NATIONAL DEBT AWARENESS MONTH

# Debt Index Q4 2024



DEBT BUSTERS

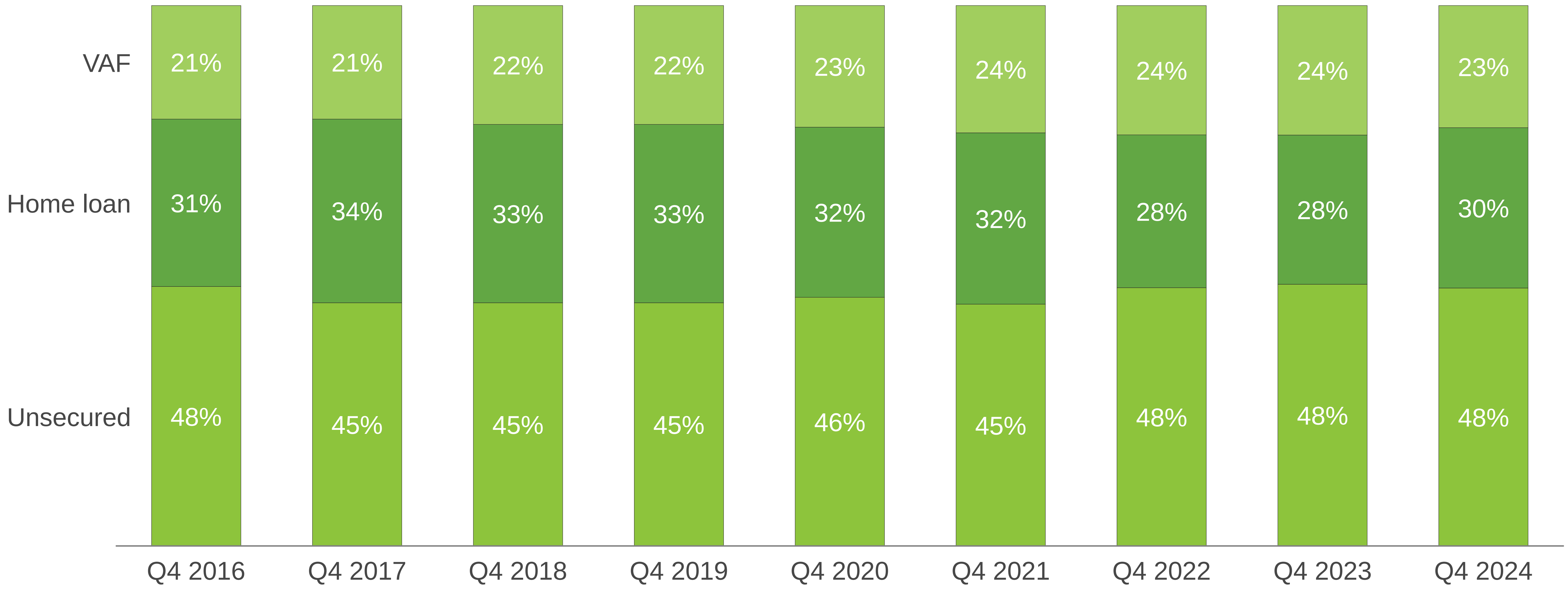
# Overview - Benay Sager, Executive Head of DebtBusters

- **Publishing of the Q4 2024 Debt Index coincides with the launch of the National Debt Awareness Month 2025**. **2024 was a year of two "chapters". The first "chapter" was full of financial anxiety:** load shedding, high interest rates, high food inflation, and worries about an upcoming national election. **The second "chapter" was one of financial relief**: no load shedding, slightly lower interest rates, lower food inflation, relief of having a coalition government in place, and being able to access retirement funds via "two pot" system. **As a result of the second "chapter", 2024 was a better year for the South African consumer than 2023, and consumers' confidence about how the future will shape up is more positive as we enter 2025**.
- We know that while debt is prevalent, many South Africans prefer not to discuss their financial situation with friends, family etc. **We want to break this stigma around debt. Having reached 1 million digital subscribers** (including those in debt counselling and those who are actively managing their debt online), **we will be celebrating real-life debt heroes during National Debt Awareness Month 2025**, **spotlighting several of our customers' journeys**. Regardless of where they are on their journey – from the first steps of understanding their credit profile on **debtbusters.co.za** to celebrating debt clearance – **our clients are all Debt Heroes**. They are overcoming challenges, making tough choices, and taking control of their financial futures. **By sharing their journeys we celebrate their triumphs, share their struggles, and empower them to inspire others to seek help and find a path forward**.
- In 2024, consumers continued to be proactive in managing their credit, albeit interest in debt counselling was a bit muted compared to previous years. If we compare the full year 2024 to the full year 2023, **there was increased demand from consumers for debt management, with debt counselling inquiries up by 8% and online debt management up by 9%**. While it is early days in 2025, we anticipate stronger demand this year as consumers' desire to become financially sustainable continues to grow.
- **While consumers' financial confidence may have improved, some trends have not. Income growth – while better than years past – is still behind expense growth: since 2016 electricity tariffs increased by 135%, petrol price increased by 72%, and inflation's compounded impact is 44%. As a result, it is perhaps not surprising that consumers who applied for debt counselling in Q4 2024 needed 68% of their take-home pay to service their debt expenses. 82% of these consumers had a personal loan. A further 52% of consumers had a one-month (payday) loan** –indicating that consumers continue to supplement their income with short-term unsecured credit, and personal loans, especially one-month loans have become a lifeline for many. Compared to 2016, **those consumers who applied for debt counselling in Q4 2024 had**:
  - **42% less purchasing power**: Nominal incomes were 2% higher than 2016 levels, however when cumulative inflation growth of 44% is factored in for the same eight-year period, consumers' purchasing power diminished by 42% over this period. Those taking home R35k or more p.m. had better news: the nominal incomes for this band increased by 10% since 2016, first such significant increase for a long time. While the inflation impact has subsided, on average consumers are feeling like they are taking home 42% less today in real terms than they did in 2016.
  - **High debt service burden with 68% of net incomes going towards paying debt**: Consumers need to spend around 68% of their take home pay to service their debt before coming to debt counselling, which is up sharply compared to last several quarters and **is the highest recorded level since 2017**. Those taking home R35k or more p.m. need to use 74% of their income towards debt repayments and their total debt to annual net income ratio is 187%. Those taking home R5k or less p.m., who are our most vulnerable, need to use 75% of their income towards debt repayments. **These ratios are at their highest-ever levels**.
  - **Unsustainably high levels of unsecured debt for top earners:** Unsecured debt levels were on average 29% higher than that in 2016 levels. For those taking home R35k or more, the unsecured debt levels were 60% higher. While this is only slightly higher than inflation growth, in absence of meaningful salary increases, it signals that consumers still need to supplement their incomes with unsecured credit.
- In some good news**, the average interest rate for unsecured debt has come down from its eight-year high and is now 24.6% p.a. To deal with it, debt counselling is the best tool to help consumers restructure their debt so that**:
  - Unsecured debt interest rates can be reduced from an **average of 24.6% p.a. to ~2.5% p.a., allowing consumers to pay back expensive debt quicker**.
  - **Vehicle debt and balloon payments can be paid over a meaningful period** by getting the average financed vehicle interest rate of 15.4% p.a. negotiated down to a more manageable level.
  - Consumers can get back on their feet and creditors can get back their money: **The number of consumers who successfully completed debt counselling has increased eight-fold since 2016. Moreover, the consumers who successfully completed debt counselling in Q4 2024 paid back over R667m worth of debt to their creditors as part of the debt counselling process**.
- We continue to observe increasing levels of interest from consumers for free **online debt management on** www.debtbusters.co.za. New (free) subscriber base increased has now reached over 1 million! Consumers manage their debt using proprietary tools such as **Debt Radar and Debt Sustainability Indicator (DSI)** and recognise that if addressed early in their professional career, management of debt can become part of daily life. In the next few months, we also plan to launch Moneysavers and additional tools to help consumers not only protect their money, but also to stretch and grow it!

# Nature of debt is mostly stable, but unsecured debt share is higher compared to pre-pandemic levels

Share of vehicle debt also higher compared to pre-pandemic levels, but has come down in the past year

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 home loans. Therefore, it includes credit card debt, overdraft facilities, personal loans, retail cards, store cards and the like.

