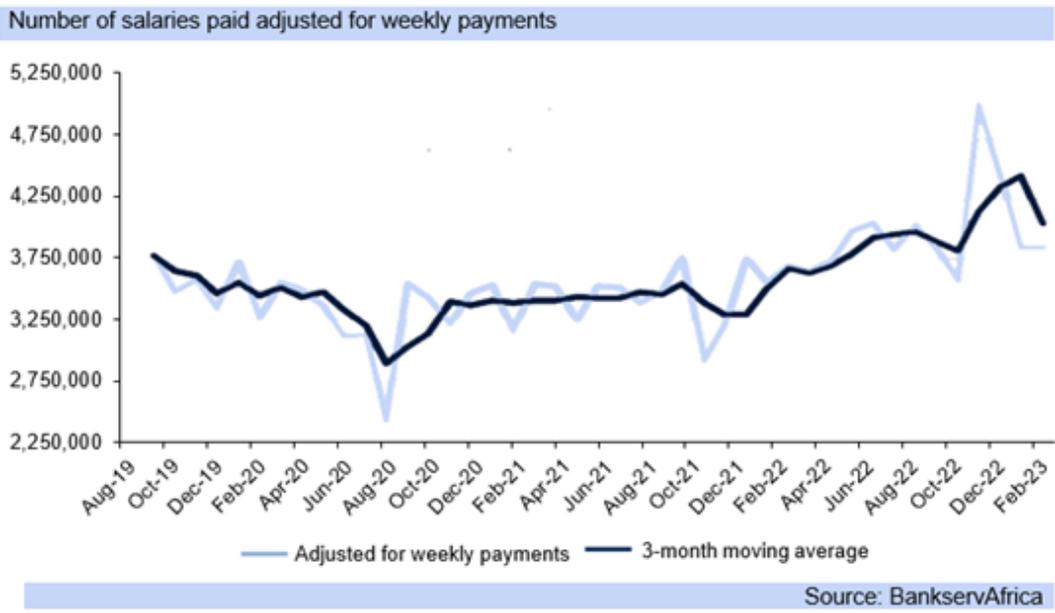




Household finances: salaries weakening in both real and nominal terms, confidence is low

Wednesday 12 April 2023





Source: Eighty20

Note: The number of loans in arrears increased by 252k q/q to 18.7m. However, as a percentage of all loans this has remained stable q/q at 37.6% - down from 28.3% in 2021 Q4. Loans 3 to 6 months in arrears showed the most significant increase – up 4.6% q/q – supported by the sharp increase in the change of loans newly into default this quarter. The number of accounts in good standing is up by 462k q/q, largely due to the influx of new loans this quarter.

The BankservAfrica Take-home Pay Index data

Month	Nominal average take-home pay	Real take-home pay	Nominal BTPI % ch y/y	Real BTPI % ch y/y	Nominal average pensions paid	Real private pensions paid	Nominal BPPI % ch y/y	Real BPPI % ch y/y
Jul-21	14611	15067	4.90%	0.00%	9451	9576	10.80%	5.80%
Aug-21	14959	15297	8.10%	3.10%	9531	9636	10.10%	4.90%
Sep-21	15356	15589	9.10%	4.10%	9556	9663	9.70%	4.50%
Oct-21	15251	15365	1.70%	-3.10%	9428	9534	9.50%	4.30%
Nov-21	15212	15306	0.20%	-4.70%	9341	9406	6.60%	1.10%
Dec-21	15450	15501	-0.10%	-5.20%	9406	9440	7.10%	1.10%
Jan-22	15492	15514	1.00%	-4.40%	9406	9448	5.40%	-0.20%
Feb-22	15469	15510	1.40%	-4.10%	9465	9546	6.20%	0.50%
Mar-22	15010	14921	-0.20%	-5.60%	9751	9547	5.50%	-0.40%
Apr-22	15342	15119	0.10%	-5.40%	9649	9428	3.60%	-2.10%
May-22	14997	14596	-1.00%	-6.70%	9925	9644	8.30%	1.70%
Jun-22	14757	14291	-1.80%	-7.80%	10327	9762	9.10%	1.50%
Jul-22	14477	13918	-0.90%	-7.60%	10483	9849	10.90%	2.80%
Aug-22	14808	14069	-1.00%	-8.00%	10343	9717	8.50%	0.80%
Sep-22	15163	14300	-1.30%	-8.30%	10077	9479	5.50%	-1.90%
Oct-22	15560	14574	2.00%	-5.10%	10244	9629	8.70%	1.00%
Nov-22	14859	13910	-2.30%	-9.10%	10057	9425	7.70%	0.20%
Dec-22	14708	13743	-4.80%	-11.30%	10085	9442	7.20%	0.00%
Jan-23	14328	13390	-7.50%	-13.70%	10056	9450	6.90%	0.00%
Feb-23	15186	14225	-1.80%	-8.30%	10054	9473	6.20%	-0.80%

