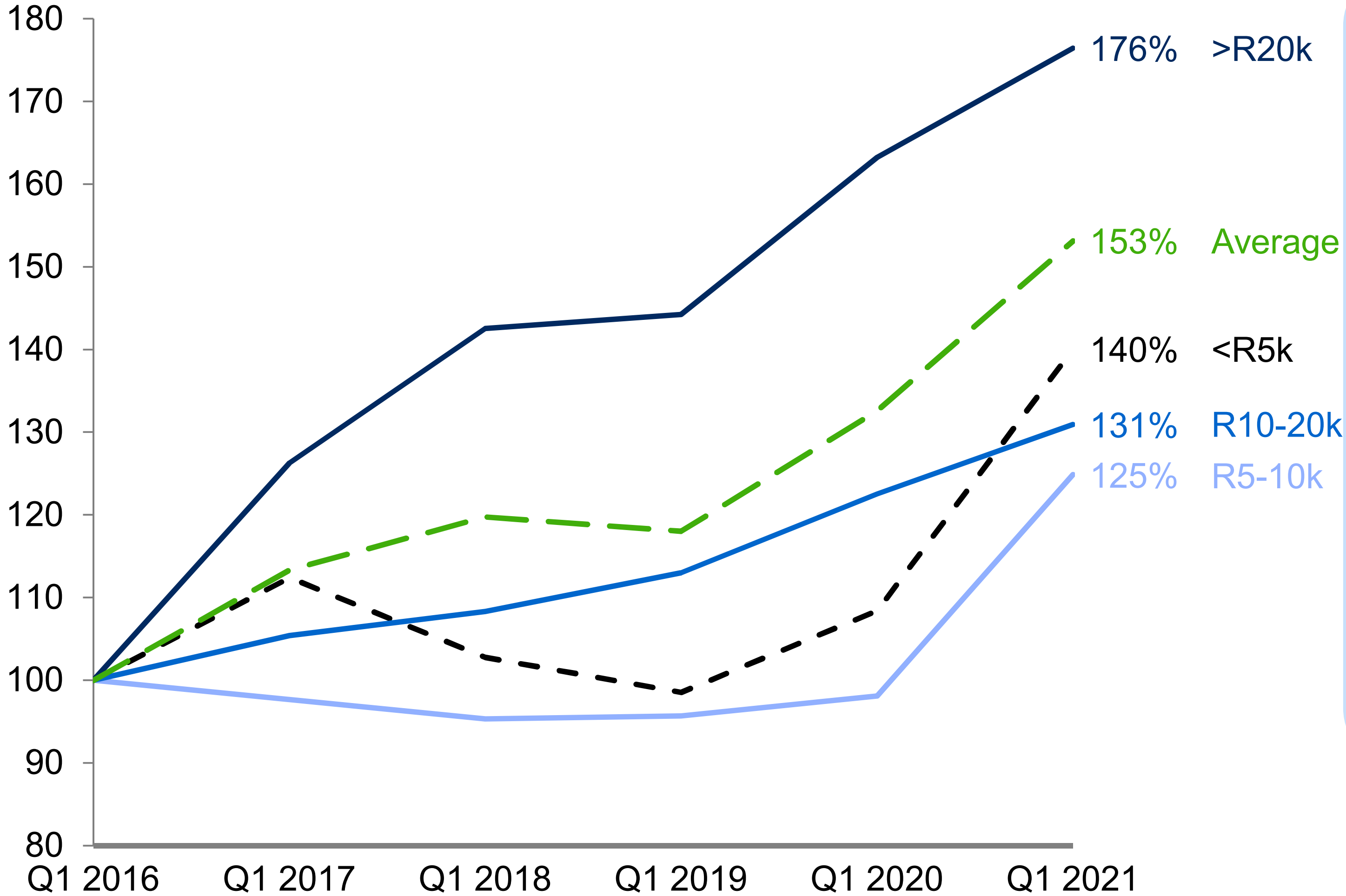
Source: DebtBusters; StatsSA

…resulting in the need to supplement this income with unsecured borrowing, whose average levels increased 53% in the last five years. For those taking home more than R20,000 pm today's unsecured debt is 76% higher than what it was in 2016