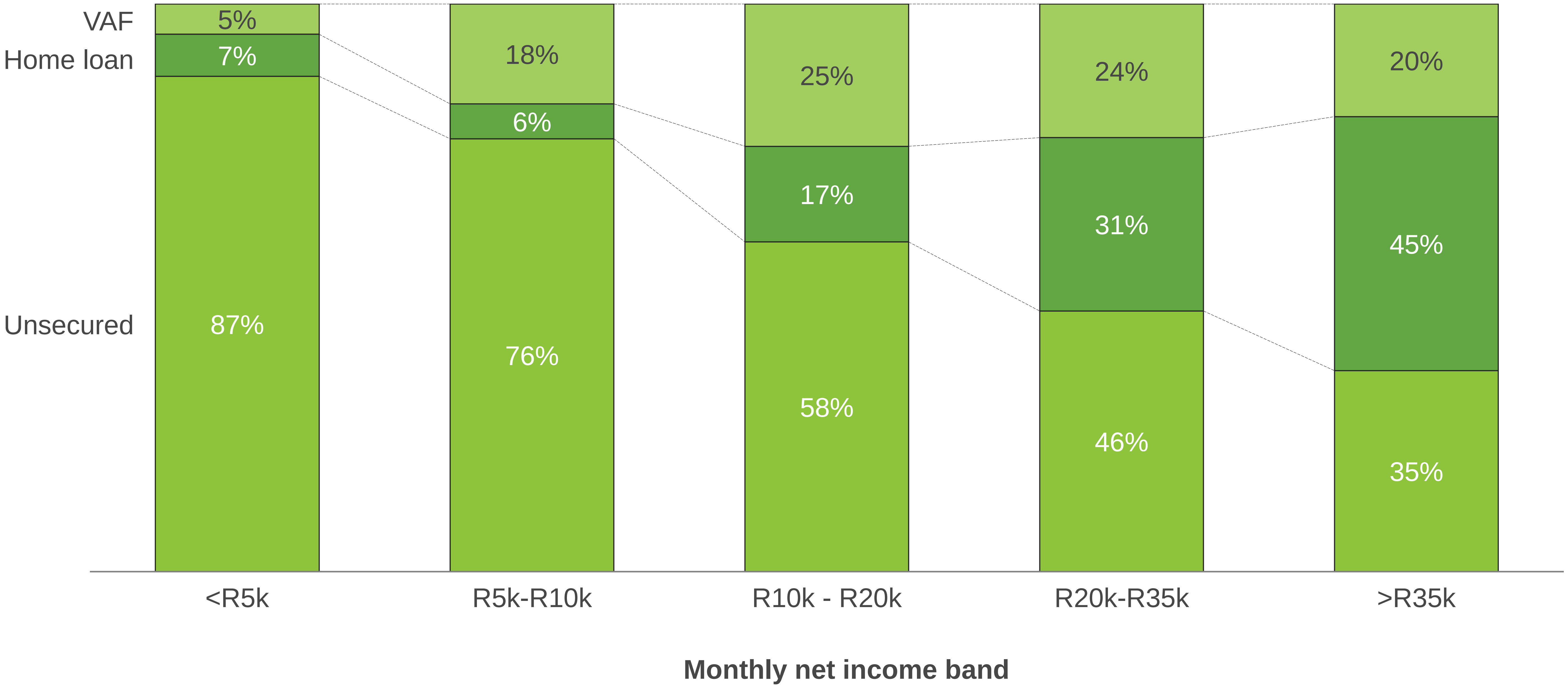
Source: DebtBusters

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

TOTAL DEBT BOOK

## Breakdown of DebtBusters debt under management

Percent by type, by value at end of Quarter




**Share of debt that is asset-based increases to 54% for those taking home R20k-R35k; for those taking home R35k or more the share of debt that is asset-based goes up to 65%**

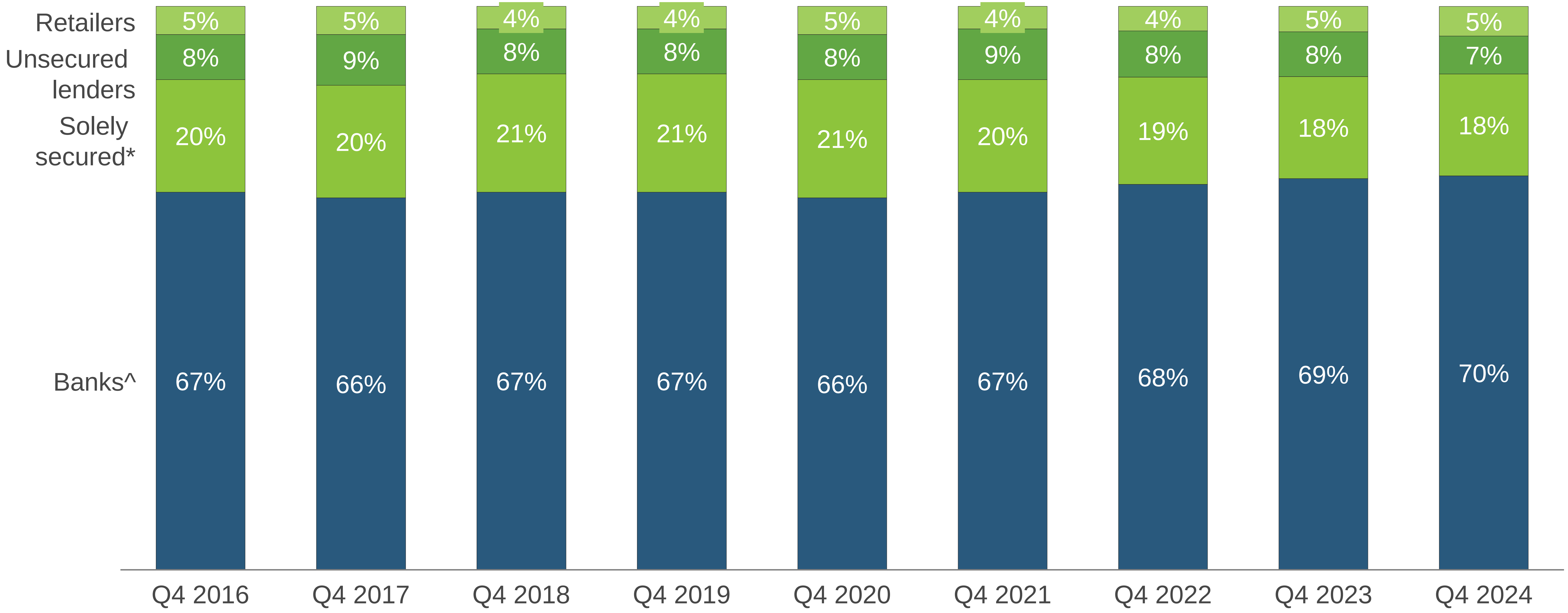
**VAF** refers to vehicle finance agreements.
**Unsecured** debt refers to all debt other than vehicle finance and home loans. Therefore, it includes credit card debt, overdraft facilities, personal loans, retail cards, store cards and the like.

Source: DebtBusters

# Share of lending institutions is largely stable

Banks make up ~70% of credit(more so with affiliates); there is slight increase in retailer lending compared to a few years ago

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)
^ Includes ABSA, African Bank, Capitec, FNB, Investec, Nedbank, Standard Bank
Source: DebtBusters

# Looking more closely at unsecured debt… 82% of new applicants have a personal loan (at the time they apply for debt counselling); more alarmingly 52% come with a one-month (payday) loan

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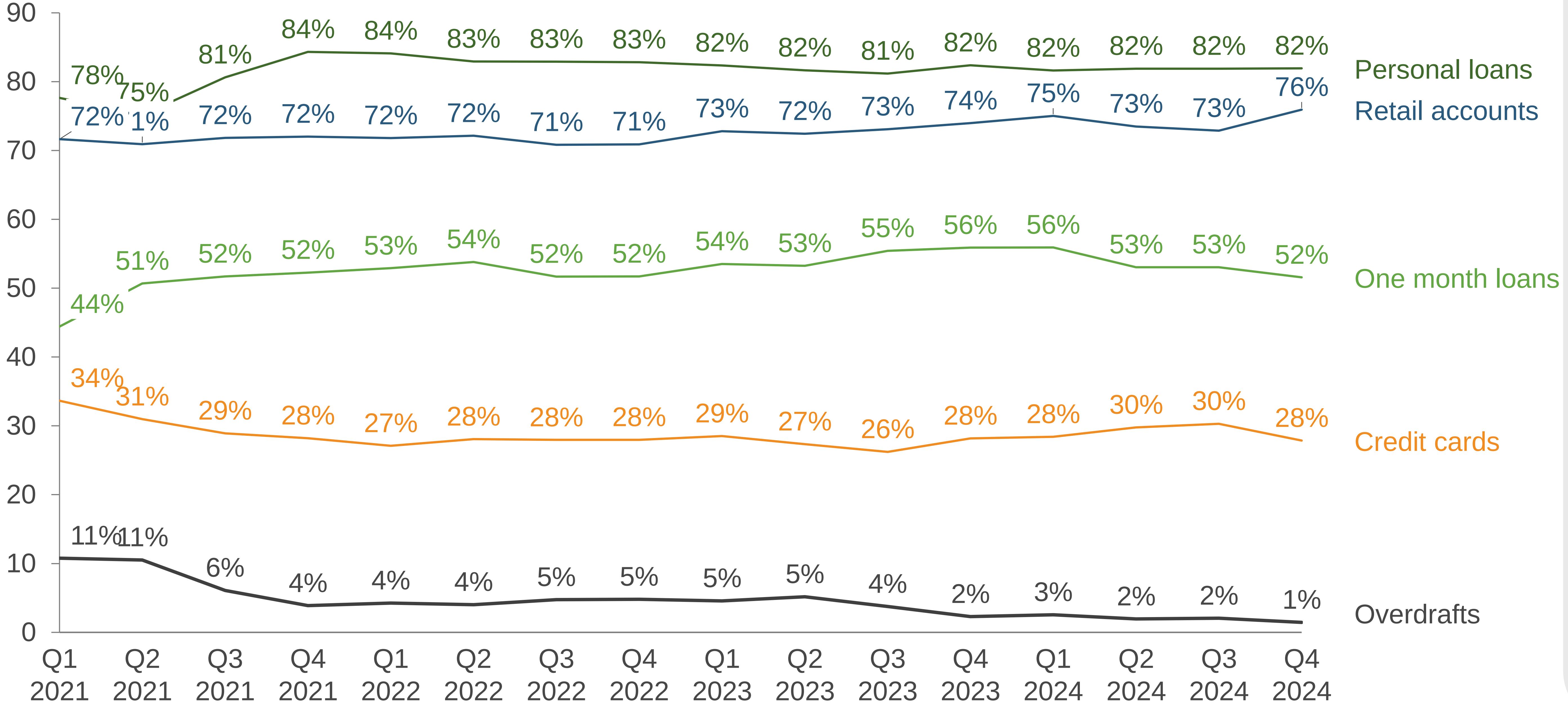
## Share of new applicants with…




- 82% of new applicants have a personal loan at time of application for debt counselling
- 52% have a one-month (payday) loan
- 28% of new applicants rely regularly on their credit cards
- The prevalence of personal loans, one-month loans and credit cards all indicate SA consumer continues to be under significant cash flow pressure

**One month loans** refers to personal loans that have a repayment period of one month
**Personal loans** refers to all other personal loans that have a repayment term of more than one month. As a result of enhanced data granularity, as of Q2 2024 personal loans and one-month loans were reclassified.
**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

Source: DebtBusters

# Compared to previous quarters, debt service ratio is higher where consumers need 68% of their take home pay to service debt, which is a significant increase from previous quarters and is at the highest level since 2017…