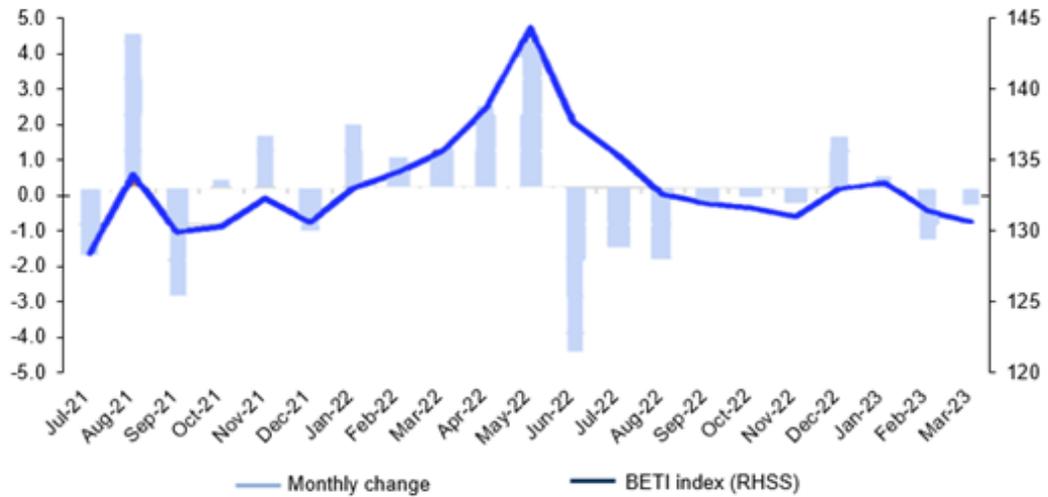
Source: BankservAfrica

- Early consumer data for February shows that the BankservAfrica Take-home Pay Index, or BTPI, continues to contract on the year, by -1.8% y/y in February in nominal terms (to R15 186 monthly) and -8.3% y/y in real terms (R14 225).

- The actual number of salaries, as opposed to the rand value, fell on a monthly basis in December and January but BankservAfrica says “less than a thousand” “jobs were created in February”, as “the job market stabilised”.
- The fall in annual salaries, both in nominal (or actual), and real (or inflation adjusted terms) should be viewed against the difficult environment businesses face in South Africa’s high operating cost environment, due not least from electricity loadshedding.
- Companies also are operating in a high interest rate environment, the highest in fourteen years, which is adding to the restrictive conditions, while economic demand is subdued, and inflation is still high historically for SA, near 2009 highs.
- South Africa’s cost of living has increased at a rapid rate over the past twelve months, as measured by the CPI inflation rate, peaking at 7.8% y/y in July last year, but still high at 7.0% y/y, eroding consumers purchasing power.
- With weak economic growth of only 0.2% y/y expected in 2023, little job creation is to be expected, with BankservAfrica data for February showing economic activity contracting, and in March economic activity reached its lowest point in three years.
- Specifically, the BankservAfrica Economic Transactions Index (BETI) dropped - 3.6% y/y, falling also in quarterly and monthly terms as “the weakness in the economy has become quite broad-based, with most sectors under severe pressure”.
- BankservAfrica further highlights that “the BETI (is) flagging ... a negative quarterly growth rate in Q1 2023. The March BETI was 1.7% lower than in the quarter ending December 2022. Other nowcast indicators also performed dismally”.
- We continue to forecast a GDP contraction for Q1.23, of -0.5% qqsa (quarter on quarter, seasonally adjusted, but not annualised) from Q4.22’s -1.3% qqsa, with a recession on a technical basis as loadshedding cuts into productive capacity.

