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South African Household Wealth Index
Q1 2023

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Were South African households richer or poorer in Q1 2023?

SUMMARY

Measured in current prices, Momentum-Unisa estimated South African household wealth (the difference between the value of household assets and their outstanding debt) increased by R393.2 billion in the first quarter of 2023 (Q1 2023) to R16.9 trillion (R16 900 billion).

Given the challenges the economy, and particularly households had to contend with – such as rising interest rates, persistent load-shedding, declining world economic growth rates, a banking crisis in especially the United States of America which negatively affected markets and the ongoing effects of the war between Russia and Ukraine and high consumer price inflation (CPI) – this result impresses as no mean feat.

The increase in the value of household wealth in Q1 2023 accrued from the value of their assets growing more than that of their outstanding debt.

However, for households to really be richer their wealth must grow by more than the CPI rate. When household wealth is expressed in 2015 prices – to establish whether household wealth increased by more or less than CPI since 2015, analysis indicates their wealth in fact decreased by R235.9 billion in Q1 2023 – to a level achieved in 2018.

Analysis of the distribution of wealth indicates both large and low wealth inequality, depending on the demographic variable used. The wealth Gini-coefficient is above 0.8, indicating huge wealth inequality, meaning the gap between the wealthiest and poorest households is extremely large.

However, this does not mean the high-income earning households are also the wealthiest households and the low-income earning households the poorest households. The wealth Gini-coefficient is below 0.5 (and therefore less unequal) when it is analysed according to the wealth of different household income groups. This means many lower-to-middle-income households are richer than high-income groups.

Further analysis indicates the wealthiest 10% households (about 1.9 million households) own almost 80% of the wealth. However, the top 10% income earning households own less than 50% of the wealth, confirming that a high income does not guarantee wealth. This again confirms income should be used wisely to be converted into wealth.

The analysis also revealed the strain of small unincorporated businesses. In Q1 2023 their total deposits (at current prices) – which can be used as a proxy for net income – was 15.6% or R21 billion lower compared to a year ago, an indication of tough trading conditions brought about by challenges such as load-shedding, high CPI, and interest rates.

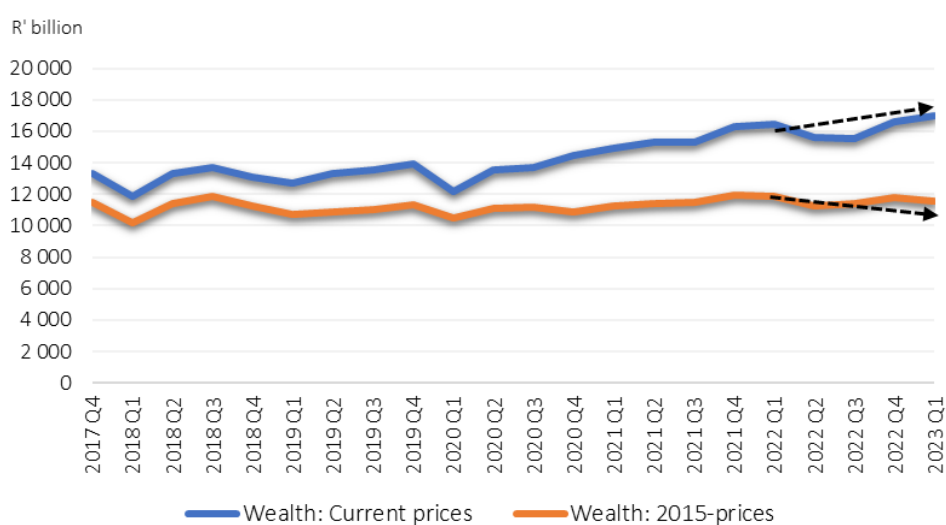
Household Wealth

Momentum-Unisa estimated the value of South African households' wealth – expressed in current prices – at R16.9 trillion at the end of Q1 2023 (see table 2 in the Appendix). This is R393.2 billion (2.4%) higher than at the end of Q4 2022 and R550.9 billion (3.4%) higher than in Q1 2022 (a year ago).