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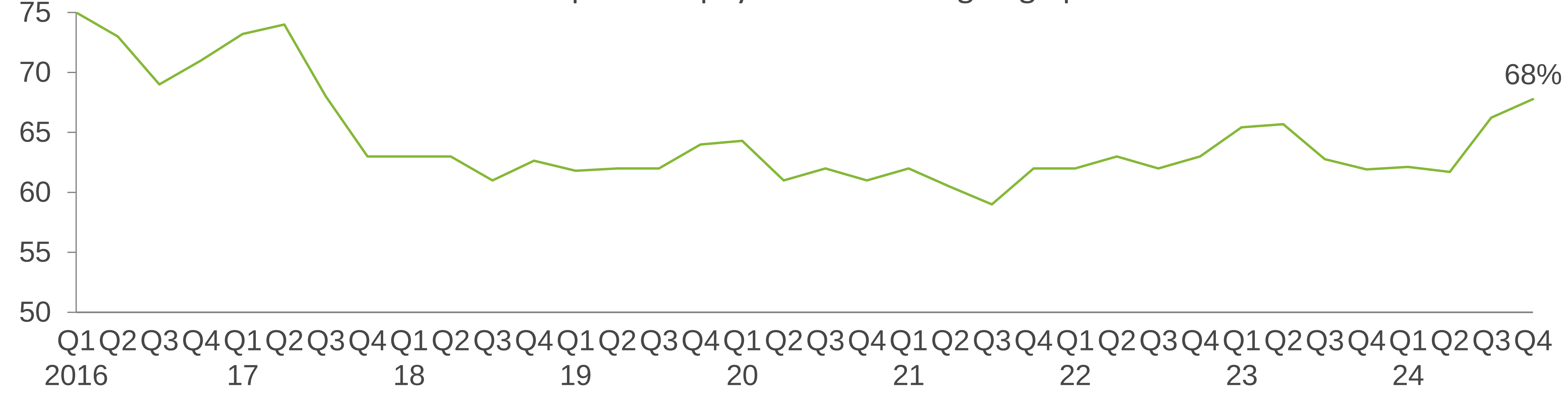
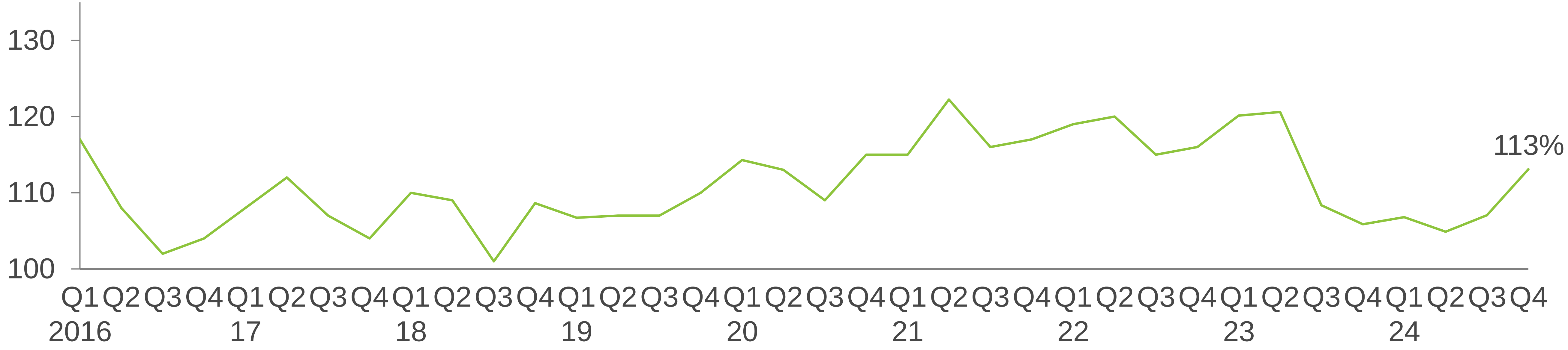
**Original (median) monthly debt repayment to net income ratio[1] has increased...**

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




**…even though quarter-on-quarter overall debt levels are slightly lower compared to previous years**

Total debt exposure to annual net income ratio, when consumers sign up with DebtBusters




Comparable figure for other select countries (from OECD):

| | |
|---|---|
| Mexico 27% | USA 110% |
| Poland 49% | UK 137% |
| Italy 82% | Korea 187% |
| Germany 90% | Australia 217% |

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

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

Source: DebtBusters



OECD (2024), "Household debt" (indicator), https://doi.org/10.1787/f03b6469-en (accessed on 2 February 2025). For USA, figures are for 2022 (most recent year of reporting). For other countries, the figures are for 2023.

# …for those taking home more than R35k per month the total debt to annual net income ratio is 187% and they need 74% of their take home pay every month to service their debt repayments. Similarly, those taking home less than R5k per month need 72% of their take home pay to service debt repayments…

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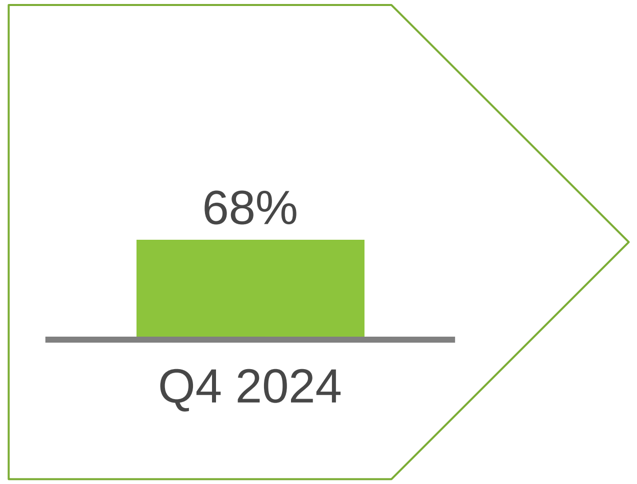
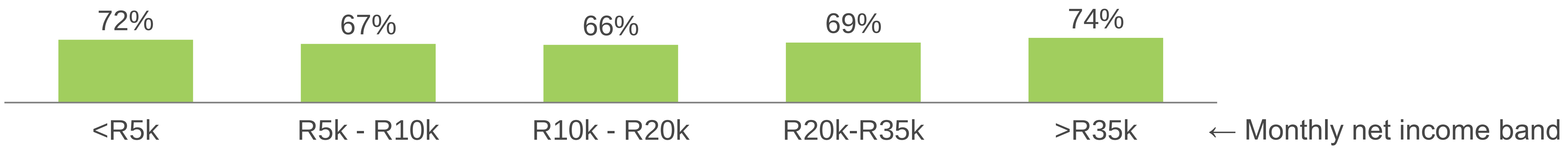
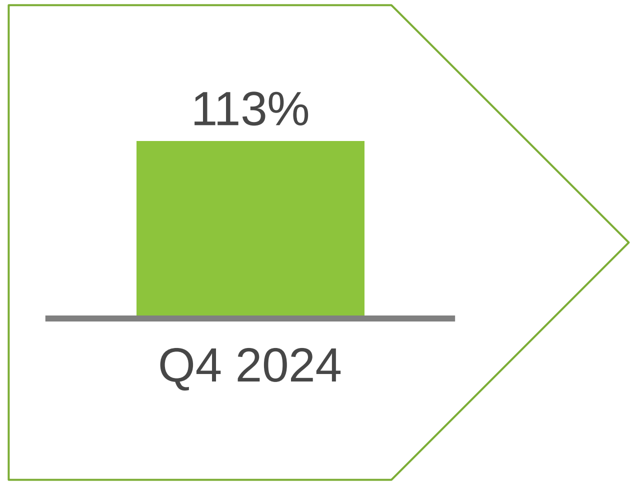
**Original monthly debt repayment to net income ratio[1]**
Percent of net income that was required to pay debt before signing up with DebtBusters

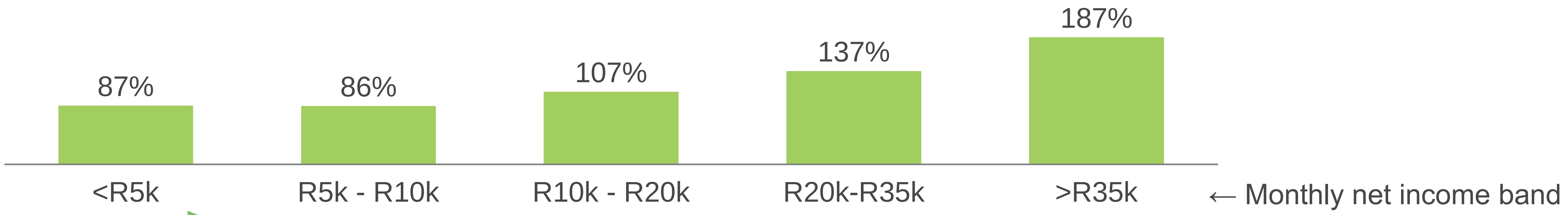



Highest monthly debt repayment ratio

**Original overall debt to annual net income ratio[1]**
Debt exposure to net income ratio, when consumers sign up with DebtBusters




Lower overall debt ratio at 87% but require 72% of net income to pay debt each month(highest monthly debt repayment ratio), which means interest rates charged are highest.