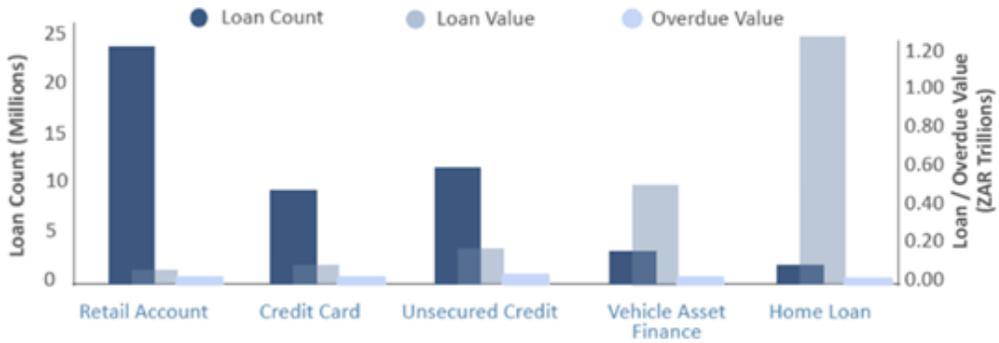
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BankservAfrica Economic Transaction Index



Source: BankservAfrica and Carpe Diem Research

Consumer Credit Stress – unsecured vs secured credit



Source: Eighty20

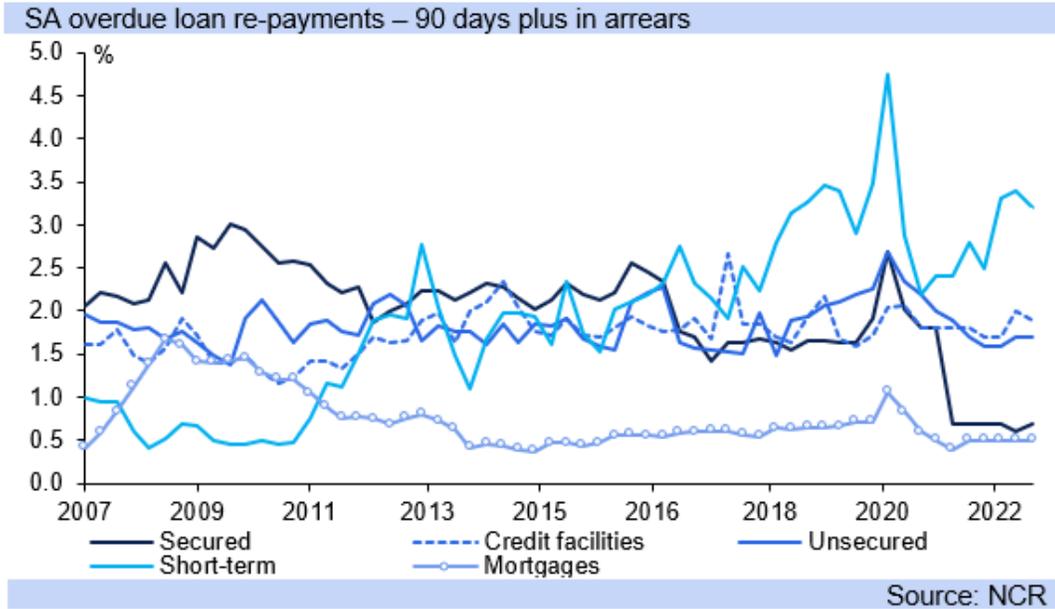
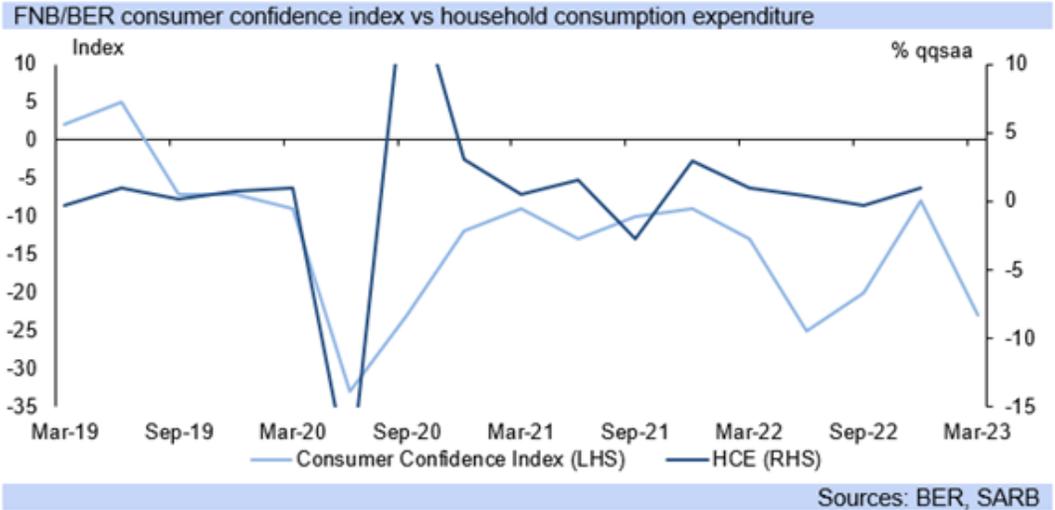
Note: The current balance on all loans is up 3.8% q/q at R2.28tr, with increases across all loan products. The largest percentage increase came from retail accounts up by R5.13bn (7.6% q/q) and credit card accounts up by R15.9bn (7.2%). While overdue balances are down 1.1% q/q and 17% y/y, this is in part due to a 23% decrease in VAF overdue balances.

