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SUMMARY

South African Household Wealth Index

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Q1 2021

SOUTH AFRICAN HOUSEHOLD WEALTH INCREASED TO ITS HIGHEST LEVEL EVER IN THE FIRST QUARTER OF 2021

SUMMARY

The real value (expressed in 2010-prices) of South African households' net wealth is estimated to have increased to a record-high level of R8 trillion (R8 003.9 billion) in the first quarter of 2021 (Q1 2021).

Momentum-Unisa estimates that the real value of household net wealth increased by R1 320.0 billion in the year from the end of Q1 2020 to the end of Q1 2021. This increase follows the sharp decline of R809.5 billion in Q1 2020 caused by the COVID-19 pandemic and hard (Level 5) lockdown.

A strong recovery in the real value of household financial assets (deposits, pension funds and other investments) is the main driving force behind the increase in real household net wealth.

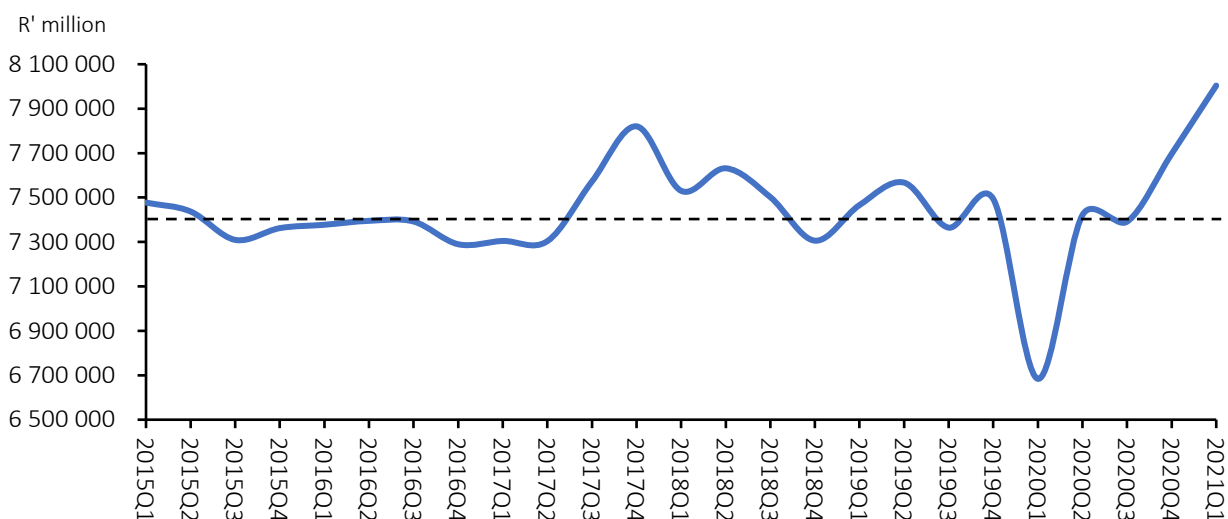
However, less people shared in the growth of household assets, while the state of over-indebtedness of the heavily indebted deteriorated. This means household net wealth inequality increased.

HOUSEHOLD NET WEALTH

Momentum-Unisa estimates that the real value of South African household net wealth increased by R307.4 billion in Q1 2021 to its highest ever level of R8 003.9 billion. The increase since Q1 2020 amounted to R1 320.0 billion.

The real value of households' net wealth stagnated for more than five years at an average level of around R7 408.9 billion before its steep rise in the past year (see figure 1).

Figure 1: Household net wealth increasing in Q1 2021 following years of stagnation (in 2010 prices)



Source: Momentum-Unisa, South African Reserve Bank, Stats SA.

The increase in the real value of household net wealth in the year up to Q1 2021 accrued from a marginal decline of R4.2 billion in the real value of households' outstanding liabilities and an increase of R1 315.8 billion in the real value of their assets.

HOUSEHOLD ASSETS

The real value of household assets is estimated at R9 455.8 billion (at the end of Q1 2021). In Q1 2021 the real value of household assets increased by R302.8 billion, bringing the increase for the year since Q1 2020 to R1 315.8 billion.

The real value of total non-financial assets is estimated to have decreased by R2.4 billion in Q1 2021, dragged down by a decrease in the real value of durable goods (see table 1). The decline in the real value of durable goods exceeded increases in the real value of both residential property – the FNB House Price Index increased by 4.5% while consumer price inflation was up only 3.2% – and other non-financial assets. The real value of total non-financial assets was despite the quarterly decrease, still R20.3 billion higher than a year ago.