This increase was caused by the value of household assets increasing more than household debt in the quarter. The value of household assets increased by an estimated R448.3 billion and that of household debt by R55.1 billion.

However, for households to really be richer, their wealth must increase by more than CPI. To establish whether household wealth increased by more or less than CPI since 2015, it must be expressed in 2015 (constant) prices to eliminate the effect of price increases on wealth. Put differently, this will show whether the increase in wealth was driven by price increases only, or more factors. The year-on-year CPI rate was 7.3% in Q1 2023, but household wealth increased by less – only 3.4% compared to Q1 2022. So, although household wealth was R550.9 billion higher compared to a year ago, it was in 2015-prices R336.1 billion lower, meaning they could buy less with their wealth compared to Q1 2022.

Chart 1: Household wealth higher in current prices (richer), but lower in 2015-prices (poorer)



Source: Momentum-Unisa

Analysis of the distribution of wealth indicates both large and low wealth inequality, depending on the demographic variable used. The wealth Gini-coefficient is above 0.8, indicating huge inequality between the wealthy and poor households, meaning the gap between the wealthiest and poorest households is extremely large.

However, this does not mean the high-income earning households are the wealthiest and the low-income earning households the poorest. Wealth is the difference between household assets and outstanding debt and should not be confused with income. Therefore, when wealth is analysed according to households' income, the wealth Gini-coefficient is below 0.5. This means many households in the lower-to-middle-income groups are wealthier than households in the high-income groups. This normally occurs when the outstanding debt of the high-income households exceeds the value of their assets and/or when they do not save/invest sufficiently, but rather spend their income.

Further analysis indicates the wealthiest 10% households (about 1.9 million households) own almost 80% of the wealth. However, the top 10% income earning households own less than 50% of the wealth, confirming that a high income does not guarantee wealth. The wealthiest 1% (about 190 000 households) owns 40% of the wealth, but the top 1% income earning households just around 15% of the wealth. What this illustrates is that a very small number of households can be classified as extremely wealthy and a very large share average to poor. However, the small number of wealthy households are also the savers, income taxpayers and job creators who keep the economy going.

Household Assets

The value of South African household assets increased by R448.3 billion in Q1 2023 to an estimated R19.7 trillion (in current prices). This was also R741.3 billion more than a year ago.

Household assets consist of two broad categories namely non-financial assets (or tangible assets such as the value of residential property and durable goods) and financial assets (including the value of deposits/money in the bank, pension funds and long-term insurance, and investments). The following distributions in Q1 2023 can be deduced from table 1:

- Financial assets comprised 65.3% of total assets and non-financial assets 34.7%.
- About 55.7% of financial assets were in pension funds and long-term insurance, 30.4% in investments and 13.9% in deposits. The share of deposits increased from 13.3% a year ago, while that of investments decreased from 30.9%.
- About 46.5% of non-financial asset holdings was in the form of residential property, 37.1% in other tangible assets and 16.4% in durable goods.

Table 1: Estimated value of household assets in current prices from Q1 2022 to Q1 2023

R' billion	Residential Buildings	Other Non-Financial Assets	Durable Goods	Total Non-Financial Assets	Deposits	Pension Funds & LT Insurance	Other Investments	Total Financial Assets	Total Assets
Q1 2022	3 090.8	2 426.3	1 076.1	6 593.2	1 644.8	6 923.3	3 833.1	12 401.1	18 994.4
Q2 2022	3 114.8	2 453.6	1 088.3	6 656.7	1 676.1	6 415.7	3 454.9	11 546.7	18 203.4
Q3 2022	3 152.3	2 501.5	1 109.5	6 763.2	1 736.1	6 340.5	3 373.6	11 450.3	18 213.5
Q4 2022	3 178.8	2 528.0	1 121.2	6 828.0	1 762.7	6 919.8	3 776.8	12 459.3	19 287.3
Q1 2023	3 184.1	2 541.7	1 127.3	6 853.2	1 786.3	7 181.5	3 914.7	12 882.5	19 735.6