Change in unsecured debt levels per income band of consumers signed up in the quarter

Indexed to 2016 levels

2016 = 100



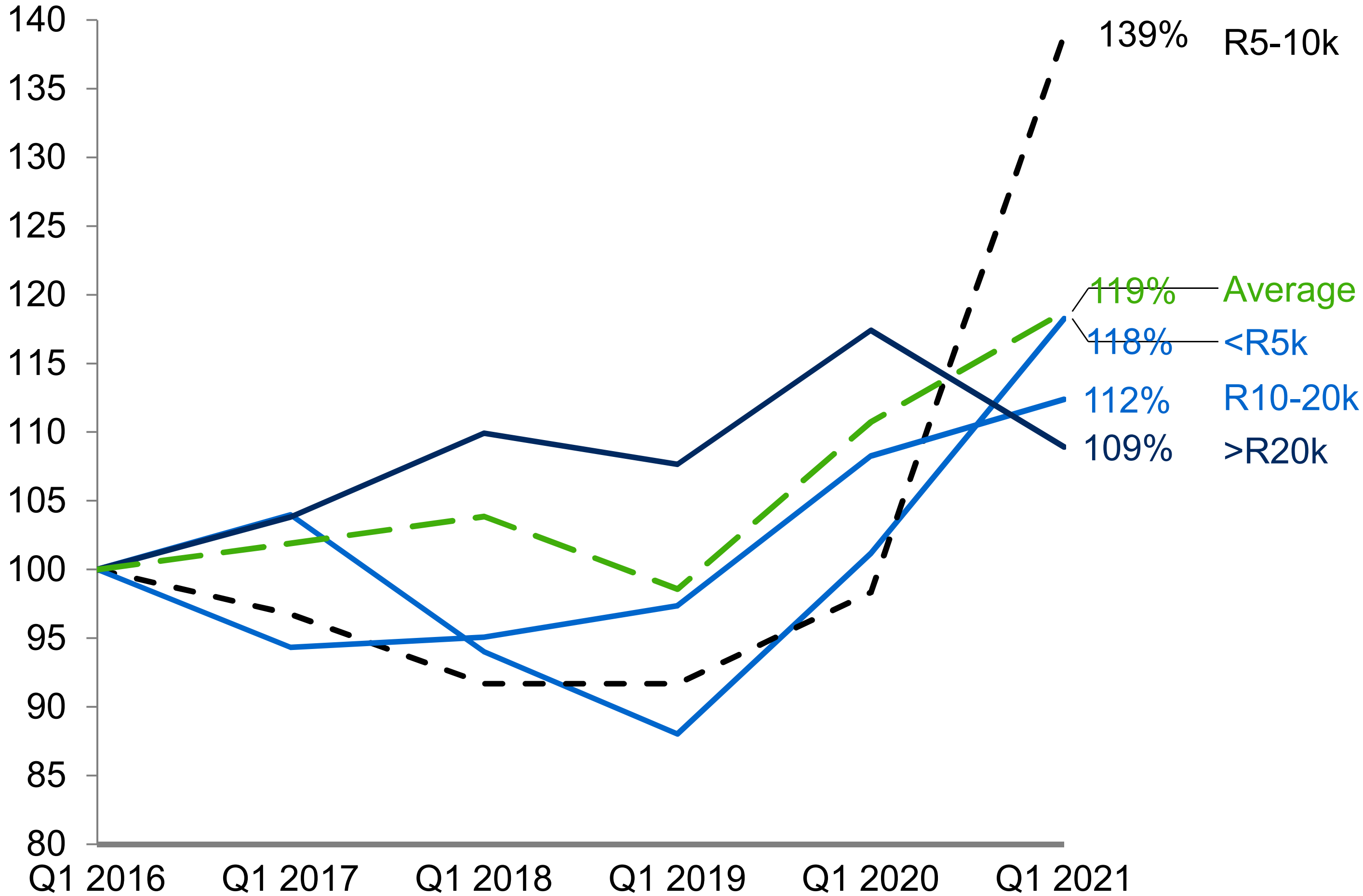
Source: DebtBusters

- **Unsecured debt for the average client is 53% higher than 2016 levels; for top earners the figure is 76%**
- **This indicates consumers continue to use unsecured credit to supplement their incomes**