Highest debt to income ratio

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

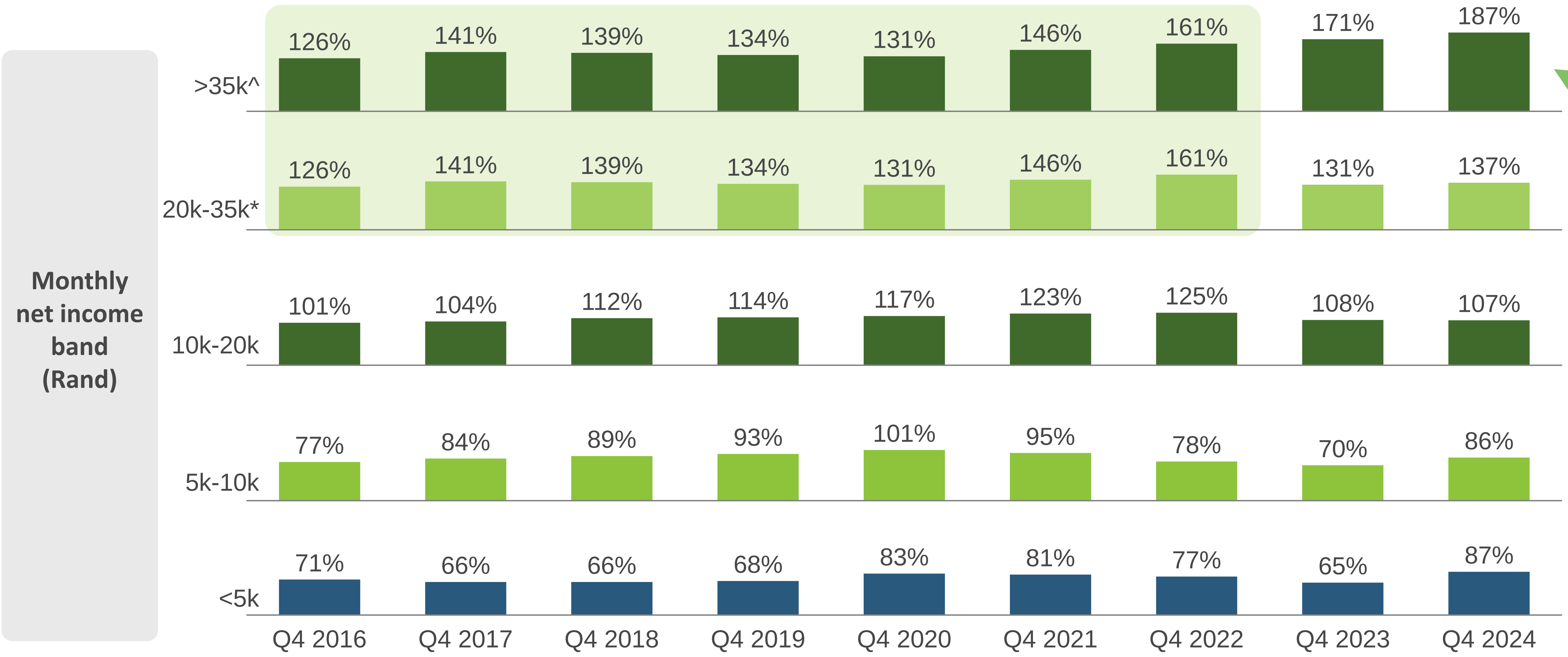
Source: DebtBusters

# …the overall debt to annual net income ratio for most income bands appears to have worsened for many income bands; those taking home R35k or more have an overall debt-to-income ratio of 187%

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[1]**

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




Highest ratio at 187% in the >R35k group. This is predominantly due to home loan and vehicle finance debt

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

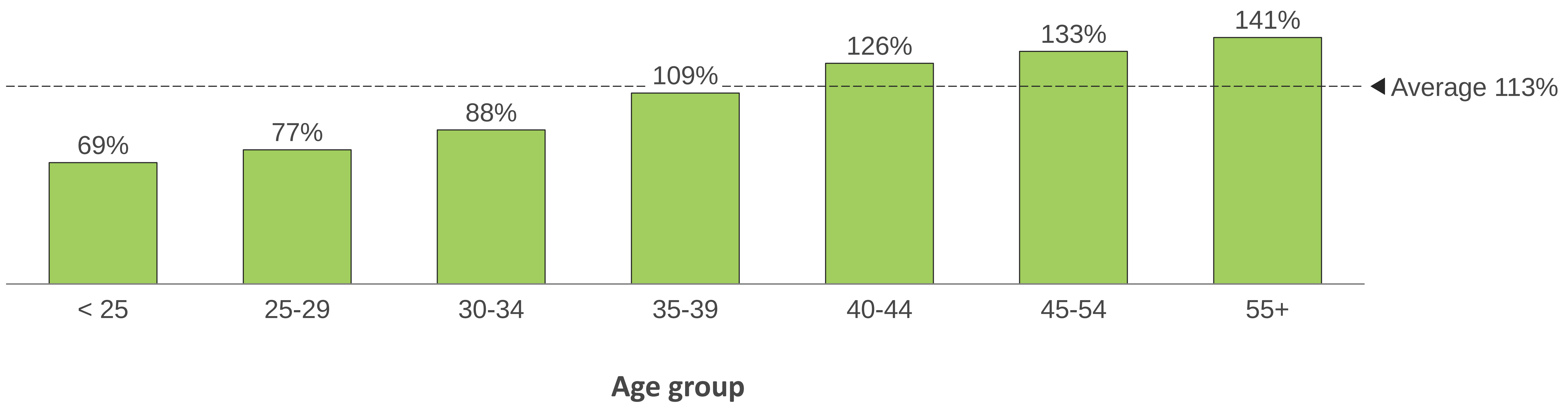
^ New income band reported from Q1 2023 (Split from a broader group of >R20k); previously was part of the >20k income band. Previous quarters' ratios are attributed to this group as well as R20k-35k income band

* 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

Source: DebtBusters

# 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 for most recently completed quarter[1]**
Debt exposure to net income ratio, when consumers sign up with DebtBusters

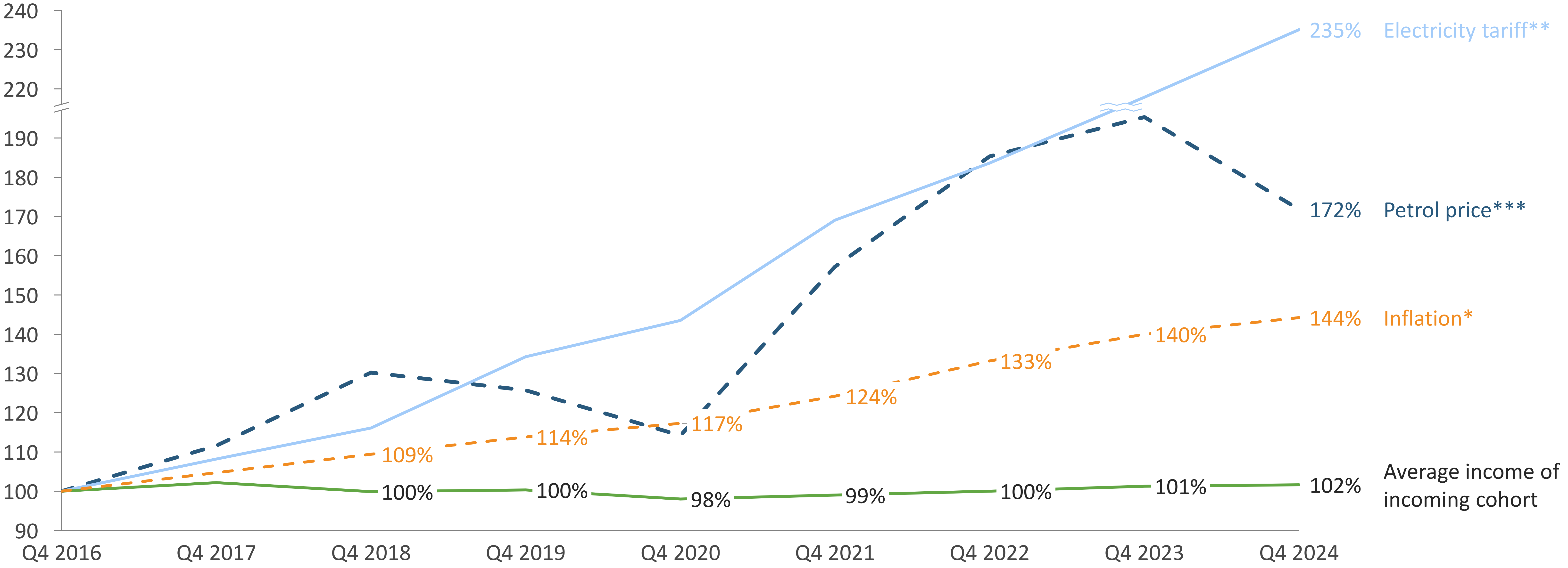



1 Debt to Income ratio is calculated by looking at the median for each age group; for most recently completed quarter

Source: DebtBusters

# Since 2016, primary indicators of cost of living have moved substantially faster than income growth. Even though there has been improvement in these indicators in the last few quarters, since 2016 core inflation increased by 44%, petrol price by 72% and electricity tariffs by 135%…

**Change in primary indicators at end of the quarter**
Indexed to 2016 levels
2016 = 100



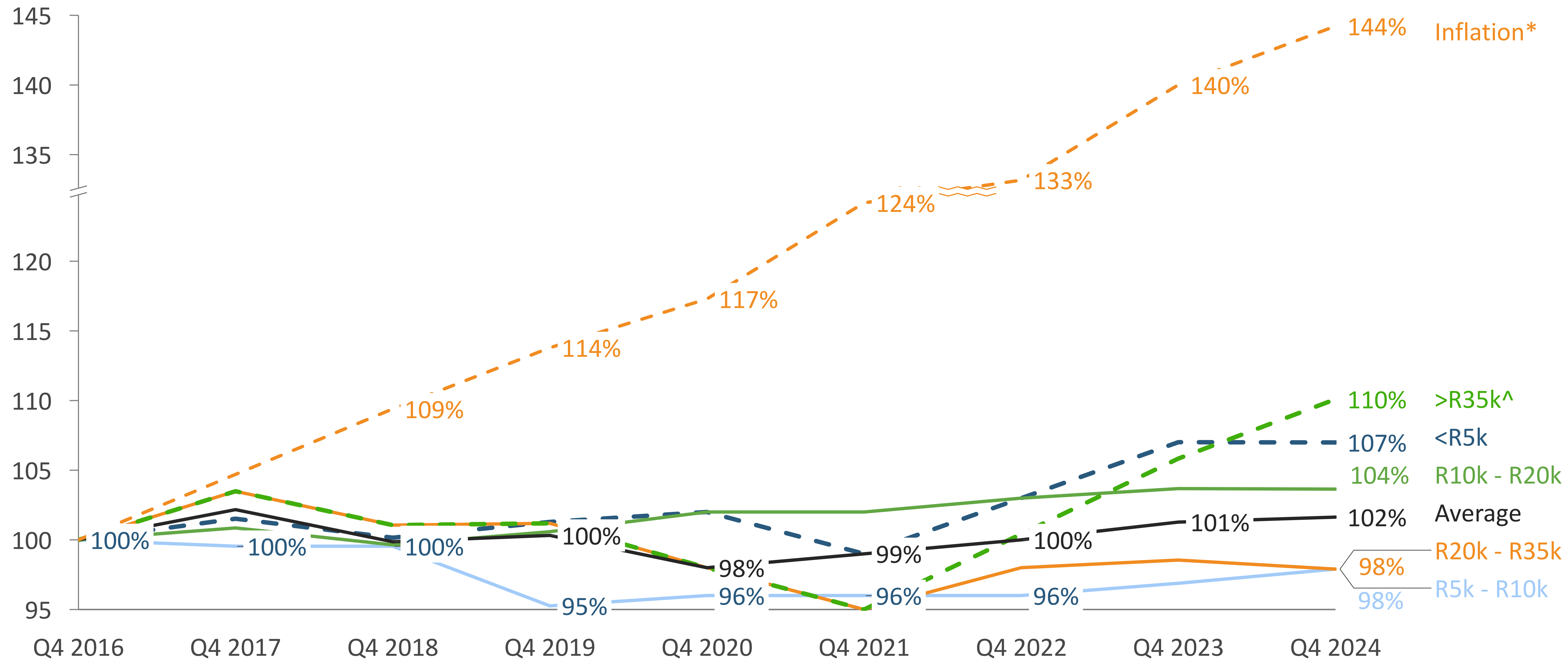

Source: DebtBusters
- Source: Stats SA CPI history; Stats SA report P0141; https://www.statssa.gov.za/?page_id=1854&PPN=P0141; last accessed on 23 October 2024