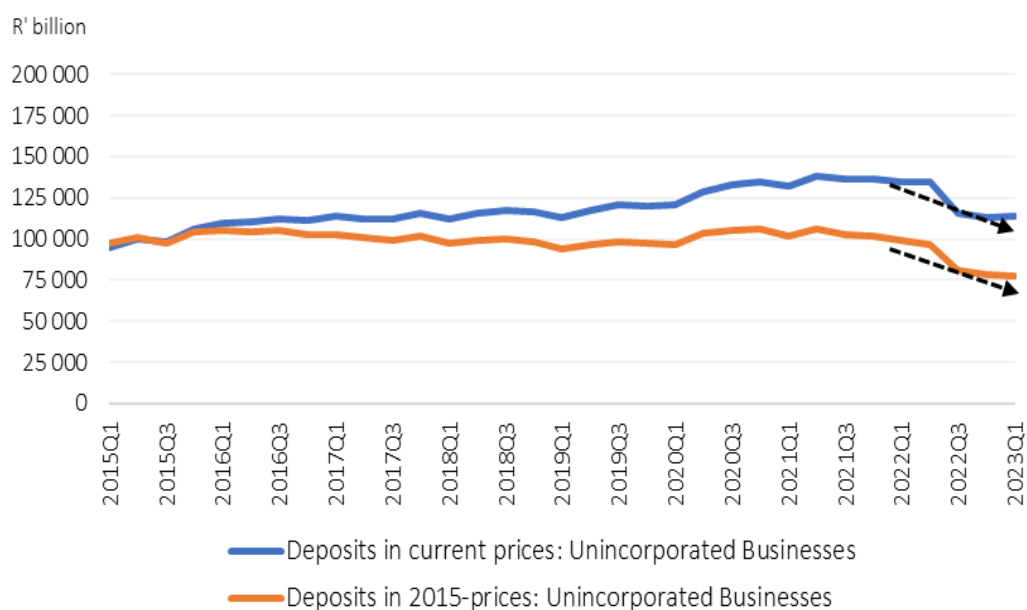
Source: Momentum-Unisa. Numbers may not add up due to rounding.

As always, the value of financial assets – especially pension funds and investments – will be affected by the volatility of financial markets, which in turn is affected by daily changes in political and economic events and policy decisions such as rising domestic and international CPI and interest rates, as well as load-shedding. In Q1 2023 pension funds and investments benefitted from among others rising share prices of companies – the JSE All Share Index (ALSI) increased from 73 048.6 points at the end of Q4 2022 to 76 100.2 points in Q1 2023.

The deposits category was also affected by among others rising interest rates. In Q1 2023 the repo rate was raised by another 75 basis-points to 7.75%, following a similar increase in Q4 2022. This contributed to an increase in longer than six-month deposits, while one-day to six-month deposits decreased in Q1 2023.

However, a concerning trend from the deposit statistics published by the South African Reserve Bank is the deteriorating state of small unincorporated businesses (usually a person trying to make a living from a business). Total deposits of unincorporated businesses, which may be used as a proxy for net income earned, decreased by R21 billion in current prices compared to a year ago in Q1 2023 (see chart 2) – an indication of the strain caused by among others load-shedding and rising CPI and interest rates.

Chart 2: Deposits of unincorporated businesses declining in current and 2015-prices



Source: South African Reserve Bank.

