

Personal Finances

ECONOMICS | SOUTH AFRICA



The weakness in household finances persisted in the first quarter.

- Household finances remained under pressure in Q1 2024, resulting in a 0.3% qoq contraction in consumer spending. **Real personal disposable income (PDI)** was down by 0.1% in Q1 2024, after falling at the same pace (revised from a 0.1% increase) in Q4 2023. This was the fourth consecutive quarterly decline, as high inflation kept the real change in household incomes negative.
- The trend in household incomes is consistent with the latest data from Statistics South Africa, which showed that formal non-agricultural jobs were down by 67 000 in Q1 2024, with employment down by 0.6% qoq and 0.7% yoy. Gross earnings were down by 3.5% qoq, but up by 4.8% yoy.

Chart 1: PDI trends

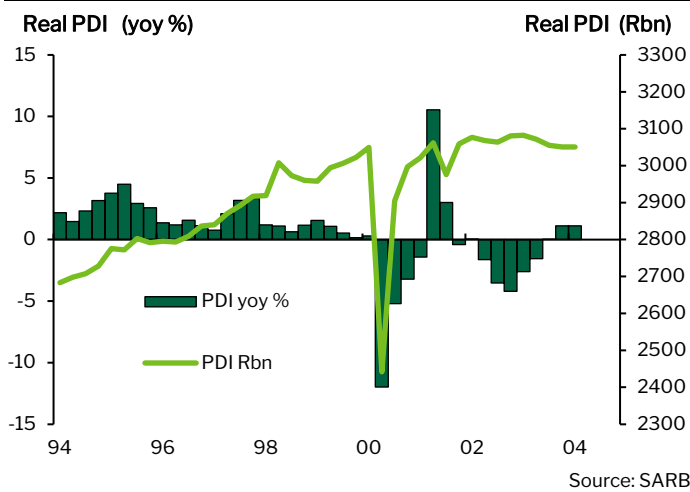
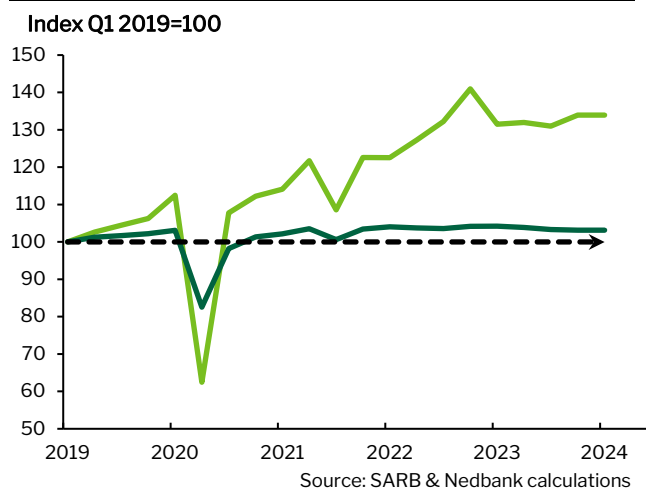


Chart 2: The breakdown of PDI



- The **household debt to PDI ratio** increased to 63.3% from 62.2%. The higher debt ratio and elevated interest rates raised the **debt service costs to PDI ratio** to 9.2%, its highest level since the second quarter of 2020. It increased from 9%, with the elevated interest rates continuing to erode disposable incomes. The impact of elevated borrowing costs was apparent in the demand for credit-driven purchases, with household purchases of durable and semi-durable goods contracting by 1.6% qoq and 4.1%, respectively. On a year-on-year basis, purchases of durable items were down by 0.9%.