** Source: Eskom municipal rate increases ; https://www.eskom.co.za/distribution/5189-2/; last accessed on 23 October 2024

*** Source: AA; inland price of Unleaded 93 petrol per litre; https://aa.co.za/fuel-pricing/; last accessed on 23 October 2024

# In the last eight years, average net incomes (take home pay) of incoming debt counselling clients increased by 2% while inflation went up by 44%. This means that in real terms most South Africans had 42% less disposable income in 2024 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 ~2% in the last eight years; during the same period compounded increase in inflation was 44%**
- **This means disposable incomes shrank by almost 42% during the past eight years**

Source: DebtBusters
- Source: Stats SA CPI history; Stats SA report P0141; https://www.statssa.gov.za/publications/P0141/P0141December2024.pdf; last accessed on 23 January 2025

** ^ New income band reported from Q2 2023; previously was part of the >20k income band

## … On average, consumers have 29% more unsecured debt in 2024 compared to 2016. Those taking home R35k or more have unsecured debt levels that are 60% higher than in 2016. This outpaces inflation (CPI) growth of 44% and is much higher than salary growth of 10% during the same period for the top earners

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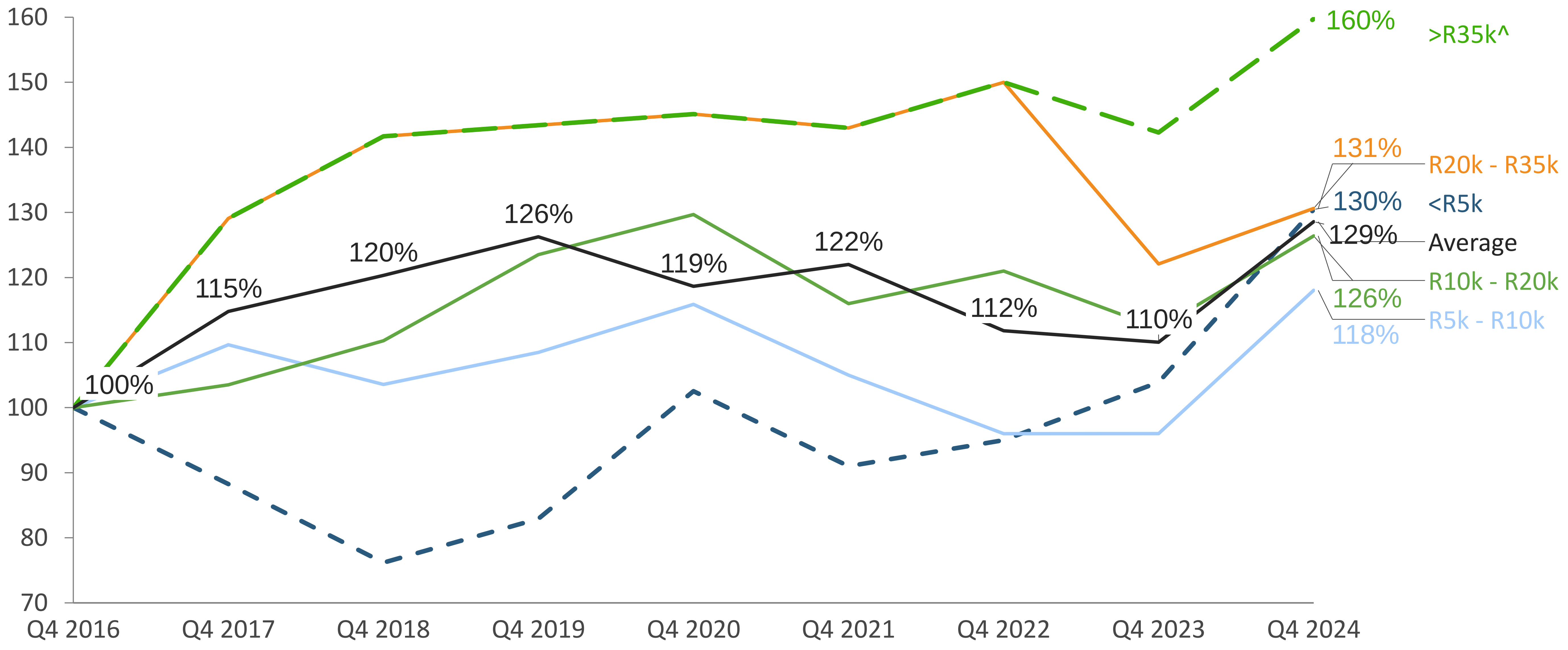
**Change in unsecured debt levels per income band of consumers signed up in the quarter**
Indexed to 2016 levels
2016 = 100




- Unsecured debt for the average consumer is 29% higher than 2016 levels; for top earners the figure is 60%
- For top earners, growth in unsecured debt has slowed down, which is a welcome development, but still far outpaces inflation (CPI) growth of 44% and salary increase of 10% over the same period
- Top earners still under lots of financial pressure

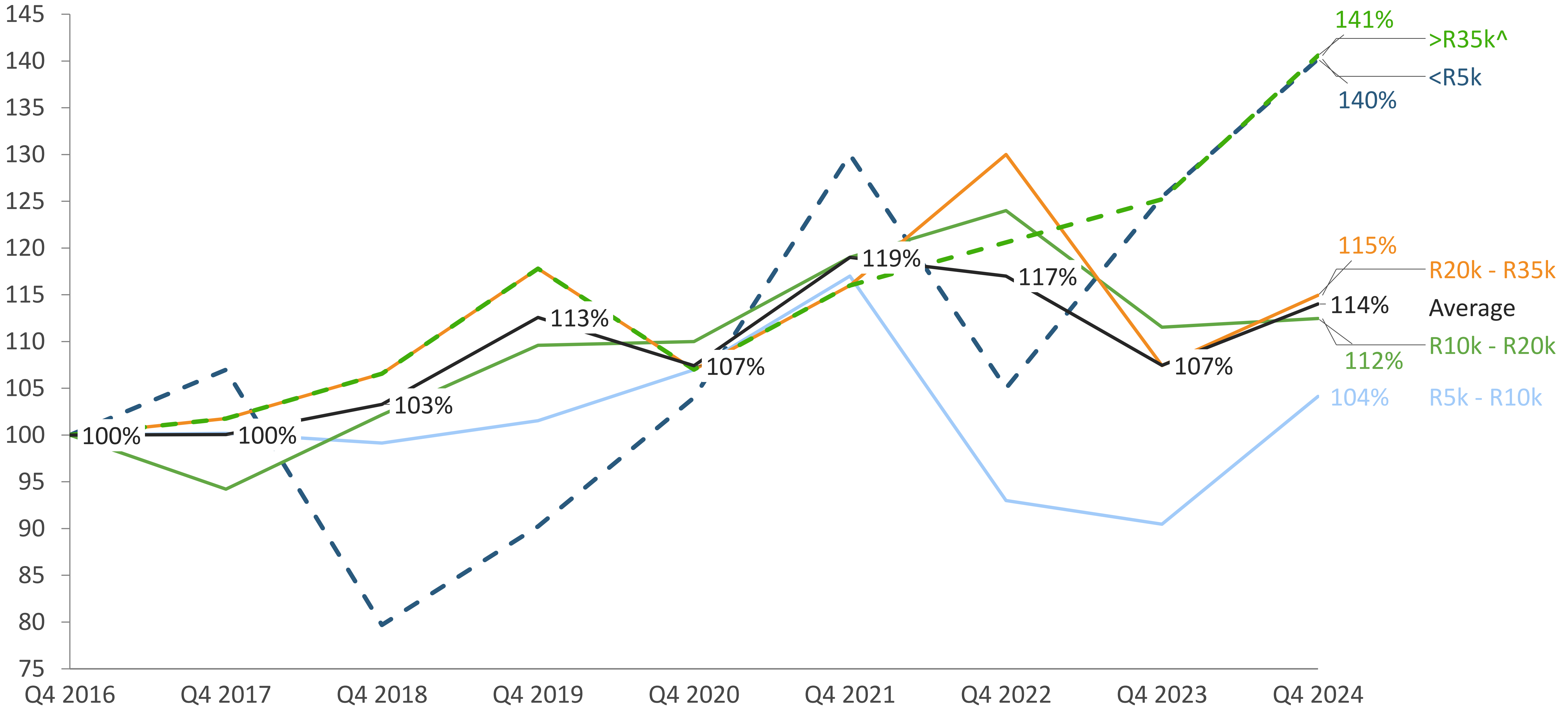
Source: DebtBusters
^ New income band reported from Q2 2023; previously was part of the >R20k income band

# Total debt levels (which include both secured and unsecured debt) are 14% higher than they were in 2016. While this looks healthy overall and is lower than CPI increase over the same period, for top income earners, overall debt levels are 41% higher than 2016 levels