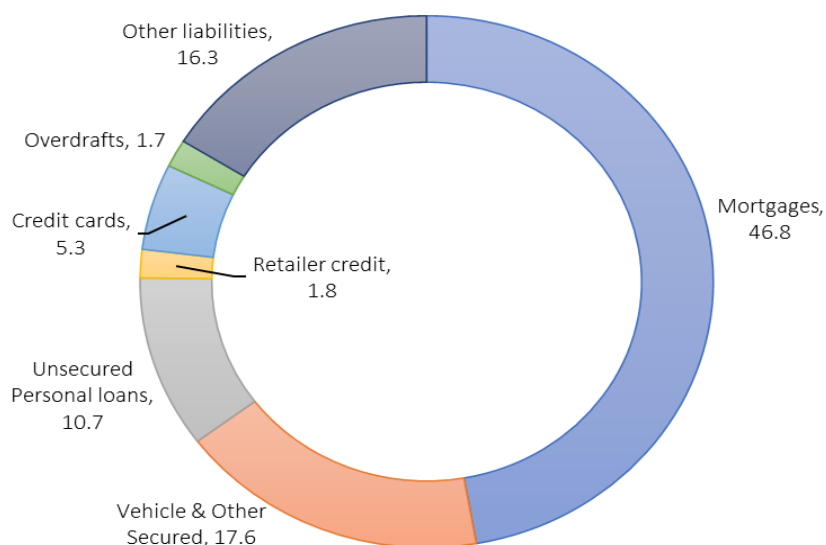
However, although the value of household assets increased in current prices, it decreased when expressed in 2015-prices. It was R229.2 billion lower in Q1 2023 and R333.6 billion less compared to Q1 2022. This means the value of household in current prices increased by less than CPI. Table 3 in the Appendix provides the values of the different categories of household assets expressed in 2015-prices.

Household Liabilities

The value of households' outstanding liabilities (mostly credit) measured in current prices increased by an estimated R55.1 billion in Q1 2023 to R2.7 trillion.

The increase in liabilities in Q1 2023 was dominated by the other debt category, which increased by R41 billion compared to mortgages, which was only R14.1 billion higher. An estimated R30.8 billion of the R41 billion (or 75.1% of the other debt category) accrued from unsecured loans, credit facilities and other liabilities such as municipal and other accounts in arrears, developmental credit, micro loans, etc., while R10.2 billion emanated from instalment credit, which is dominated by vehicle purchases. The increase in the unsecured credit and other liabilities components reflects the financial pressure households are grappling with. Chart 3 provides an indication of the distribution of outstanding liabilities.

Chart 3: Composition of household liabilities (percentage of total liabilities) in Q1 2023



Source: Momentum-Unisa; South African Reserve Bank; National Credit Regulator.

The increase in outstanding household liabilities compared to a year ago was R190.4 billion. The other debt category was R111 billion higher and outstanding mortgages R79.3 billion more. The increase in other debt was also dominated by higher outstanding unsecured loans, credit facilities and other liabilities (73.6% of the increase in the other debt category).

Table 3 in the Appendix provides an indication of household liabilities in 2015-prices.

Outlook for Q2 2023

Given the challenges the economy is facing, preliminary data indicates household wealth may stagnate in current prices and decline further in 2015-prices.