DEBT BUSTERS

Total debt levels (which include both secured and unsecured debt) have increased by 19% compared to Q1 2016, which is at a much slower pace than unsecured debt growth. This reinforces that debt growth is really driven by growth in unsecured debt

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

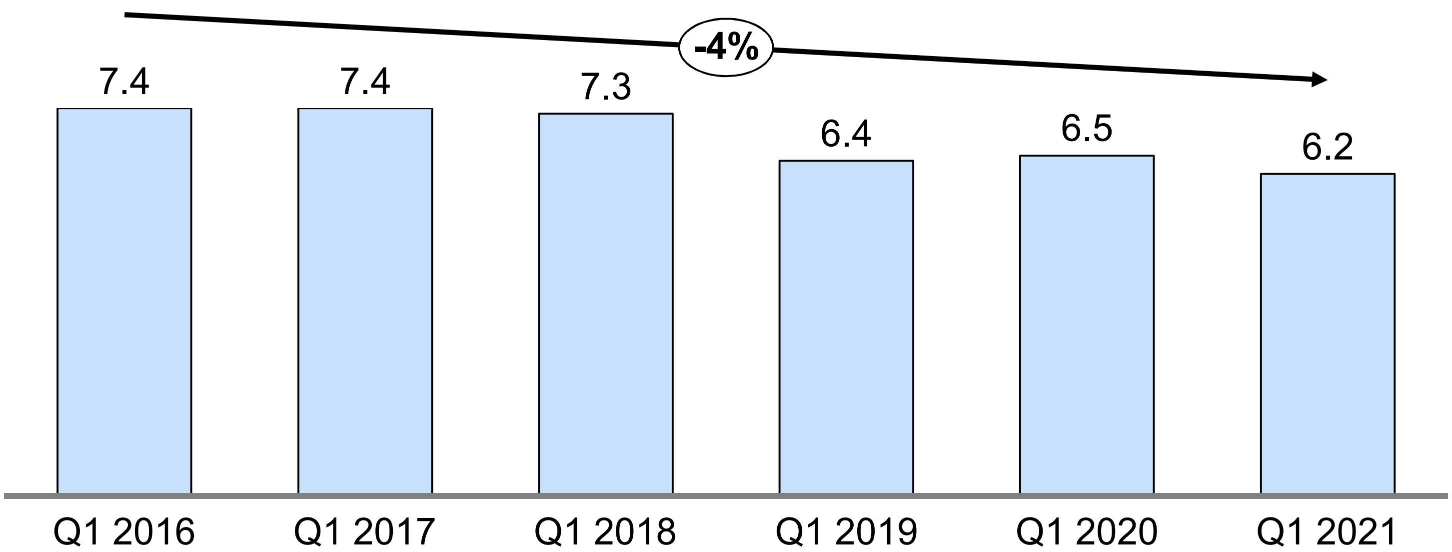


- **Compared to 2016, the total debt level increased by 19% on average**
- **For income earners in the 5k-10K bracket the growth in total debt was 39%**

Source: DebtBusters

The average number of credit agreements for new clients was 6.2. This shows clients are seeking help faster than before

Credit agreements per new client: Year-on-Year
Number, when clients sign up with DebtBusters