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

Indexed to 2016 levels

2016 = 100

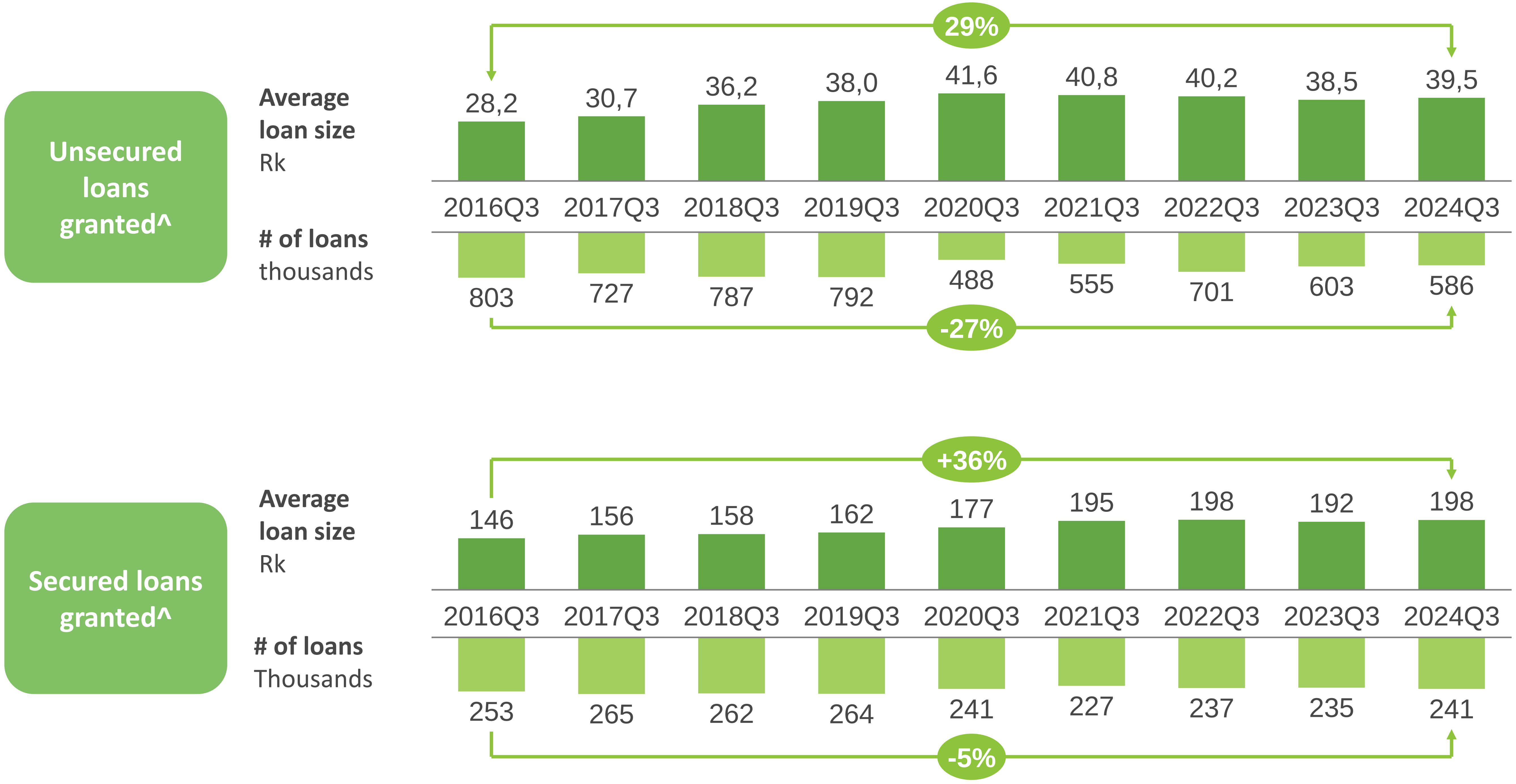



- Compared to 2016, the total debt levels are higher, but the increase has been below inflation
- Those taking home more than R35k had 41% increase in overall debt levels since 2016

Source: DebtBusters

^ New income band reported from Q2 2023; previously was part of the >20k income band

# Since 2016, average unsecured loan size increased by 29% whereas the volume of new unsecured loans declined by 27%. This means larger unsecured (personal) loans are being granted to a smaller number of consumers, highlighting that risk is being concentrated on an ever-smaller group of consumers



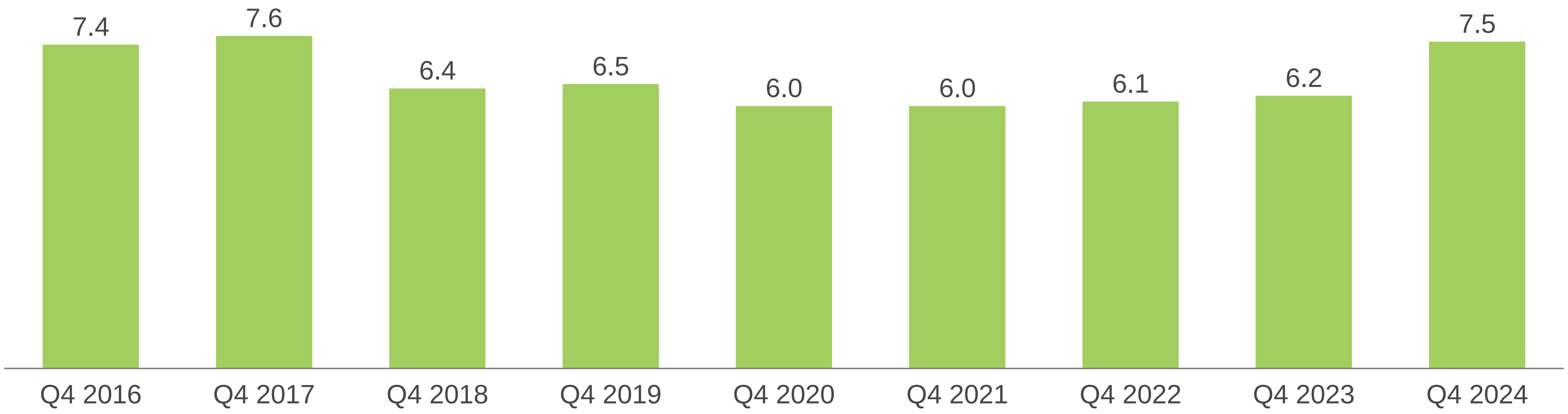

- Since 2016, average unsecured loan size increased by 29% whereas the number of loans decreased by 27%. This indicates that unsecured lending is extended largely to smaller pool of consumers.
- For secured loans, in contrast, the number of loans decreased by 5%, but the average loan size increased by 36%

^: Q3 2024 was the most recent quarter available at time of publication

Source: NCR Consumer Credit Market Report Data Q4 2007 – Q3 2024

# The average number of credit agreements (open trades) a consumer has increased compared to previous few years. When factoring in higher debt levels as well, this indicates consumers' multi-lender borrowing relationships have expanded recently

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




Source: 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 30% of new applicants' debt

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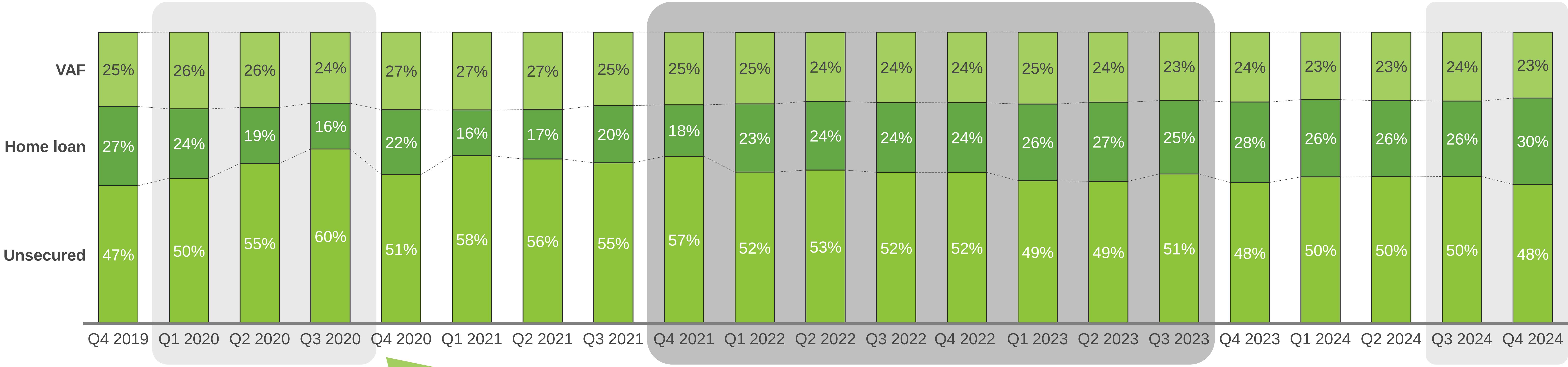
Repurchase rate decisions by SARB

- Multiple increases
- Multiple decreases

**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 November 2021 till May 2023, we have seen an increase in the home loan share from Q1 2022 onwards, now reaching 30% in Q4 2024

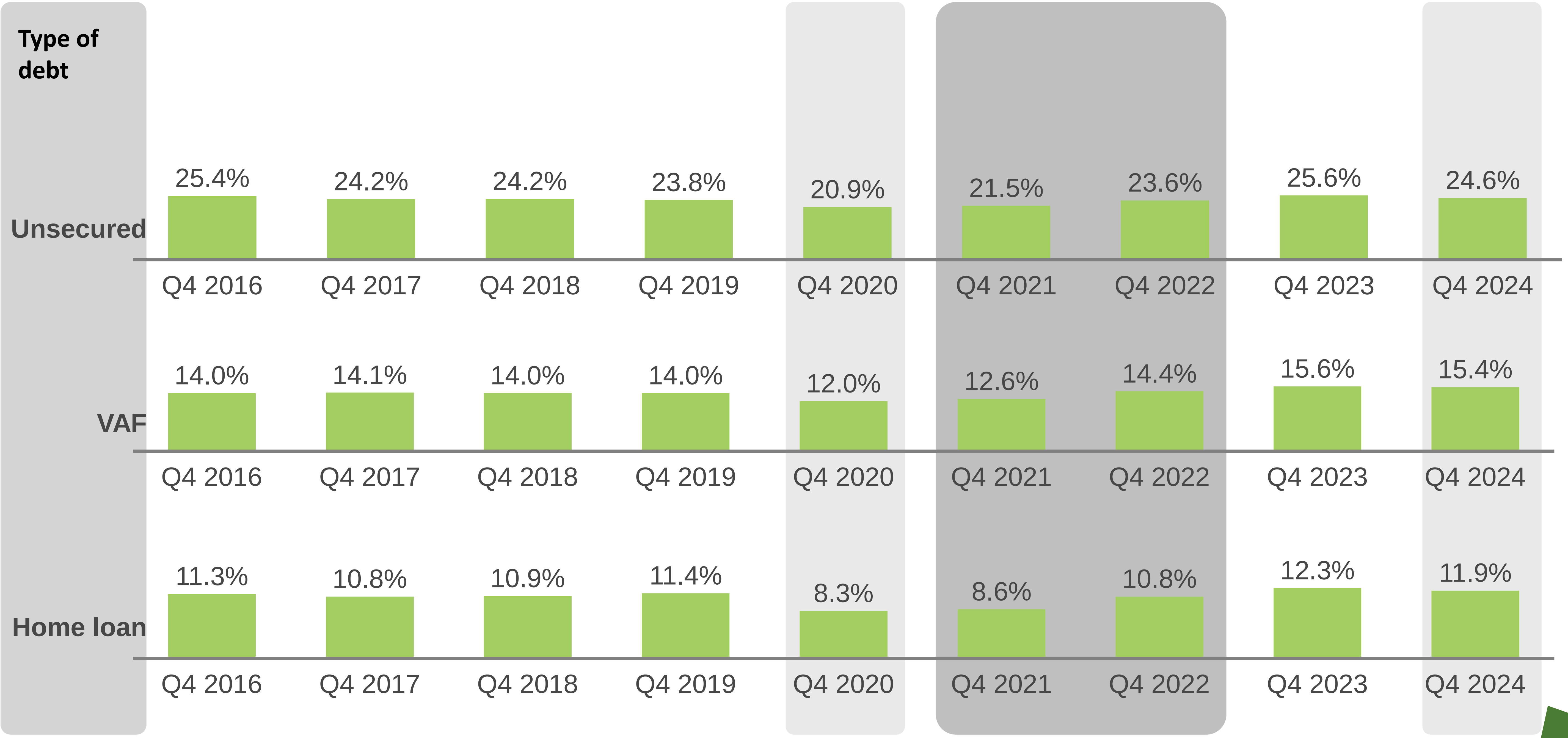
**VAF** refers to vehicle finance agreements.
**Unsecured** debt refers to all debt other than vehicle finance and home loans. Therefore, it includes credit card debt, overdraft facilities, personal loans, retail cards, store cards and the like.
Source: DebtBusters

