



KENYA MARKET ANALYTICS REPORT
EXECUTIVE SUMMARY Q2 2020



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Q2 2020 highlights

	AVERAGE LENDING LIMIT	ACTIVE ACCOUNTS	ACCOUNT DISTRIBUTION
Mobile loans	↑ 3.5%	↓ 17.6%	↓ 0.3%
Personal loans	↓ 4.0%	↓ 13.7	↓ 8.8%
Asset finance loans	↓ 20.0%	↓ 6.2%	↓ 3.4%
Overdraft loans	↓ 67.0%	↓ 12.0%	↓ 53.8%
Business loans	↓ 16.6%	↓ 5.0	↓ 3.5%
Credit cards	↓ 11.8%	↓ 19.5%	↓ 24.0%
Mortgages	↓ 2.8%	↓ 9.3	↓ 7.9%

Macroeconomic overview

The Kenyan shilling has depreciated by 4.8% against the US dollar. GDP growth is estimated to grow by 4.5% to 5.5%. In the current environment, high default rates and non-performing loan (NPL) rates are expected (the current non-performing loan rate is 13.1%). Slow activity in real estate lending continues.

Industry overview

The total number of loan accounts increased by 4.0% from 131.4 million in Q1 2020 to 136.9 million in Q2 2020 – a sharp decline when compared to the 21% increase between Q4 2019 and Q1 2020.

Q2 2020 saw high credit disbursements in overdraft (attributed largely to the uptake of 'Fuliza'), mobile and personal loan accounts. Approximately 65.5% of accounts opened in Q2 2020 were mobile loans.

Sector, product and account overview

There are around 9.1 million mobile loan borrowers (down from 10.2 million in Q1 2020), with an average of 11 mobile loans each. Mobile loans make up 74% of loan accounts offered by the banking sector.

The decline in the number of non-performing loans in Q2 2020 can be attributed to the restructuring of loans by banks, and Central Bank of Kenya directives which have affected data submitted to the bureau. In addition, some lenders did not submit Q1 2020 data by the agreed deadline. The regulations led to 6.7 million accounts being deleted from the bureau.

Mobile loans

- With mobile loan interest rates ranging from 4.8% to 7.5%, the banking sector leads the market in terms of number of accounts listed.
- The total value of new mobile loans booked declined by 34.97% to KES 53.6 billion, down from KES 82.4 billion in Q1 2020.

Personal loans

- The number of new personal loans opened dropped from around 165,359 in Q1 2019 to 129,126 in Q2 2020.
- Written-off accounts listed at the bureau increased by 39.0% from 57,000 in Q1 2020 to 79,000 in Q2 2020.

Asset finance loans

- Banks contributed 66.6% of asset finance loans opened in Q2 2020, up from 49.8% in Q1 2020.
- The number of new asset finance accounts opened by FinTechs dropped by 99.4 % (13 in Q2 2020 from 2,237 in Q1 2020).

Overdrafts

- Growth in overdraft accounts is largely due to the launch of a new product, 'Fuliza'.
- At KES 3,650, the overdraft limit for Q2 2020 was down from KES 456,295 in Q1 2020.

Credit cards

- The COVID-19 crisis has affected credit card business, with active credit card clients declining by 15.0% from 225,000 in Q1 2020 to 208,000 in Q2 2020.
- The number of new accounts opened also declined, by 34.5% (4,064 in Q2 2020 from 6,200 in Q1 2020).

Mortgages

Active accounts declined by 9.3% from 56,826 in Q1 2020 to 51,549 in Q2 2020.

Trade finance loans

- In Q2 2020, 98.9% of new loans opened were in the banking sector.
- The outstanding balance for trade finance facilities rose from around KES 280.2 billion in Q1 2020 to KES 311.6 billion in Q2 2020.
- Disbursements in Q2 2020 totalled KES 86.9 billion.

Looking ahead

Relief and recovery

There is still a great deal of uncertainty created by the COVID-19 crisis and its aftermath. However, the world is looking ahead with hope.

In Kenya, several relief measures have been in effect – Safaricom has waived mobile money transactions fees, and banks have restructured loans and deferred payments. Government measures to cushion the economy from the aftermath of COVID-19 present an opportunity for banks to improve customer retention by offering support through the crisis.