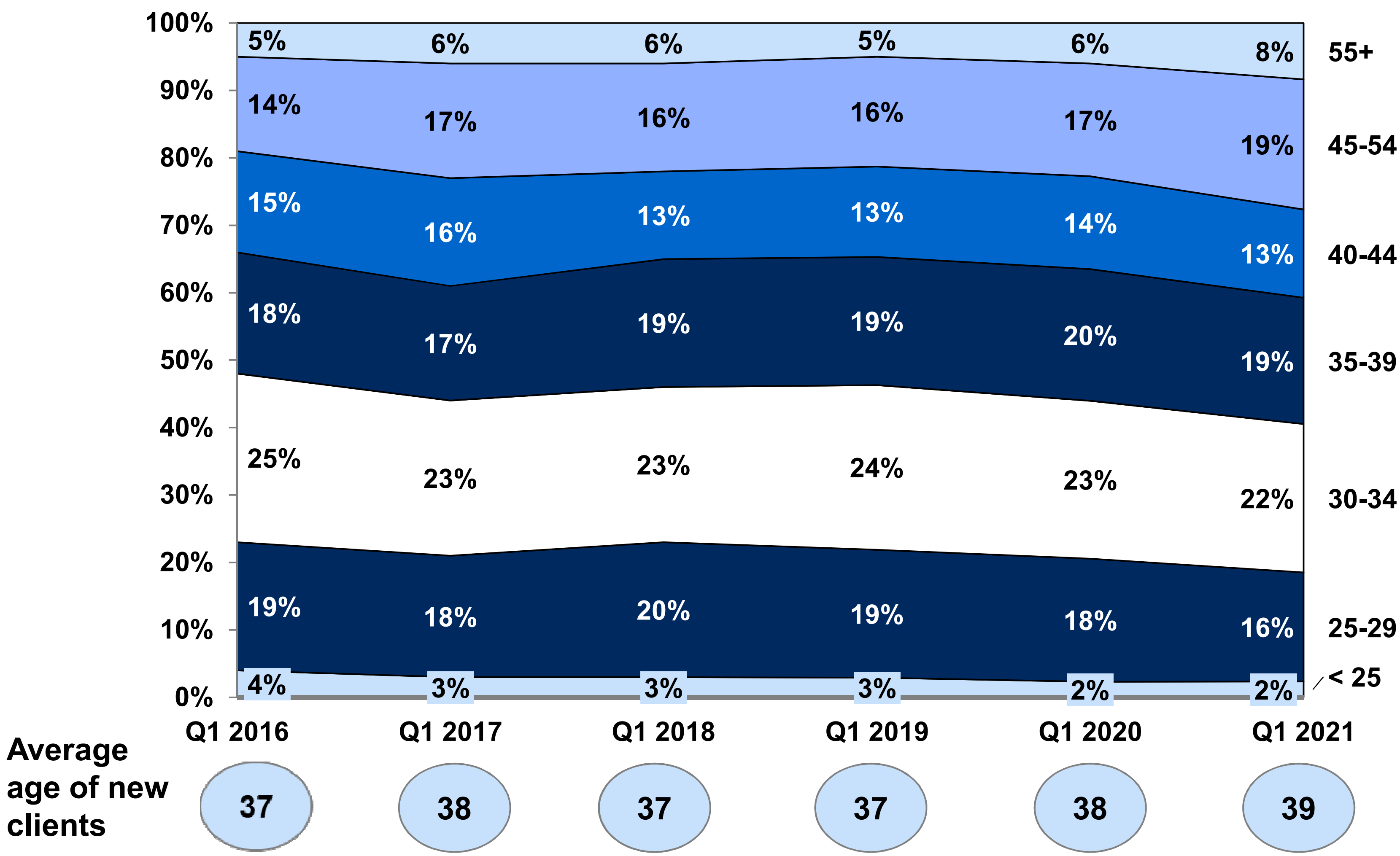


Source: DebtBusters

Client age profile: 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

Age profile of new clients

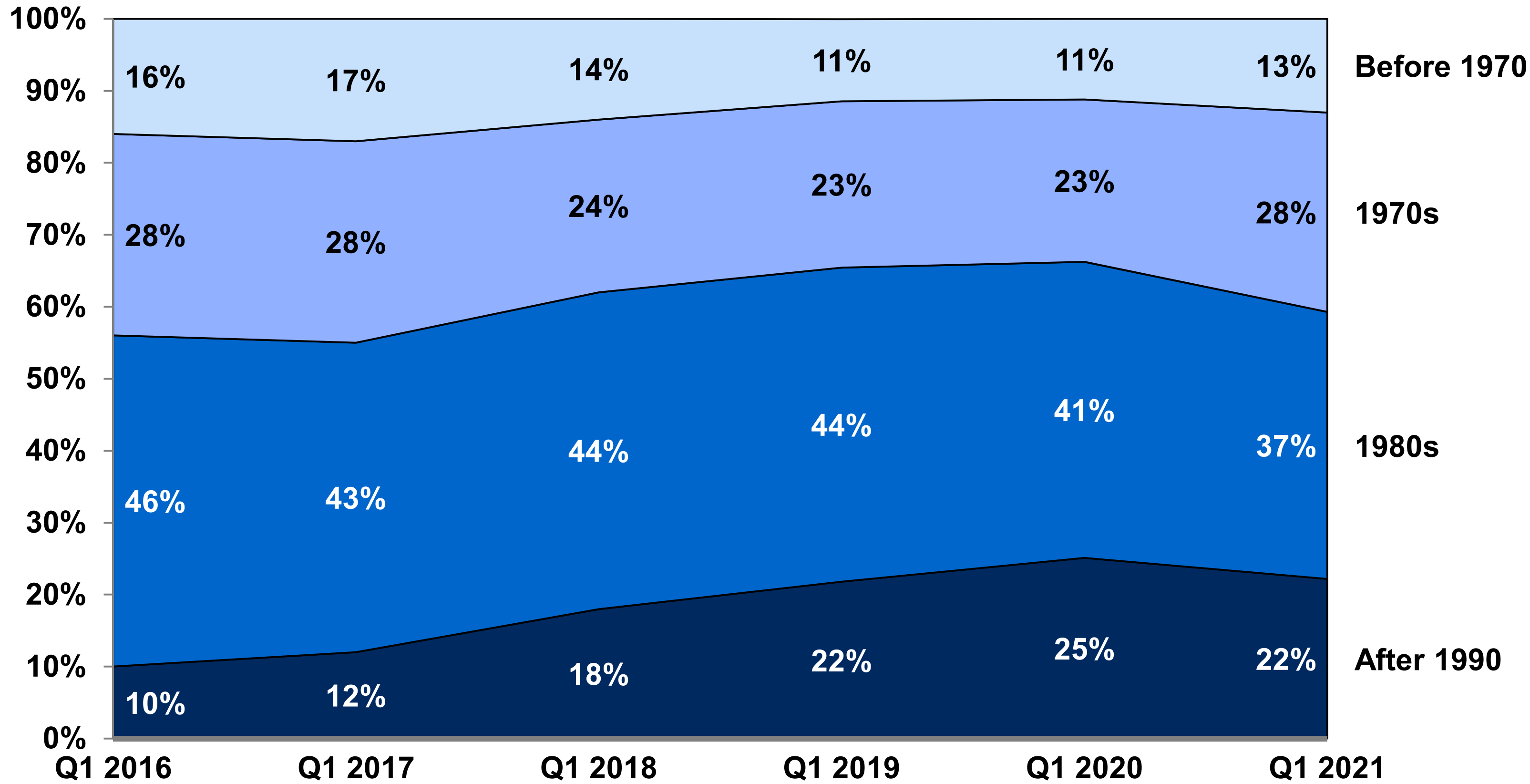
Age range

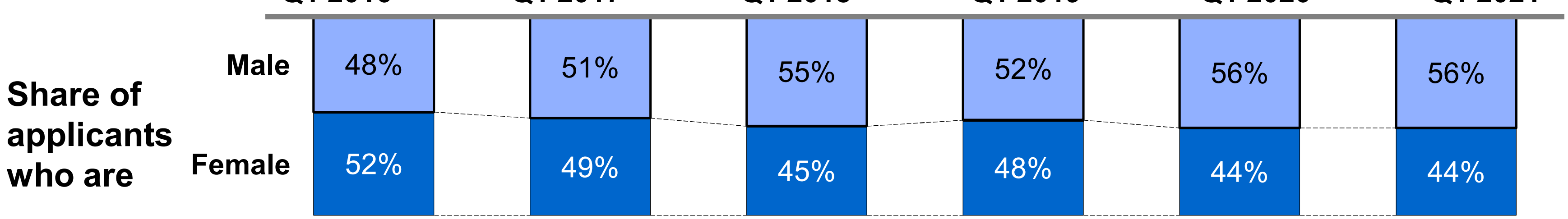


Source: DebtBusters