# Since late 2021, the impact of successive interest rate increases resulted in higher average interest rate of new applicants: in Q4 2023 the repo rate reached the peak of this cycle and then held steady until decreasing slightly in Q4 2024

**Repurchase rate decisions by SARB**
- Multiple increases
- Multiple decreases

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

Percent, per annum




- Unsecured debt interest rates increased to the highest level in the last eight years, before dipping slightly in the last quarter
- Unsecured debt interest rate has big impact on what percent of incomes are needed to service debt
- Home loans also very sensitive to changes in interest rates – big swing from 2020 onwards

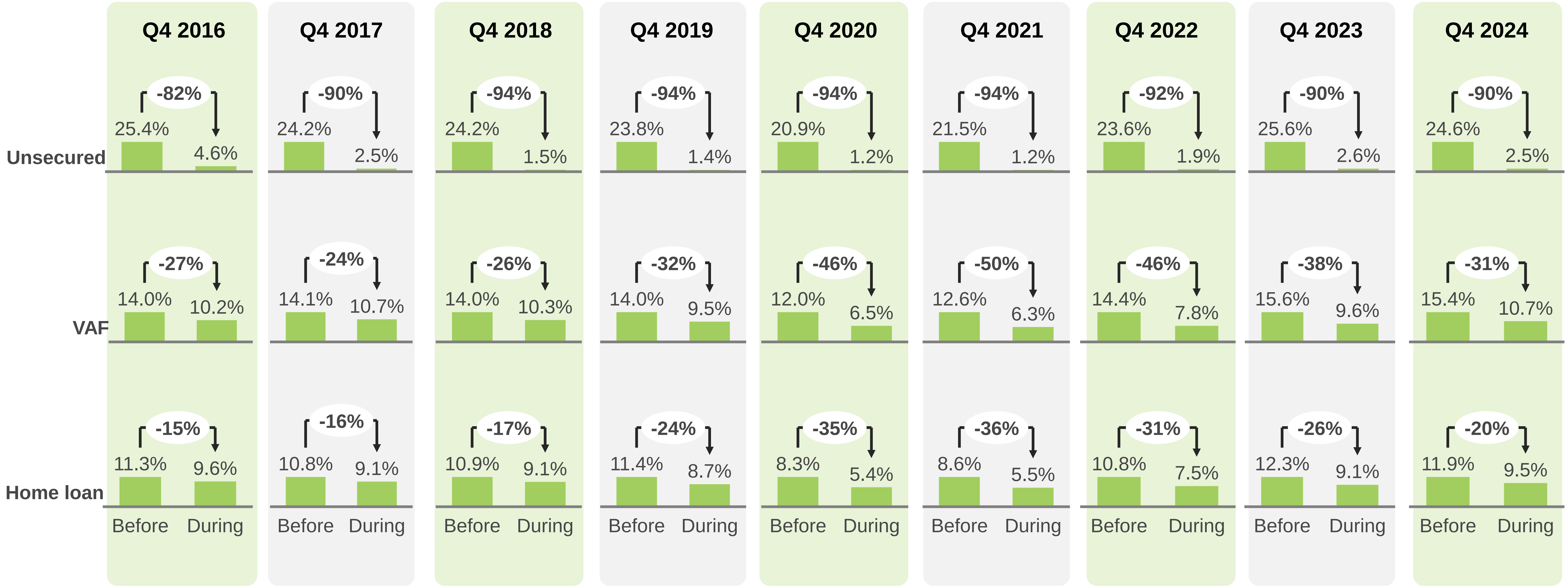
Max. allowed at end of quarter*:
- Unsecured: 28.75% p.a.
- VAF: 24.75% p.a.
- Home loan: 19.75% p.a.

**VAF** refers to vehicle finance agreements.
**Unsecured** debt refers to all debt other than vehicle finance and home loans. Therefore, it includes credit card debt, overdraft facilities, personal loans, retail cards, store cards and the like.
* Maximum rate allowed for newly originated credit agreements in that quarter per dtic guidelines

Source: DebtBusters

# In debt counselling, interest rates can be reduced by over 90%+, allowing consumers to pay off their expensive debt quicker. In 2024, in partnership with creditors, DebtBusters was able to reduce interest rates significantly for consumers, and in return consumers paid over R4.5bn to their creditors

**Average interest rate for new applicants (before and proposed during debt counselling)**
Percent

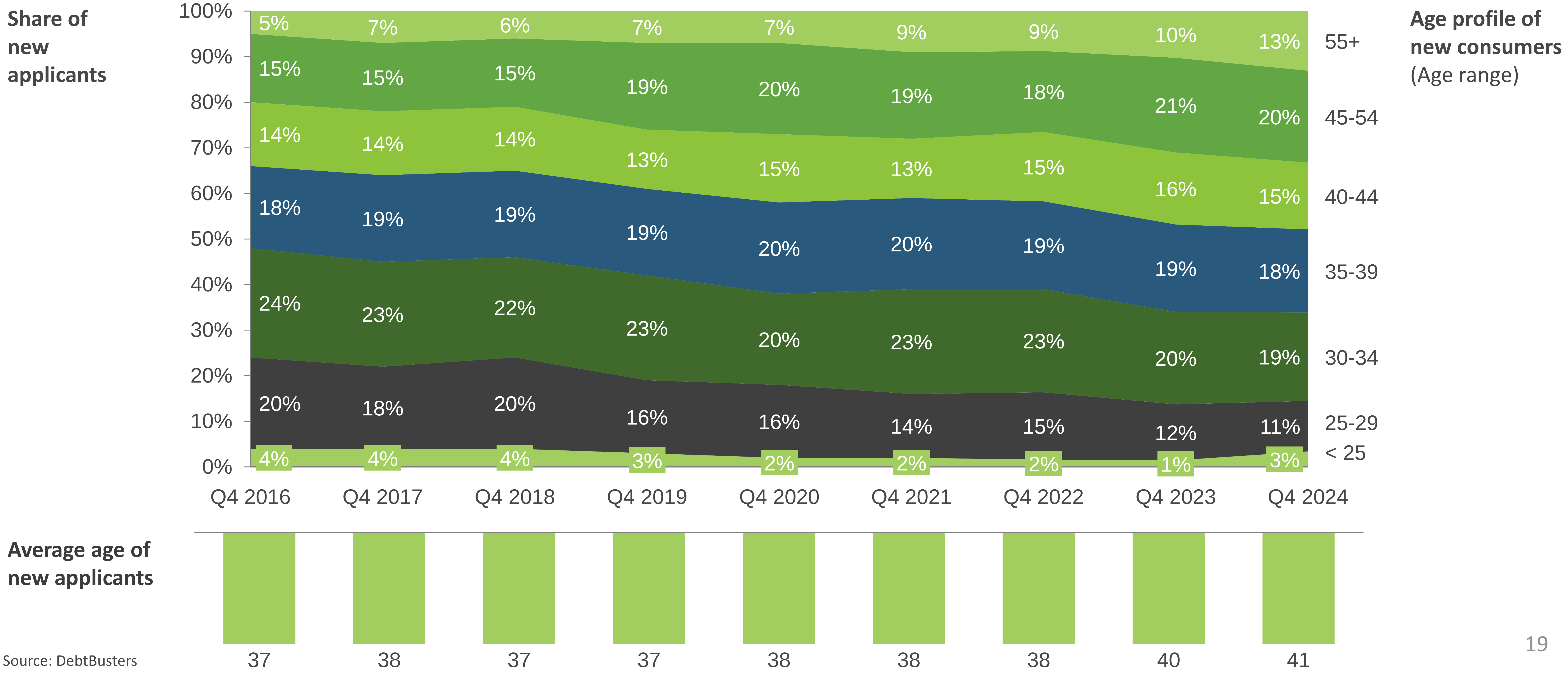



**VAF** refers to vehicle finance agreements.
**Unsecured** debt refers to all debt other than vehicle finance and home loans. Therefore, it includes credit card debt, overdraft facilities, personal loans, retail cards, store cards and the like.