The main driving force behind the increase in the real value of household assets is the strong growth that occurred in the real value of household financial assets. As table 1 shows, the financial assets category increased to an estimated R6 005.9 billion at the end of Q1 2021. The increase in Q1 2021 is estimated at R305.2 billion, bringing the increase for the year to R1 295.4 billion. This increase should, however, be interpreted in context. The outbreak of the COVID-19 pandemic and start of the hard lockdown contributed to the real value of financial assets decreasing by R806.3 billion in Q1 2020. Measured from Q4 2019, the estimated increase in Q1 2021 is R489.2 billion, which is still substantial.

Table 1: Estimated real value and change in household assets (2010 prices)

R' billion	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	% Change Q4 20 - Q1 21
Residential buildings	1 865.2	1 867.7	1 875.5	1 880.1	1 883.1	0.2
Durable goods	476.4	481.3	476.4	475.4	467.9	-1.6
Other non-financial assets	1 088.0	1 091.2	1 094.3	1 096.9	1 098.9	0.2
Non-financial assets	3 429.6	3 440.3	3 446.2	3 452.3	3 449.9	-0.1
Deposits	857.5	903.7	913.7	921.5	913.6	-0.9
Pension funds	2 422.2	2 808.2	2 784.7	2 952.8	3 138.3	6.3
Other investments	1 430.7	1 712.3	1 687.1	1 826.4	1 954.0	7.0
Financial assets	4 710.4	5 424.1	5 385.5	5 700.7	6 005.9	5.4
Total assets	8 140.0	8 864.4	8 831.7	9 153.0	9 455.8	3.3

*Numbers may not add up due to rounding.

In the year up to Q1 2021 all three subcategories of financial assets increased in real terms. Initially the real value of household deposits increased strongly for three reasons. First, the lockdown prevented households from spending their earnings. Second, the government increased their social grant payments to the most vulnerable households and third, fear and uncertainty caused households to keep their money close to them rather than spending it. However, as the economy opened the pace of increase in deposits slowed.

The real value of households' pension funds is estimated to have increased by R716.0 billion from Q1 2020 to Q1 2021. Since pension fund contributions are also invested in the shares of listed companies, the nominal increase of 23.7% in companies' gross operating profit from the start of July 2020 to the end of March 2021 contributed to the real increase in the value of pension funds. Such an increase is reflected in the JSE All Share Index, which was up 22.3% over this period. This increase in companies' gross operating surplus was assisted by the opening of the domestic and international economies, allowing increased operations, a larger demand for commodities, as well as rising prices of resources which supported the share prices of especially mineral producing companies. The recovery in operating profits also contributed to the real value of other investments growing by an estimated R523.3 billion in the year to Q1 2021.

Although the real value of household assets, especially financial assets, increased substantially since the end of Q1 2020, the proceeds were in all likelihood distributed unequally among households. For instance, many people who had retirement annuities, or were members of pension funds, lost their jobs and therefore did not share in the recovery of financial asset values.

HOUSEHOLD LIABILITIES

The real value of households' outstanding debt decreased by an estimated R4.2 billion in the year up to Q1 2021 (see table 2). Total outstanding liabilities is estimated at R1 451.8 billion.

Whereas the real value of outstanding mortgages increased by an estimated R7.6 billion since Q1 2020 (supported by very low interest rates), this was overshadowed by a decline of R11.9 billion in the real value of other debts such as vehicle loans, personal loans and credit/store card debts.

Table 2: Estimated real value and change in household liabilities

R' billion (2010 prices)	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	% Change Q4 20 - Q1 21
Mortgages	666.1	664.6	663.3	674.0	673.7	0.0
Other liabilities	790.0	778.6	777.1	782.4	778.1	-0.6
Total liabilities	1 456.0	1 443.2	1 440.3	1 456.4	1 451.8	-0.3

*Numbers may not add up due to rounding.

However, although the real value of households' outstanding debt decreased, many consumers' debt situation worsened considerably since Q1 2020. National Credit Regulator statistics indicate that although the number of consumers with impaired credit records remained relatively stable at 10.6 million (38.7% of credit active consumers) in Q4 2020, the impaired accounts increased by 3.8 million.

OUTLOOK FOR Q2 2021

Initial indications are that the real value of household wealth decreased in Q2 2021. It would seem as if the nominal value of financial asset declined, while consumer price inflation increased at a faster pace compared to Q1 2021. Looking further ahead, the value of South African household wealth may be impacted considerably when monetary policy starts to tighten in especially the USA.