Recently we saw an increase in applications from those born in the 1970s; 56% of new applicants were male indicating men are becoming more pro-active about financial distress

Decade profile of new clients
Decade of birth



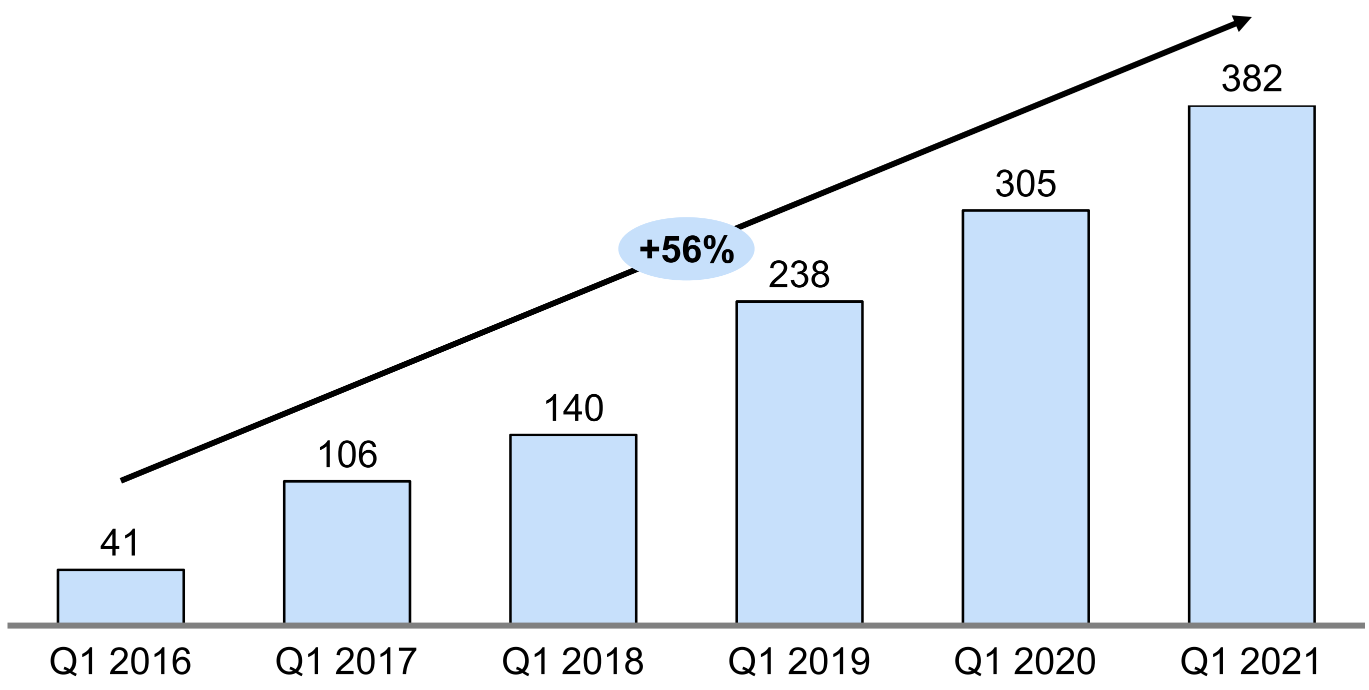


Source: Debtbusters

DEBT BUSTERS

The average number of Clearance Certificates issued has increased at 56% per annum, indicating more and more consumers who enter debt counselling are completing the programme successfully

Clearance certificates issued per month
Number



Source: DebtBusters

DEBT BUSTERS

THE END