The BankservAfrica Economic Transaction Index				
	The BETI Index	The headline BETI % change	BETI quarterly % change*	BETI monthly % change
Jul-21	128.0	15.0%	-2.8%	-1.9%
Aug-21	133.4	13.5%	1.8%	4.3%
Sep-21	129.5	6.7%	-0.8%	-3.0%
Oct-21	129.8	4.7%	1.4%	0.3%
Nov-21	131.7	6.2%	-1.3%	1.5%
Dec-21	130.1	4.2%	0.5%	-1.2%
Jan-22	132.4	6.7%	2.0%	1.8%
Feb-22	133.6	6.1%	1.4%	0.9%
Mar-22	135.0	5.8%	3.7%	1.1%
Apr-22	138.0	4.9%	4.2%	2.3%
May-22	143.5	9.4%	7.4%	4.0%
Jun-22	137.0	5.0%	1.5%	-4.6%
Jul-22	134.7	5.0%	1.5%	-4.6%
Aug-22	132.0	-1.1%	-8.0%	-2.0%
Sep-22	131.3	1.5%	-4.1%	-0.5%
Oct-22	131.0	1.0%	-2.7%	-0.2%
Nov-22	130.5	-0.9%	-1.2%	-0.4%
Dec-22	132.4	1.7%	0.8%	1.4%
Jan-23	132.8	0.3%	1.4%	0.4%
Feb-23	130.9	-2.0%	0.3%	-1.5%
Mar-23	130.2	-3.6%	-1.7%	-0.5%

Source: BankservAfrica

- BankservAfrica's data also shows "the negative impact of inflation on salaries, with an 8.3% y/y decline in the average real take-home salary in February 2023. This reality has filtered through to lacklustre consumption expenditure by households".
- The FNB/BER consumer confidence index (CCI) became more depressed in Q1.23, moving to -23 from -8 in Q4.22, as sentiment on the expected economic performance of the economy deteriorated, to a reading of -34 from -19 at the end of 2022.
- Severe load shedding has negatively affected sentiment, as the perceived time to buy durable goods plummeted in Q1.23 and even the traditionally more robust reading on expected performance of household finances slipped.
- The BER highlights that the Q1.23 consumer confidence reading "is the third lowest CCI reading on record since 1994 and indicates extreme concern among consumers about South Africa's economic prospects and household finances."
- The BER further notes that "the confidence levels of high-income households deteriorated the most. These households are especially concerned about the outlook for the economy".
- South Africa's energy crisis is having a severely suppressing effect on growth and job creation, and shows little immediate likelihood of being resolved, reducing business and consumer confidence, and further weakening the growth outlook.
- S&P Global said SA PMI reading showed that "business activity returned to contraction mode in March", as "(l)oad shedding also remained a key headwind to businesses, with output, capacity and supply chain performance all affected."

- “South African companies saw a reduction in new business in March, as client demand continued to weaken”, “falling new orders in industry and wholesale & retail were partly countered by uplifts in construction and services”.
- While private sector activity has grown rapidly in the self-generation of electricity space, the state’s approach to resolving the energy crisis is slow and energy experts expect loadshedding to persist daily this year, worsening over materially winter.



Comparative view of the debt relief segment



Source: Eighty20

Note: The number of consumers in the debt relief segment decreased by 12 991 to 10.3m, and now makes up 57.2% of all consumers with unsecured credit and 8.7% of total loan value. There are 226 279 consumers earning below R7 500/month who do not qualify for debt relief due to having over R50 000 in unsecured debt.