Appendix

Table 2: Household balance sheet estimates in current prices

R' billion	Residential buildings	Other non-financial assets	Durable goods	Deposits	Pension funds	Other investments	Total assets	Mortgages	Other debt	Total Liabilities	Wealth
2014 Q1	1 857.2	1 400.3	745.0	779.6	4 266.9	2 593.6	11 642.6	865.2	885.7	1 750.9	9 891.7
2014 Q2	1 908.4	1 439.1	758.1	799.0	4 619.9	2 760.5	12 285.0	871.6	891.4	1 763.0	10 522.0
2014 Q3	1 964.4	1 481.3	772.3	822.9	4 388.8	2 680.5	12 110.3	874.0	898.0	1 772.0	10 338.3
2014 Q4	2 031.9	1 532.1	789.5	852.0	4 364.2	2 708.9	12 278.6	878.3	916.5	1 794.8	10 483.8
2015 Q1	2 098.8	1 583.4	806.8	868.2	4 596.4	2 835.9	12 789.4	888.3	930.1	1 818.4	10 971.0
2015 Q2	2 154.4	1 624.7	820.8	901.2	4 637.3	2 822.2	12 960.4	896.0	932.6	1 828.5	11 131.9
2015 Q3	2 172.8	1 637.2	825.0	928.8	4 428.5	2 738.2	12 730.4	907.4	942.6	1 850.0	10 880.3
2015 Q4	2 227.6	1 677.4	838.6	967.5	4 751.2	2 776.0	13 238.2	916.5	959.2	1 875.7	11 362.5
2016 Q1	2 293.1	1 727.9	855.6	979.2	4 756.0	2 858.2	13 470.0	928.1	1 068.2	1 996.3	11 473.8
2016 Q2	2 344.6	1 766.1	868.5	1 010.8	4 681.1	2 861.8	13 532.9	933.0	1 014.2	1 947.2	11 585.7
2016 Q3	2 343.2	1 763.1	867.5	1 038.2	4 640.6	2 852.6	13 505.1	940.7	1 009.4	1 950.2	11 555.0
2016 Q4	2 391.5	1 799.1	879.7	1 063.9	4 979.3	2 790.2	13 903.7	945.5	1 022.9	1 968.4	11 935.3
2017 Q1	2 524.2	1 859.4	900.0	1 077.0	4 883.4	2 863.4	14 107.5	956.3	1 039.2	1 995.5	12 112.1
2017 Q2	2 537.3	1 879.9	907.0	1 106.4	5 137.2	2 846.7	14 414.3	962.2	1 040.6	2 002.8	12 411.6
2017 Q3	2 558.6	1 906.0	915.8	1 138.0	5 249.8	3 056.6	14 824.8	969.3	1 047.5	2 016.9	12 807.9
2017 Q4	2 586.2	1 934.1	925.3	1 166.7	5 479.6	3 263.8	15 355.6	978.9	1 066.8	2 045.7	13 309.9
2018 Q1	2 600.1	1 946.5	929.5	1 177.6	4 219.1	3 057.9	13 930.6	986.0	1 092.7	2 078.7	11 851.9
2018 Q2	2 625.7	1 974.2	938.8	1 207.6	5 491.7	3 173.1	15 411.1	996.4	1 101.6	2 098.0	13 313.1
2018 Q3	2 655.9	2 006.7	949.8	1 242.8	5 883.7	3 080.9	15 819.9	1 006.9	1 119.1	2 126.0	13 693.9
2018 Q4	2 689.4	2 030.2	957.7	1 254.6	5 408.0	2 929.7	15 269.6	1 017.9	1 153.6	2 171.5	13 098.2
2019 Q1	2 712.6	2 045.6	962.9	1 260.9	4 797.3	3 123.7	14 903.0	1 026.7	1 186.4	2 213.2	12 689.9
2019 Q2	2 759.0	2 090.9	978.2	1 304.9	5 186.2	3 220.6	15 539.9	1 043.3	1 202.5	2 245.8	13 294.1
2019 Q3	2 800.2	2 130.0	991.4	1 341.5	5 541.8	3 052.2	15 857.2	1 057.4	1 220.9	2 278.3	13 578.9
2019 Q4	2 850.3	2 167.4	1 004.1	1 363.9	5 673.5	3 172.3	16 231.5	1 071.4	1 247.5	2 318.9	13 912.6
2020 Q1	2 816.6	2 162.0	958.9	1 392.0	4 773.9	2 426.4	14 529.8	1 084.0	1 268.3	2 352.3	12 177.4
2020 Q2	2 847.8	2 211.0	980.7	1 461.9	5 457.9	2 868.7	15 827.9	1 075.0	1 241.4	2 316.4	13 511.5
2020 Q3	2 911.0	2 264.8	1 004.5	1 504.8	5 501.4	2 880.8	16 067.4	1 090.7	1 260.2	2 351.0	13 716.5
2020 Q4	2 937.5	2 288.5	1 015.0	1 525.1	5 938.8	3 105.1	16 810.0	1 113.4	1 275.0	2 388.3	14 421.6
2021 Q1	2 952.4	2 302.6	1 021.3	1 538.4	6 103.0	3 408.2	17 326.0	1 132.1	1 290.2	2 422.3	14 903.7
2021 Q2	2 988.3	2 340.0	1 037.9	1 577.5	6 375.5	3 413.1	17 732.4	1 149.4	1 287.1	2 436.5	15 295.9
2021 Q3	3 034.8	2 391.1	1 060.5	1 634.0	6 306.2	3 351.6	17 778.3	1 171.9	1 292.7	2 464.7	15 313.6
2021 Q4	3 063.6	2 419.7	1 073.2	1 662.4	6 774.2	3 759.5	18 752.6	1 189.9	1 306.4	2 496.3	16 256.3
2022 Q1	3 090.8	2 426.3	1 076.1	1 644.8	6 923.3	3 833.1	18 994.4	1 209.5	1 354.7	2 564.2	16 430.2
2022 Q2	3 114.8	2 453.6	1 088.3	1 676.1	6 415.7	3 454.9	18 203.4	1 228.7	1 373.5	2 602.3	15 601.1
2022 Q3	3 152.3	2 501.5	1 109.5	1 736.1	6 340.5	3 373.6	18 213.5	1 252.8	1 396.4	2 649.1	15 564.4
2022 Q4	3 178.8	2 528.0	1 121.2	1 762.7	6 919.8	3 776.8	19 287.3	1 274.8	1 424.7	2 699.4	16 587.9
2023 Q1	3 184.1	2 541.7	1 127.3	1 786.3	7 181.5	3 914.7	19 735.6	1 288.9	1 465.7	2 754.6	16 981.1

