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SUMMARY

South African Household Wealth Index

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Q3 2020

FOLLOWING A STELLAR RECOVERY, SOUTH AFRICAN HOUSEHOLD WEALTH STAGNATED IN Q3 2020

SUMMARY

After a stellar increase of R719.5 billion in the second quarter of 2020 (Q2 2020), the real value of South African households' net wealth stagnated in Q3 2020.

Households experienced a tumultuous four months between March 2020 and June 2020, during which their nerves were challenged by a real decrease of R773.6 billion in the real value of their net wealth during Q1 2020, followed by the strong recovery in Q2 2020.

The Momentum-Unisa Household Wealth Index estimated that households' real net wealth declined slightly by R2.3 billion in Q3 2020.

The slight decline can be ascribed to a decrease in the real value of households' pension funds and investments. This was partly offset by a decrease in the real value of their outstanding debt.

Household Net Wealth

Momentum-Unisa estimates that the real value of household net wealth decreased slightly by R2.3 billion to R7 505.0 billion in Q3 2020 from R7 507.3 billion at the end of Q2 2020.

Household net wealth remained relatively stable throughout Q3 2020 following a very volatile period throughout the first half of the year, during which households first suffered stress from the sharp decrease in the real value of their assets during Q1 2020, where after they experienced relief when such asset values recovered during Q2 2020.

However, the real value of households' net wealth has not yet recovered fully to pre-pandemic levels. It was R56.4 billion less than at the end of Q4 2019. The good news, however, is that it was R70.6 billion more than a year ago (Q3 2019).

The relative stability in household wealth during Q3 2020 can be ascribed to the gradual opening of the South African and other economies worldwide, as well as positive news that a Covid-19 vaccine might be available by the end of 2020 / beginning of 2021.

Household Assets

Momentum-Unisa estimated the real value of household assets at R8 945.4 billion (at the end of Q3 2020). It was an estimated R5.2 billion lower than at the end of Q2 2020 (see table 1).

In contrast to Q2 2020, when financial assets were the main driver of the recovery in the real value of household assets, non-financial assets increased during Q3 2020, while financial assets declined marginally (see table 1).

The real value of non-financial assets is estimated to have increased by R28.8 billion in Q3 2020. The real value of household residential assets increased by R8.7 billion, that of durable goods by R7.8 billion and other non-financial assets by R12.4 billion.

In the financial assets category, the real value of deposits continued to increase. This is typical behaviour of consumers, resulting from fear of another “hard” Covid-19 lockdown and possible job losses. Many households saved rather than spend, while also moving their assets from risky to safer asset classes. At the same time, though, the real value of both pension funds and of other investments decreased. However, the decrease was marginal and mainly impacted by a second wave of Covid-19 infections in specifically Europe. A new round of lockdowns contributed to financial markets declining worldwide. This had a negative impact on the real value of households’ pension fund and investment values.

Table 1: Estimated real value and change in household assets (R' billion)

Household assets					
(2010 prices) R' billion	Q1 2020	Q2 2020	Q3 2020	Change Q1 20 - Q2 20	Change Q2 20 - Q3 20
Residential buildings	1 864.9	1 866.2	1 874.9	1.3	8.7
Durable goods	486.1	493.4	501.2	7.3	7.8
Other non-financial assets	1 087.2	1 087.4	1 099.8	0.2	12.4
Non-financial assets	3 438.2	3 447.0	3 475.8	8.8	28.8
Cash	857.8	904.1	913.7	46.3	9.5
Pension funds	2 517.1	2 887.1	2 868.7	370.0	-18.4
Other investments	1 430.7	1 712.3	1 687.1	281.6	-25.2
Financial assets	4 805.7	5 503.6	5 469.5	697.9	-34.1
Total assets	8 243.9	8 950.6	8 945.4	706.7	-5.2

*Numbers may not add up due to rounding.

Household Liabilities

The real value of households’ outstanding debt decreased by another R2.9 billion in Q3 2020 following a decrease of R12.8 billion in Q2 2020. The decrease in real terms was caused by consumer price inflation increasing faster than the uptake of new debt.

Momentum-Unisa estimated the real value of households’ outstanding liabilities at R1 440.3 billion at the end of Q3 2020 (see table 2). The real value of mortgages decreased by R1.3 billion and that of other credit and accounts by an estimated R1.6 billion.

Table 2: Estimated real value and change in household liabilities (R' billion)

Household liabilities					
(2010 prices) R' billion	Q1 2020	Q2 2020	Q3 2020	Change Q1 20 - Q2 20	Change Q2 20 - Q3 20
Mortgages	666.1	664.6	663.3	-1.5	-1.3
Other liabilities	790.0	778.6	777.1	-11.3	-1.6
Total liabilities	1 456.0	1 443.2	1 440.3	-12.8	-2.9

Outlook for Q4 2020

Indications are that the real value of household wealth will be higher in Q4 2020. Two opposing forces are driving asset values – and at times – are neutralising each other. However, it seems as if the positive influence of a Covid-19 vaccine on financial markets is outweighing the negative impact of “harder” lockdowns in many parts of the world (for now).

