Consumer credit health improves slightly in fourth quarter

By Ntsakisi Maswanganyi   22 Jan 2015

Consumer credit health improved slightly in the fourth quarter of 2014 amid slower increases in food prices and declines in fuel prices.

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The consumer credit index (CCI) by global leader in credit and information management TransUnion rose from 49.9 to a preliminary 50.1.

This is the first time in almost three years that the index is above 50 - signalling slightly positive sentiment regarding consumers' credit health.

However, TransUnion CEO Geoff Miller cautioned against reading too much into the improvement, saying a weak job market and a volatile rand were still mitigating any financial improvement.

The credit bureau said household cash flow remained under pressure, despite nominal improvement due to reduced inflation pressure and lower fuel price.

Inflation slowed to 5.3% year on year in December from 5.8% in November.

Miller said consumer borrowing and repayment behaviour was fairly mixed.

The decline in the year-on-year rate of new consumer loan defaults halted in the fourth quarter, suggesting that the recent phase of improving repayment behaviour could be over.

However, there was no sign yet of materially worsening repayment records. TransUnion's distressed borrowing indicator still showed some financial distress, but not enough to raise added concern, Miller said.

He also said that debt service costs were effectively unchanged in the fourth quarter due to stable interest rates and steady

repo and prime lending rates.

The Reserve Bank left interest rates unchanged in November and is expected to do the same next week.

The index also showed a steady rate of new consumer loan defaults, indicating the more prudent lending measures that have been put in place since 2013.

The rate of new consumer arrears did not appear to be nearly as problematic as it was in 2012 and 2013, Miller said.

Source: BDpro via I-Net Bridge