



SUMMARY  
South African  
Household Wealth Index  
**Q1 2019**

**momentum**

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Purposeful collaboration towards Financial Wellness in South Africa

## **SOUTH AFRICAN HOUSEHOLDS' NET WEALTH INCREASED BY R200 BILLION DURING THE FIRST QUARTER OF 2019**

### **SUMMARY**

Following a severe loss in 2018, the real value of South African households' net wealth improved markedly during the first quarter of 2019 (Q1 2019).

According to the Momentum/Unisa Household Net Wealth Index, the purchasing power of households' net wealth increased by an estimated R200.5 billion in Q1 2019 compared to Q4 2018. This means that households, over the course of one quarter, regained almost 50% of the net wealth they lost in 2018.

The turnaround can almost solely be attributed to a strong increase of R200 billion in the real value of households' assets. This, in turn, was driven by a recovery in the real value of households' investments in retirement funds, and other financial assets such as long-term insurance products, unit trusts, etc.

### **Household Net Wealth**

Households' ultimate financial goal is increasing their real net wealth so that they can increase or maintain their own uniquely determined living standard over their lifetime. Momentum/Unisa estimates that the real net wealth of households increased by R200.5 billion from a revised R6 857.1 billion at the end of Q4 2018 to R7 057.6 billion at the end of in Q1 2019.

The real value<sup>1</sup> of their net wealth is the real value of their assets minus the real value of their liabilities. Their assets mostly consist of the values of their savings in retirement instruments, financial investments and residential properties, while their liabilities comprise of outstanding debts.

The increase of R200.5 billion in Q1 2019 can be ascribed to an improvement of R200.0 billion in the real value of their assets, while the real value of their liabilities declined by R0.5 billion. However, despite the significant increase it remains R46.1 billion less than a year ago (Q1 2018).

When expressed as a percentage of gross household income, household net wealth increased from 265.3% in Q4 2018 to 272.5% in Q1 2019 – but it is lower than the 277.4% registered in Q1 2018.

### **Household Assets**

The real value of household assets increased by an annualised 10.0% in Q1 2019 to an estimated R8 474.9 billion (from a revised R8 274.9 billion in Q4 2018). It is however still R39 billion lower than a year ago.

The increase can be attributed to a better performance of financial assets such as shares and bonds during Q1 2019 compared to Q4 2018. For instance, in real terms the JSE All Share Index (ALSI) increased at an annualised rate of 22.5% during Q1 2019, while the same increase for the All Bond Index (ALBI) was 12.3%. The main reason for the better performance of the share and bond market during Q1 2019

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<sup>1</sup>The real value of household net wealth, liabilities and assets is the current value minus the impact of consumer price inflation.

is the turnaround in international central banks' views on interest rates. Whereas it was initially predicted that interest rates would increase during the course of 2019, this changed into a view of "holding" and even reducing interest rates. This dramatic change in monetary policy supported both the share and bond markets.

However, residential assets continued to perform poorly. The FNB House Price Index estimates that house prices declined in real terms during Q1 2019 compared to a year ago, while Reserve Bank statistics revealed that real residential investments declined at an annualised rate of 0.3% in Q1 2019. Residential assets are strained by financial stress on household finances, caused by relatively high interest rates, a high income tax burden and increasing fuel prices.

### **Household Liabilities**

The real value of households' outstanding liabilities declined by an annualised rate of 0.1% in Q1 2019. This translates into a decline of R0.5 billion to a revised R1 417.3 billion. Households' real liabilities was only 0.5% higher than a year ago.

The sluggish growth in the real value of household debt is indicative of the financial pressures consumers are experiencing. For instance, real gross income per worker in the formal sector excluding agriculture was 1.5% lower than a year ago. This contributed to real liabilities as a percentage of gross income decreasing to an estimated 54.7% in Q1 2019 from 54.9% in Q4 2018 and 55.1% a year ago.

The real value of outstanding mortgages contracted in Q1 2019 compared to Q4 2018, while instalment sales credit increased marginally. Overdrafts experienced the strongest growth between Q1 2019 and Q4 2018, but personal loans and credit card debt increased most compared to a year ago.

### **Outlook for the second quarter of 2019**

Preliminary estimates point to a further recovery in the real value of household net wealth in Q2 2019 as shares and bonds improved further, while the uptake of new debt will continue at a slow pace.

**Table 1: Household balance sheet variables expressed as a percentage of their gross income**

Quarter	Liabilities	Assets	Net wealth
2014Q3	59.9	351.1	291.2
2014Q4	60.3	350.1	289.8
2015Q1	58.4	351.4	293.0
2015Q2	58.1	346.2	288.1
2015Q3	57.6	337.9	280.3
2015Q4	57.1	335.6	278.5
2016Q1	56.9	339.4	282.5
2016Q2	57.2	337.4	280.2
2016Q3	56.4	335.1	278.6
2016Q4	55.6	330.7	275.1
2017Q1	55.3	333.5	278.2
2017Q2	54.4	328.2	273.8
2017Q3	54.9	332.0	277.1
2017Q4	55.3	339.1	283.8
2018Q1	55.1	332.5	277.4
2018Q2	54.3	333.7	279.4
2018Q3	54.7	328.5	273.8
2018Q4	54.9	320.2	265.3
2019Q1	54.7	327.3	272.5

**Table 2: Real estimates of household balance sheet indices (2010 = 100)**

Quarter	Liabilities index	Assets index	Net wealth index
2014Q3	106.8	120.0	123.1
2014Q4	109.1	121.5	124.5
2015Q1	108.1	124.8	128.7
2015Q2	107.6	123.0	126.6
2015Q3	108.3	121.9	125.1
2015Q4	107.6	121.3	124.5
2016Q1	106.5	121.8	125.5
2016Q2	106.7	120.7	124.0
2016Q3	105.4	120.0	123.5
2016Q4	104.5	119.1	122.6
2017Q1	104.6	120.9	124.8
2017Q2	103.9	120.3	124.2
2017Q3	105.7	122.7	126.7
2017Q4	107.2	126.1	130.6
2018Q1	106.7	123.5	127.5
2018Q2	106.0	124.9	129.3
2018Q3	106.5	122.7	126.5
2018Q4	107.2	120.1	123.1
2019Q1	107.2	123.0	126.7

Sources: South African Reserve Bank Quarterly Bulletin March 2019; Own calculations.

Note: Adjustments were effected to historical numbers due to new information received.

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