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 increased 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 – for the first time – 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	Cash	Pension funds	Other investments	Total financial assets		Mortgages	Other debt	Total Liabilities	
2011Q1	100.7	98.8	100.3	100.3	98.1	103.7	105.3	103.5	102.2	98.5	107.1	102.1	102.2
2011Q2	101.0	110.6	100.7	102.3	100.2	102.8	103.9	102.8	102.6	97.4	109.3	102.3	102.7
2011Q3	101.3	110.1	101.0	102.5	103.1	98.2	97.3	98.5	100.2	95.7	109.8	101.5	99.9
2011Q4	101.7	110.3	101.3	102.8	105.0	102.9	102.9	103.2	103.0	95.3	116.2	103.9	102.8
2012Q1	102.1	109.3	101.6	103.0	103.6	104.0	104.9	104.3	103.7	94.1	118.7	104.3	103.6
2012Q2	102.5	109.9	101.9	103.4	106.9	104.9	105.5	105.3	104.5	93.9	123.2	106.0	104.2
2012Q3	103.0	110.2	102.3	103.8	108.5	108.4	109.9	108.9	106.8	93.0	127.5	107.2	106.7
2012Q4	103.5	110.5	102.4	104.1	108.7	114.3	117.5	114.7	110.3	93.9	135.8	111.2	110.1
2013Q1	103.9	109.5	102.8	104.4	107.6	113.2	116.3	113.5	109.7	92.3	137.8	111.1	109.4
2013Q2	104.4	110.6	103.0	104.8	110.2	112.7	114.1	112.8	109.5	92.6	140.0	112.1	108.9
2013Q3	104.8	110.5	103.3	105.2	110.4	120.1	123.1	119.8	113.7	91.5	139.6	111.3	114.3
2013Q4	105.5	112.5	103.7	105.9	112.5	124.3	127.5	123.8	116.3	91.2	142.7	112.4	117.2
2014Q1	106.0	111.4	104.1	106.2	112.4	124.2	127.0	123.6	116.3	89.0	141.2	110.6	117.6
2014Q2	106.4	111.8	104.3	106.5	114.1	129.5	133.2	128.8	119.5	88.9	140.9	110.3	121.5
2014Q3	106.7	112.0	104.6	106.8	116.2	126.3	128.6	125.8	117.9	88.1	140.3	109.7	119.7
2014Q4	107.1	113.7	104.9	107.3	120.5	128.5	130.5	128.1	119.4	88.5	143.3	111.1	121.3
2015Q1	107.6	113.7	105.2	107.7	120.4	130.9	133.7	130.5	121.0	87.8	142.7	110.5	123.3
2015Q2	108.0	113.8	105.6	108.1	123.1	129.7	130.6	129.1	120.4	87.2	140.9	109.4	122.8
2015Q3	108.3	113.8	105.9	108.3	125.5	126.7	125.9	126.2	118.8	87.4	140.9	109.5	120.9
2015Q4	108.7	115.0	106.3	108.8	129.8	128.5	125.0	127.5	119.7	87.7	142.5	110.3	121.8
2016Q1	109.2	113.9	106.6	109.1	127.7	127.9	125.8	127.2	119.6	86.3	140.8	108.8	122.0
2016Q2	109.5	113.6	106.9	109.3	129.7	127.2	124.7	126.7	119.4	85.4	135.2	106.0	122.4
2016Q3	109.7	113.1	107.0	109.3	132.0	126.7	123.7	126.4	119.3	85.3	133.3	105.1	122.5
2016Q4	109.9	113.0	107.2	109.5	133.6	124.3	119.9	124.0	118.0	84.7	133.4	104.8	120.9
2017Q1	110.3	112.4	107.6	109.8	132.2	124.1	120.2	123.8	118.0	83.8	132.4	103.8	121.1
2017Q2	110.6	112.7	107.8	110.0	135.0	123.9	119.1	123.7	118.0	83.8	131.8	103.6	121.2
2017Q3	110.7	112.4	108.0	110.1	137.7	129.9	126.1	129.6	121.5	83.7	131.4	103.4	125.5
2017Q4	110.9	112.3	108.2	110.3	139.9	135.7	132.7	135.2	124.8	83.8	132.6	103.9	129.5
2018Q1	111.2	112.2	108.5	110.5	139.2	128.3	125.2	128.7	121.1	83.2	133.7	104.0	124.9
2018Q2	111.5	112.2	108.7	110.7	140.8	130.8	126.5	130.7	122.4	82.9	133.0	103.6	126.6
2018Q3	111.7	111.9	109.0	110.9	143.2	127.9	121.9	127.9	120.8	82.8	133.4	103.7	124.6
2018Q4	111.9	112.0	109.2	111.1	143.9	123.6	116.8	123.9	118.6	83.3	136.7	105.3	121.5
2019Q1	112.2	111.4	109.3	111.2	143.1	127.4	122.6	127.8	120.9	83.2	138.4	106.0	124.2
2019Q2	112.5	111.6	109.7	111.5	146.0	129.7	124.6	130.1	122.3	83.1	138.4	105.9	126.0
2019Q3	112.8	111.8	110.0	111.8	148.5	125.2	118.0	125.8	119.9	83.5	139.1	106.4	123.0
2019Q4	112.9	111.5	110.2	111.8	150.3	128.6	121.7	129.1	121.9	84.1	141.6	107.8	125.1
2020Q1	112.9	109.2	110.4	111.6	150.9	110.7	97.1	111.3	111.4	83.9	141.6	107.7	112.3
2020Q2	113.0	110.8	110.5	111.9	159.0	127.0	116.2	127.5	121.0	83.7	139.6	106.8	124.2
2020Q3	113.5	112.6	111.7	112.8	160.7	126.2	114.4	126.7	120.9	83.5	139.3	106.6	124.1

Sources: South African Reserve Bank Quarterly Bulletin December 2019; Stats SA; FNB House Price Index; Own calculations.

As part of Momentum's Science of Success campaign, the Wealth Report is one of the reports produced in the partnership between Momentum and Unisa that aims to provide South Africans with information and strategies on how they can accelerate their journey to financial success.

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