Source: DebtBusters

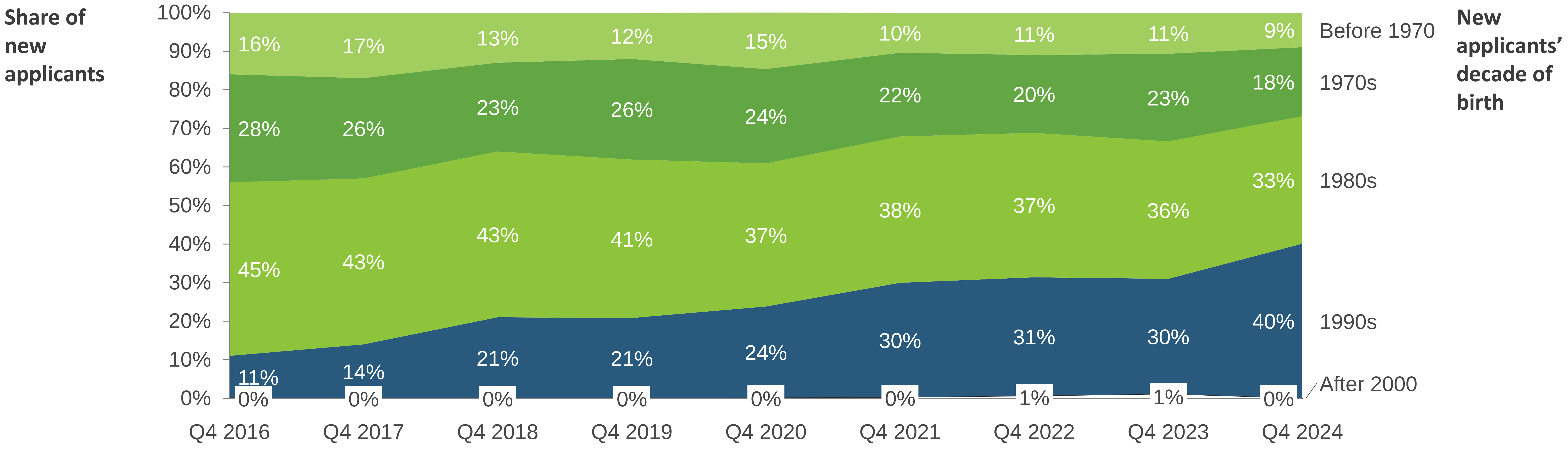
# Consumer age profile indicates increasing financial stress in 45+ age group, which now make up ~30% of new applicants

Average age of new applicants has increased to 41. In addition, the share of applicants who are 45 or older has increased from ~19% in 2016 to 43% in 2024, indicating financial stress is becoming more prevalent in this age category




Source: DebtBusters

# The ratio of male applicants is consistently above 50%, indicating men are becoming more proactive about addressing financial distress. During the most recent quarter, 56% of applicants were male.



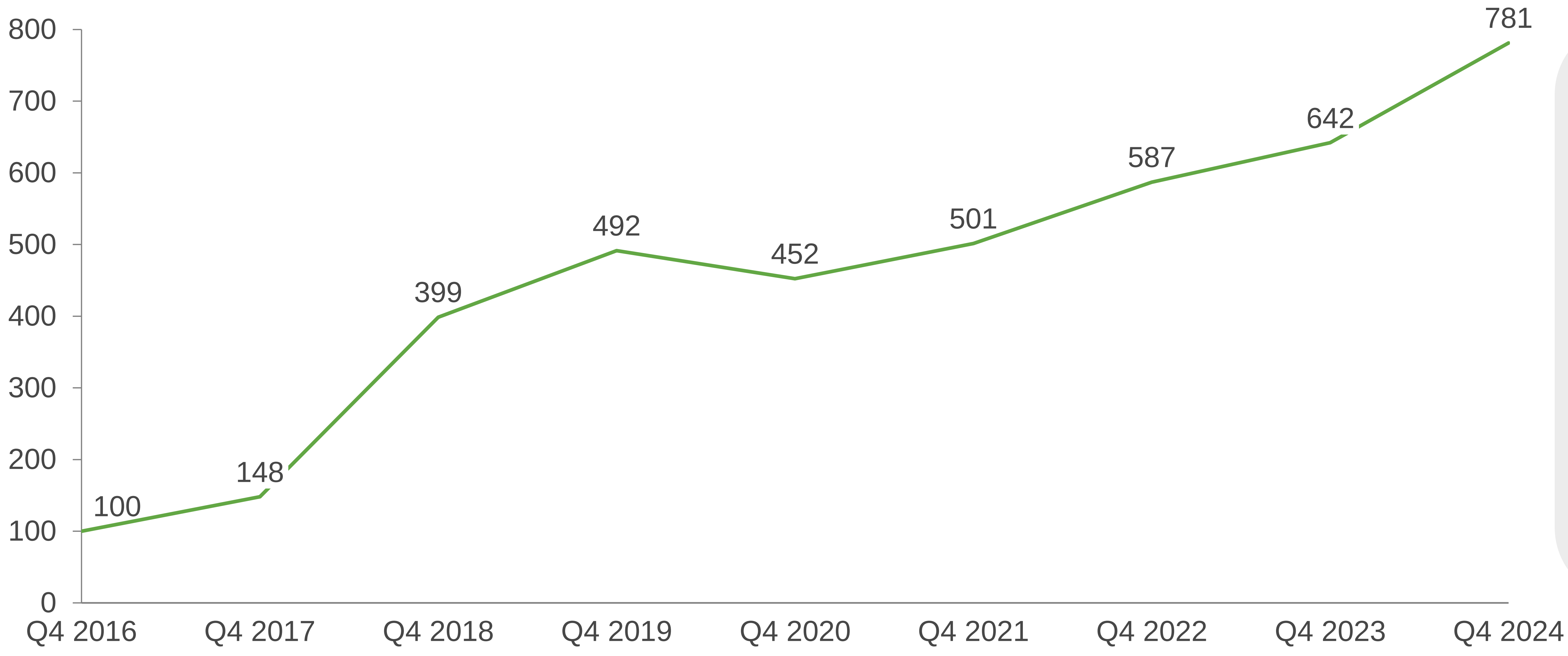

**Share of applicants who are**

| | Q4 2016 | Q4 2017 | Q4 2018 | Q4 2019 | Q4 2020 | Q4 2021 | Q4 2022 | Q4 2023 | Q4 2024 |
|---|---|---|---|---|---|---|---|---|---|
| Male | 52% | 51% | 51% | 53% | 55% | 54% | 55% | 54% | 53% |
| Female | 48% | 49% | 49% | 47% | 45% | 46% | 45% | 46% | 47% |

Source: DebtBusters

# In the most recent quarter, the number of consumers graduating from debt counselling (successfully receiving their clearance certificates) was almost eight times higher than the same period in 2016; consumers who graduated in Q4 2024 paid more than R667m to their creditors while in debt counselling

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

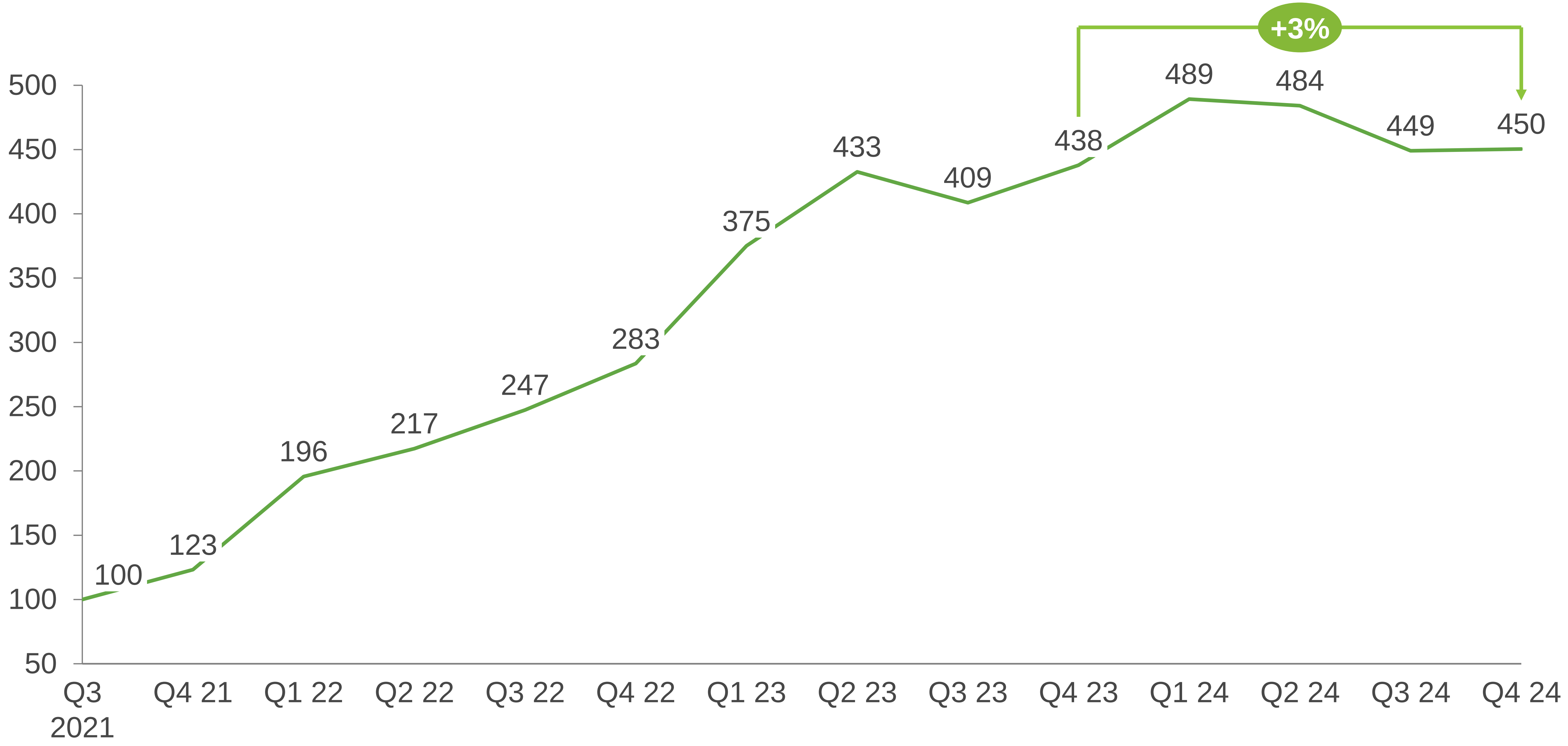



- **In Q4 2024, there were almost 8x more consumers "graduating" or getting clearance certificates compared to 2016 levels**
- **Consumers who received clearance certificates in most recent quarter paid R667m to their creditors while in debt counselling**

Source: DebtBusters

# Consumers' interest in online debt management continues to be high. We have observed that the non-debt counselling userbase for DebtBusters website has grown 3% over the past year

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




- **3% 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**

Source: DebtBusters

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