Chart 3: Household debt burdens

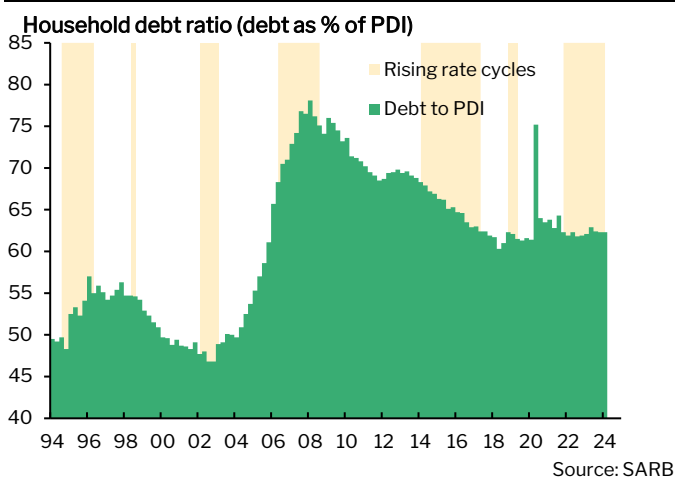
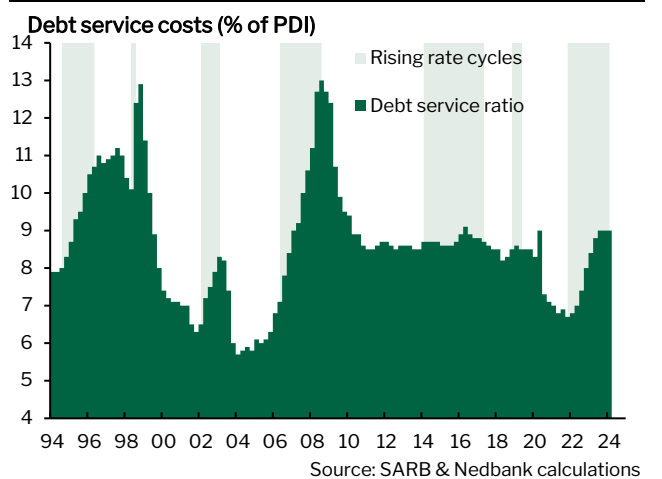


Chart 4: The breakdown of PDI



- The **personal savings rate** (personal savings as a percentage of PDI) was -0.9% from -1%, as it remained negative for the fifth straight quarter. Depressed income growth points to households dissaving for the remainder of 2024.

- **Households' net wealth** dipped to 393% of nominal disposable income from 396% as the value of assets fell while liabilities increased. Total assets dropped as the fall in share market values more than offset the slight gain in real estate values, while liabilities were raised by increases in almost all of the categories of household credit.

Chart 5: The savings rate remained negative.

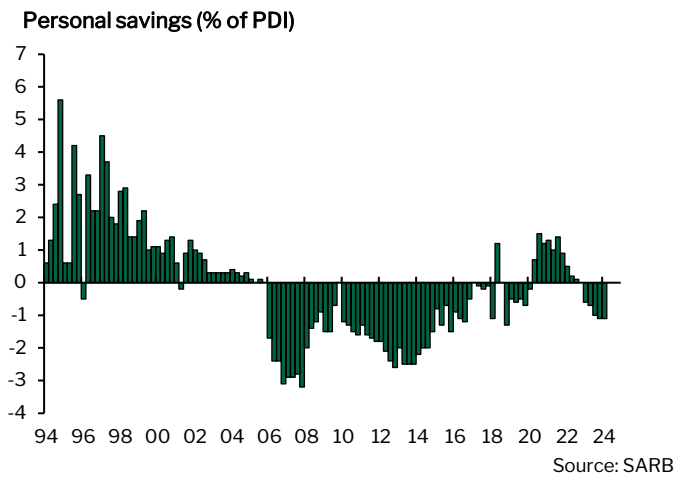
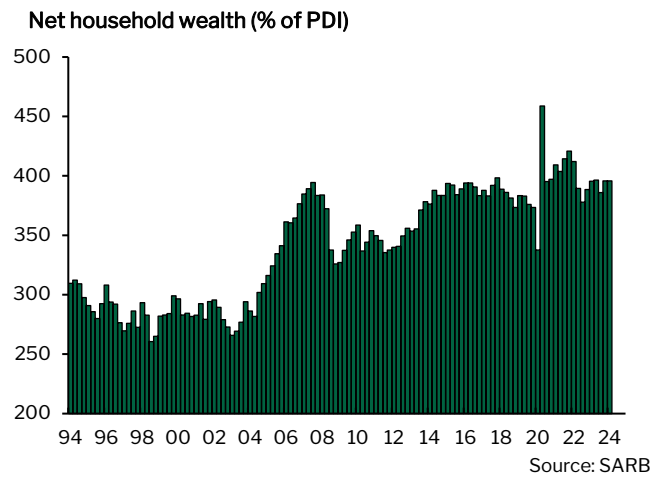


Chart 6: Household wealth levels dropped marginally.



- Consumer finances will remain vulnerable as inflation eases only slowly and borrowing costs are still high. The further drop in real disposable incomes points to consumer spending remaining lacklustre in 2024, while job losses will add to the pressure on household incomes. Consumer confidence has also remained weak.
- We expect the pressure on households to start easing in the second half of 2024 as inflation drops and interest rate cuts later in the year. We expect inflation to moderate gradually to 4.8% in December 2024, while we expect the Reserve Bank to begin cutting interest rates in September, with two reductions of 25 basis points each, taking the prime rate to 11.25% by the end of the year.

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