Table 3: Household balance sheet estimates in constant prices (2015 prices)

R' billion	Residential buildings	Other non-financial assets	Durable goods	Deposits	Pension funds	Other investments	Total assets	Mortgages	Other debt	Total Liabilities	Wealth
2014 Q1	2 013.6	1 484.1	789.6	826.3	4 522.2	2 275.7	11 911.4	917.0	938.6	1 855.6	10 055.7
2014 Q2	2 040.1	1 510.1	795.5	838.5	4 848.0	2 511.9	12 544.1	914.6	935.4	1 850.0	10 694.1
2014 Q3	2 075.2	1 537.1	801.4	853.9	4 554.1	2 606.1	12 427.8	906.9	931.8	1 838.7	10 589.1
2014 Q4	2 114.4	1 589.8	819.2	884.1	4 528.5	2 691.2	12 627.3	911.4	951.0	1 862.4	10 764.9
2015 Q1	2 143.1	1 613.8	822.3	884.8	4 684.5	2 813.4	12 961.8	905.3	947.9	1 853.3	11 108.6
2015 Q2	2 167.2	1 629.1	823.0	903.6	4 649.8	2 687.7	12 860.3	898.4	935.1	1 833.4	11 026.9
2015 Q3	2 161.4	1 624.1	818.4	921.3	4 393.0	2 687.2	12 605.4	900.2	935.0	1 835.2	10 770.2
2015 Q4	2 181.9	1 655.1	827.4	954.7	4 688.2	2 798.3	13 105.7	904.4	946.5	1 850.9	11 254.8
2016 Q1	2 204.7	1 656.7	820.3	938.8	4 559.9	2 705.8	12 886.1	889.8	1 024.1	1 913.9	10 972.2
2016 Q2	2 228.1	1 667.4	820.0	954.4	4 419.7	2 585.3	12 675.0	880.9	957.6	1 838.5	10 836.5
2016 Q3	2 215.9	1 650.0	811.8	971.6	4 342.9	2 597.9	12 590.0	880.4	944.7	1 825.0	10 764.9
2016 Q4	2 237.3	1 662.8	813.0	983.3	4 601.9	2 641.6	12 939.9	873.8	945.4	1 819.2	11 120.7
2017 Q1	2 323.7	1 678.9	812.7	972.5	4 409.3	2 584.0	12 781.0	863.4	938.3	1 801.7	10 979.3
2017 Q2	2 314.1	1 687.1	814.0	992.9	4 610.4	2 560.1	12 978.8	863.5	933.9	1 797.4	11 181.3
2017 Q3	2 323.4	1 696.2	815.0	1 012.8	4 672.1	2 483.1	13 002.6	862.7	932.3	1 794.9	11 207.7
2017 Q4	2 332.1	1 706.9	816.6	1 029.7	4 836.1	2 527.1	13 248.5	864.0	941.5	1 805.5	11 443.0
2018 Q1	2 313.7	1 693.8	808.8	1 024.7	3 671.3	2 477.1	11 989.5	858.0	950.8	1 808.8	10 180.6
2018 Q2	2 307.7	1 696.1	806.5	1 037.5	4 718.1	2 626.0	13 191.8	856.0	946.4	1 802.4	11 389.4
2018 Q3	2 317.0	1 702.4	805.8	1 054.4	4 991.4	2 768.8	13 639.7	854.2	949.4	1 803.6	11 836.1
2018 Q4	2 333.1	1 714.5	808.8	1 059.5	4 567.0	2 582.4	13 065.2	859.6	974.2	1 833.8	11 231.4
2019 Q1	2 332.3	1 702.4	801.4	1 049.3	3 992.4	2 640.7	12 518.4	854.5	987.4	1 841.8	10 676.6
2019 Q2	2 342.0	1 719.0	804.2	1 072.8	4 263.6	2 532.8	12 734.4	857.7	988.6	1 846.2	10 888.1
2019 Q3	2 355.3	1 735.7	807.9	1 093.2	4 516.0	2 387.4	12 895.6	861.7	994.9	1 856.6	11 038.9