CALCULATING HOUSEHOLD NET WEALTH

The real value¹ of households' net wealth is calculated by subtracting the real value of their outstanding liabilities (debt) from the real value of their assets. It is not to be confused with the difference between their income and expenditure.

From the earliest of times households have gathered assets. For good reason too, as more assets normally translate to a higher wealth, enabling them to, among other things, live better-quality lives. Household assets consist of non-financial (tangible) and financial assets:

- Financial assets comprise the largest portion of household assets – consisting of the combined values of their cash balances; savings in pension and retirement instruments; and other financial investments in for instance shares, bonds and unit trusts.
- Non-financial assets constitute residential buildings, durable goods² and other non-financial assets. Durable goods include the value of vehicles and household content, while small-scale holdings, livestock and orchards form part of other non-financial assets.

Household liabilities consist of outstanding credit (including housing-, vehicle- and personal loans, as well as credit and store card debt) and other debts (such as outstanding municipal accounts).

¹ The real value of household net wealth, assets and liabilities is the current value excluding the impact of consumer price inflation since (CPI) 2010. In this report the real value is the current value expressed in 2010 prices. As it strips out the impact of price increases it provides a better indication of the true value of net wealth, assets and liabilities. However, the FNB House Price Index is used to deflate the value of Residential structures and Other non-financial assets (opposed to the CPI) as it will provide a better indication of the real value of these assets.

² The estimates of this research differ somewhat from previous publications. An estimated value of household durable goods is included in the value of household assets. It forms part of the non-financial-assets category.

Table 3: Estimates of household balance sheet indices in real terms (2010 = 100)

	Non-financial assets				Financial assets				Total assets	Liabilities			Net wealth
	Residential buildings	Durable goods	Other non-financial assets	Total non-financial assets	Deposits	Pension funds	Other investments	Total financial assets		Mortgages	Other debt	Total Liabilities	
2012Q1	107.6	113.1	105.2	107.6	120.4	131.6	133.7	130.9	121.2	87.8	142.7	110.5	123.6
2012Q2	108.0	113.2	105.5	108.0	123.1	130.1	130.6	129.3	120.4	87.2	140.9	109.4	122.9
2012Q3	108.3	113.5	105.9	108.3	125.5	126.5	125.9	126.2	118.7	87.4	140.9	109.5	120.8
2012Q4	108.7	114.8	106.3	108.8	129.8	128.1	125.0	127.3	119.6	87.7	142.5	110.3	121.7
2013Q1	109.2	113.7	106.5	109.0	127.7	127.7	125.8	127.0	119.5	86.3	140.8	108.8	121.9
2013Q2	109.5	113.5	106.8	109.2	129.7	126.7	124.7	126.4	119.2	85.4	135.2	106.0	122.2
2013Q3	109.7	113.2	107.1	109.3	132.0	125.9	123.7	126.0	119.1	85.3	133.3	105.1	122.2
2013Q4	109.9	113.2	107.3	109.6	133.6	123.1	119.9	123.4	117.6	84.7	133.4	104.8	120.5
2014Q1	110.3	112.5	107.5	109.7	132.2	123.0	120.2	123.3	117.6	83.8	132.4	103.8	120.7
2014Q2	110.6	113.0	107.8	110.0	135.0	122.5	119.1	123.0	117.6	83.8	131.8	103.6	120.7
2014Q3	110.7	112.6	108.0	110.1	137.7	128.8	126.1	129.1	121.2	83.7	131.4	103.4	125.1
2014Q4	110.9	112.8	108.3	110.4	139.9	134.9	132.7	134.8	124.6	83.8	132.6	103.9	129.2
2015Q1	111.2	112.7	108.4	110.6	139.2	127.0	125.2	128.0	120.7	83.2	133.7	104.0	124.4
2015Q2	111.5	112.8	108.7	110.8	140.8	129.5	126.5	130.0	122.0	82.9	133.0	103.6	126.1
2015Q3	111.7	112.5	109.0	111.0	143.2	126.1	121.9	126.9	120.3	82.8	133.4	103.7	124.0
2015Q4	111.9	112.7	109.2	111.2	143.9	121.3	116.8	122.7	117.9	83.3	136.7	105.3	120.7
2016Q1	112.2	109.6	109.4	110.9	143.1	125.5	122.6	126.8	120.2	83.2	138.4	106.0	123.4
2016Q2	112.5	108.6	109.7	111.1	146.0	127.7	124.6	129.1	121.6	83.1	138.4	105.9	125.1
2016Q3	112.8	108.0	110.0	111.2	148.5	122.6	118.0	124.4	118.9	83.5	139.1	106.4	121.7
2016Q4	112.9	107.6	110.3	111.3	150.3	126.1	121.7	127.8	120.9	84.1	141.6	107.8	123.8
2017Q1	112.9	105.9	110.5	111.1	150.8	106.5	97.1	109.1	110.0	83.9	141.6	107.7	110.5
2017Q2	113.1	107.0	110.9	111.5	159.0	123.5	116.2	125.7	119.7	83.7	139.6	106.8	122.6
2017Q3	113.5	105.9	111.2	111.7	160.7	122.4	114.4	124.8	119.3	83.5	139.3	106.6	122.1
2017Q4	113.8	105.6	111.5	111.9	162.1	129.8	123.9	132.1	123.6	84.9	140.2	107.7	127.2
2018Q1	114.0	104.0	111.7	111.8	160.7	138.0	132.6	139.1	127.7	84.9	139.5	107.4	132.3
2018Q2	107.6	113.1	105.2	107.6	120.4	131.6	133.7	130.9	121.2	87.8	142.7	110.5	123.6
2018Q3	108.0	113.2	105.5	108.0	123.1	130.1	130.6	129.3	120.4	87.2	140.9	109.4	122.9
2018Q4	108.3	113.5	105.9	108.3	125.5	126.5	125.9	126.2	118.7	87.4	140.9	109.5	120.8
2019Q1	108.7	114.8	106.3	108.8	129.8	128.1	125.0	127.3	119.6	87.7	142.5	110.3	121.7
2019Q2	109.2	113.7	106.5	109.0	127.7	127.7	125.8	127.0	119.5	86.3	140.8	108.8	121.9
2019Q3	109.5	113.5	106.8	109.2	129.7	126.7	124.7	126.4	119.2	85.4	135.2	106.0	122.2
2019Q4	109.7	113.2	107.1	109.3	132.0	125.9	123.7	126.0	119.1	85.3	133.3	105.1	122.2
2020Q1	109.9	113.2	107.3	109.6	133.6	123.1	119.9	123.4	117.6	84.7	133.4	104.8	120.5
2020Q2	110.3	112.5	107.5	109.7	132.2	123.0	120.2	123.3	117.6	83.8	132.4	103.8	120.7
2020Q3	110.6	113.0	107.8	110.0	135.0	122.5	119.1	123.0	117.6	83.8	131.8	103.6	120.7
2020Q4	110.7	112.6	108.0	110.1	137.7	128.8	126.1	129.1	121.2	83.7	131.4	103.4	125.1
2021Q1	110.9	112.8	108.3	110.4	139.9	134.9	132.7	134.8	124.6	83.8	132.6	103.9	129.2