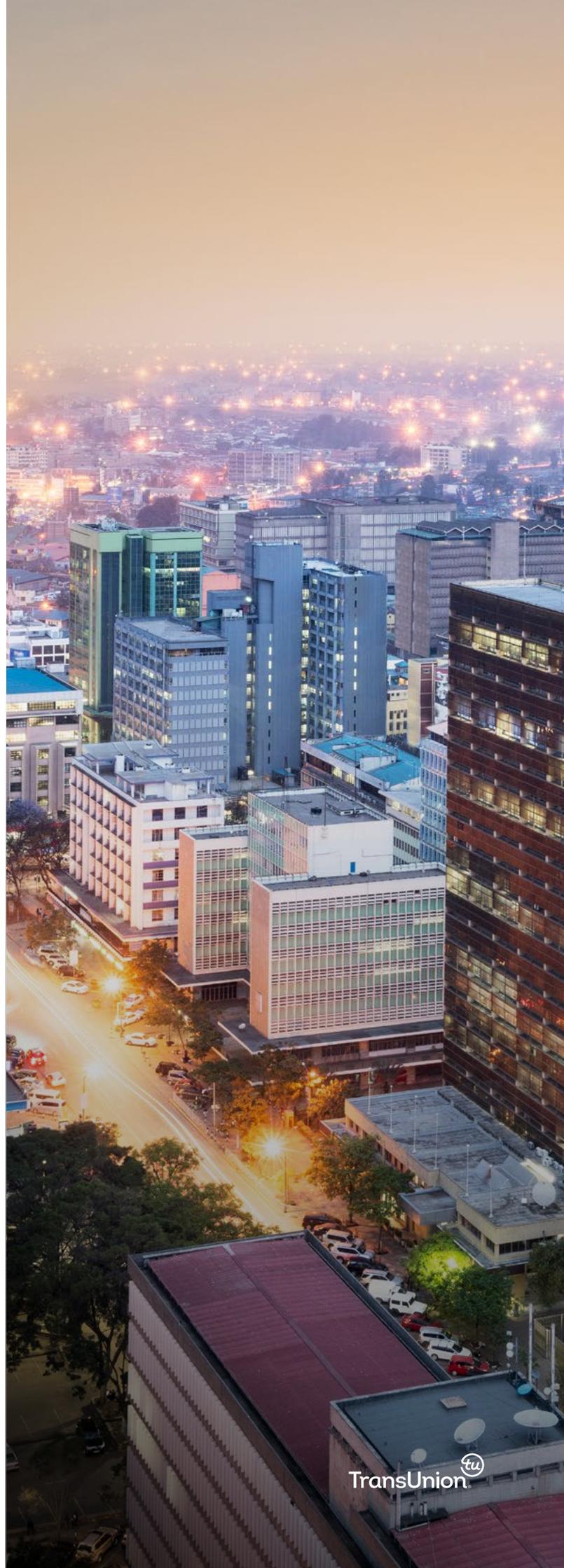
The easing of curfew measures since August has opened businesses in the tourism industry and market liquidity has started improving.

Fraud is an increasing concern

Fraud is an ongoing and increasing concern. Annual losses from identity theft and loan stacking amount to approximately KES 13.3 billion. Lenders will need sophisticated solutions for identity verification and fraud prevention.

The drive to digital

For many businesses, the COVID-19 crisis has prompted a fast transformation to new technologies and new ways of working. To compete in this changing environment, lenders will need to redefine or create products that can be accessed digitally. Data-driven lending and decision-making will be essential to this process.



Solutions for Lenders

In this new credit landscape, risk-based pricing will become an industry standard. Lenders will require deep insight into their customer base and general market trends to develop and implement appropriate pricing strategies across products and consumer segments. Identity verification, fraud prevention and collections solutions will assist in managing risk and optimising growth throughout the portfolio.

TransUnion Africa is a leading global information and insights company with a strong presence in eight countries in Africa. Our broad portfolio includes products that address fraud, identity and risk management, automated decisioning and marketing.

Our solutions include:

ACCOUNT AND PORTFOLIO MANAGEMENT

Increase profits and reduce risk with deep insight into your existing customers' financial behaviour. We provide market insights into share of wallet and consumer trends.

ANALYTICS AND CONSULTING SERVICES

Differentiate your business with TransUnion's analytical, modelling and consulting capabilities.

COLLECTIONS AND RECOVERY MANAGEMENT

Increase contact rates, prioritise collection prospects, reduce costs and increase recoveries. Our solutions enable you to monitor your loan portfolios and trigger alerts on pre-delinquency behaviour so you can respond quickly and effectively. We can also assist in collections prioritisation, helping you achieve better outcomes using the resources you have.

CREDIT AND RISK REPORTING

Use enriched data and advanced algorithms to better manage risk and increase profitability. Our risk-based pricing solutions assist lenders in appropriately pricing all types of loans for their level of risk.

CUSTOMER ACQUISITION

Make smarter decisions, convert more customers and grow your revenue. Our scorecards can assist with effective decisioning at the customer acquisition and underwriting stage.

CUSTOMER ENGAGEMENT

Effectively target and connect with the right customers to make the most of your marketing budget. We can help you enhance your marketing efforts (upsell, cross-sell and new business) by providing enriched data.

FRAUD AND VERIFICATION

Benefit from an improved customer experience that verifies consumer identities and helps businesses mitigate risk. TransUnion IDVision® with iovation® is a holistic fraud solution that allows businesses and consumers to transact safely and seamlessly in a digital world. The unique features of this solution allow you to establish consumer identity, authenticate customers and reduce fraud.



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Contact us for more information on how TransUnion can assist your business in navigating a changing credit landscape.

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