2019 Q4	2 401.8	1 760.4	815.5	1 107.8	4 608.2	2 537.2	13 230.9	870.2	1 013.3	1 883.5	11 347.4
2020 Q1	2 387.2	1 727.7	766.3	1 112.4	3 815.0	2 573.7	12 382.4	866.3	1 013.6	1 879.8	10 502.5
2020 Q2	2 375.9	1 778.3	788.8	1 175.8	4 389.9	2 455.0	12 963.7	864.6	998.5	1 863.1	11 100.6
2020 Q3	2 371.7	1 792.6	795.1	1 191.0	4 354.3	2 510.8	13 015.5	863.3	997.5	1 860.8	11 154.8
2020 Q4	2 378.3	1 803.6	800.0	1 202.0	4 680.5	1 912.3	12 776.7	877.5	1 004.9	1 882.3	10 894.4
2021 Q1	2 385.1	1 782.7	790.7	1 191.0	4 724.9	2 220.9	13 095.3	876.5	998.9	1 875.3	11 219.9
2021 Q2	2 386.9	1 794.8	796.1	1 210.0	4 890.0	2 209.6	13 287.4	881.6	987.3	1 868.8	11 418.6
2021 Q3	2 389.2	1 802.4	799.4	1 231.7	4 753.6	2 340.7	13 317.0	883.4	974.5	1 857.9	11 459.2
2021 Q4	2 392.7	1 800.2	798.5	1 236.8	5 040.0	2 535.7	13 804.0	885.3	971.9	1 857.2	11 946.7
2022 Q1	2 397.2	1 776.7	788.0	1 204.4	5 069.8	2 499.4	13 735.6	885.7	992.0	1 877.7	11 857.9
2022 Q2	2 402.1	1 755.3	778.5	1 199.0	4 589.7	2 397.7	13 122.4	879.0	982.6	1 861.6	11 260.8
2022 Q3	2 406.7	1 754.1	778.0	1 217.4	4 446.1	2 636.2	13 238.6	878.5	979.2	1 857.6	11 381.0
2022 Q4	2 412.4	1 754.5	778.2	1 223.4	4 802.6	2 660.3	13 631.2	884.7	988.8	1 873.5	11 757.8
2023 Q1	2 418.3	1 734.9	769.5	1 219.3	4 901.9	2 358.2	13 402.0	879.7	1 000.4	1 880.2	11 521.8

Calculating Household Wealth

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

From the earliest of times households gathered assets. For good reason too, as more assets normally translate into more 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 goods¹ 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).

Note: The historical level of household wealth was adjusted in Q1 2023 following new household balance sheet information published by the South African Reserve Bank in the March 2023 Quarterly Bulletin.

About the Index

As part of Momentum's Science of Success campaign, the Household Wealth Index is produced in partnership with the Bureau of Market Research at Unisa. It aims to provide South Africans with information to assist with their journey to financial success.

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¹ The estimates of this research differ somewhat from official estimates. An estimated value of household durable goods is included in the value of household assets. It forms part of the non-financial assets category.