Sources: South African Reserve Bank Quarterly Bulletin March 2021; Stats SA; FNB House Price Index; Momentum-Unisa.

Table 4: Estimates of household balance sheet values in current prices/nominal terms

Household Balance Sheet						
R' billion	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	YoY % Change
Household Assets						
Residential buildings	2 921 851	2 968 136	3 045 640	3 070 562	3 081 784	5.5
Durable goods	776 978	780 323	785 134	786 750	787 522	1.4
Other non-financial assets	1 704 282	1 734 133	1 777 075	1 791 501	1 798 395	5.5
Non-financial assets	5 403 111	5 482 592	5 607 849	5 648 813	5 667 702	4.9
Cash	1 398 579	1 465 001	1 505 785	1 525 078	1 537 746	10.0
Pension funds	4 105 548	4 680 539	4 727 549	5 007 226	5 282 478	28.7
Other investments	2 333 538	2 775 900	2 780 325	3 022 780	3 289 125	41.0
Financial assets	7 837 664	8 921 440	9 013 660	9 555 084	10 109 349	29.0
Total assets	13 240 775	14 404 032	14 621 509	15 203 897	15 777 052	19.2
Household Liabilities						
Mortgages	1 086 368	1 077 435	1 093 020	1 115 448	1 134 015	4.4
Other liabilities	1 288 442	1 262 292	1 280 586	1 294 910	1 309 711	1.7
Total liabilities	2 374 810	2 339 727	2 373 606	2 410 358	2 443 726	2.9
Household Net Wealth						
Household net wealth (Assets less Liabilities)	10 865 964	12 064 305	12 247 903	12 793 538	13 333 326	22.7

Source: South African Reserve Bank Quarterly Bulletin March 2021; Stats SA; FNB House Price Index; Momentum-Unisa.

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