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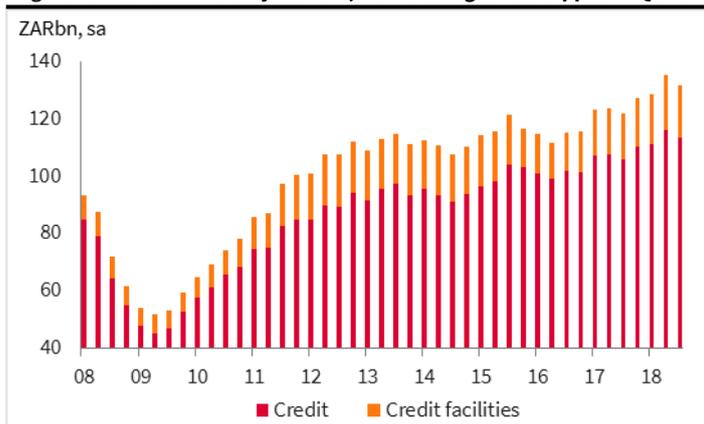
South Africa

Consumer credit arrears picked up in Q3 18

The National Credit Regulator Q3 18 dataset shows clear signs of a further mild deterioration in consumer credit markets. The rejection rate on new credit applications jumped from 50.1% to 53.6% in Q3 18 and new credit granted eased. Meanwhile, the proportion of the consumer debtors' book that was more than three months in arrears rose to 5.8% from 5.6% in Q2 18.

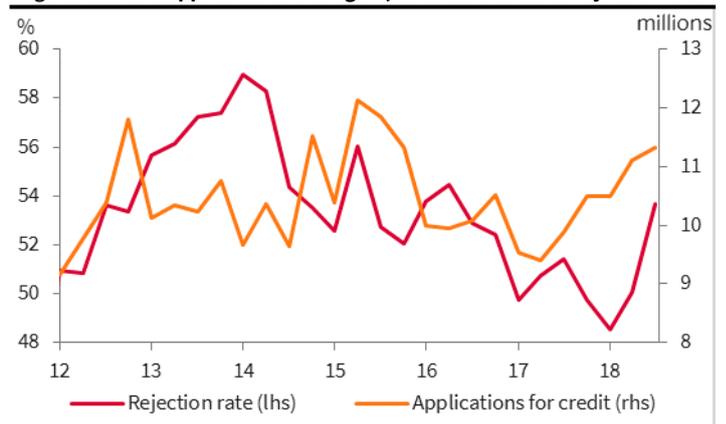
Lenders trimmed lending to consumers in Q3 18. After increasing for three successive quarters, with a relatively large jump in Q2 18, new credit granted by lenders to South African consumers fell in Q3 18 after adjusting for seasonal factors (Figure 1). This could be partly due to a sharpish rise in lending standards, with the rejection rate on credit applications rising from 50.1% in Q2 18 to 53.6% in Q3, despite an increase in the volume of credit applications (Figure 2) and a rise in the percentage of credit active consumers in good standing to 62.7% from 61.1% in Q2 18 (Figure 3). Meanwhile, arrears seem to be grinding higher. By rand value, the proportion of the consumer debtors' book in arrears (i.e. overdue by more than three months) rose to 5.8% from 5.6% in Q2 18 and 5.3% in Q1 18 (Figure 4). Arrears are occurring predominantly among smaller-sized loans as shown by the fact that the proportion of consumer credit accounts in arrears stood at 13.2%. Mildly rising arrears were observable across all forms of consumer borrowing, including mortgages and other secured finance. The arrears data are consistent with the picture of a consumer that on average is constrained by weak job creation, higher petrol prices and tax increases, but not yet in full-fledged crisis. Of course, these data are aggregated across all consumers and are thus dominated by the wealthier consumers who tend to borrow more.

Figure 1: After seasonal adjustment, new credit granted dipped in Q3 18



Source: National Credit Regulator, Absa Research

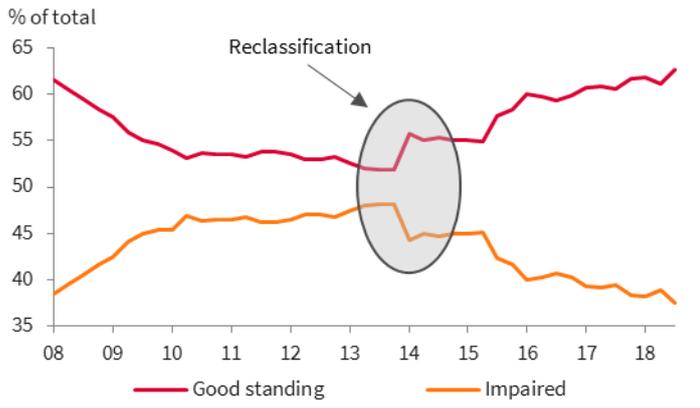
Figure 2: Credit applications rose again, but so did lenders' rejection rate



Source: National Credit Regulator, Absa Research

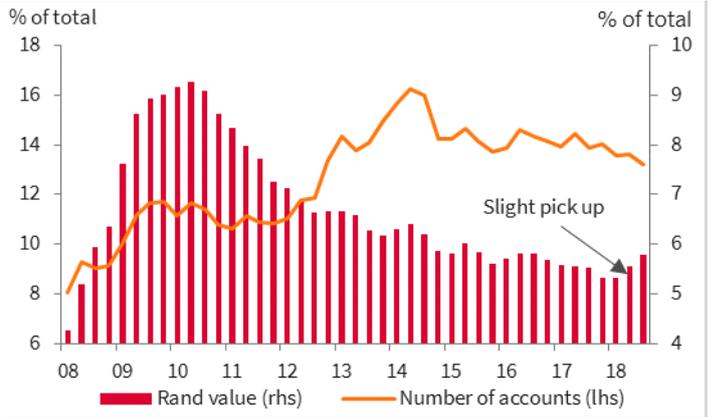
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Figure 3: Credit consumers in good standing have increased



Source: National Credit Regulator, Absa Research

Figure 4: Another mild pick up in arrears in Q3.18



Source: National Credit Regulator, Absa Research

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