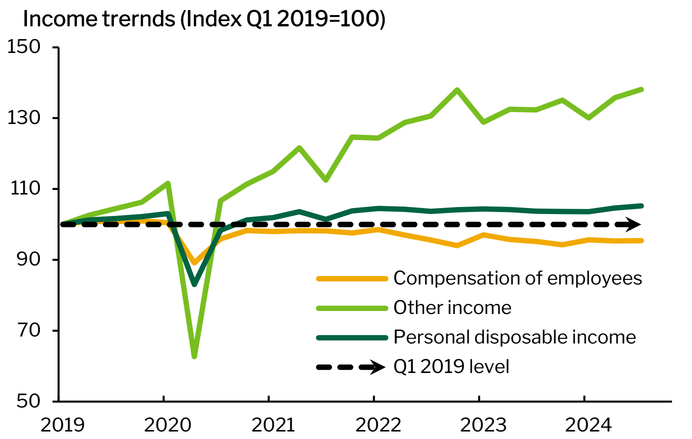
Personal Finances

ECONOMICS | SOUTH AFRICA

Household finances softened in Q3.

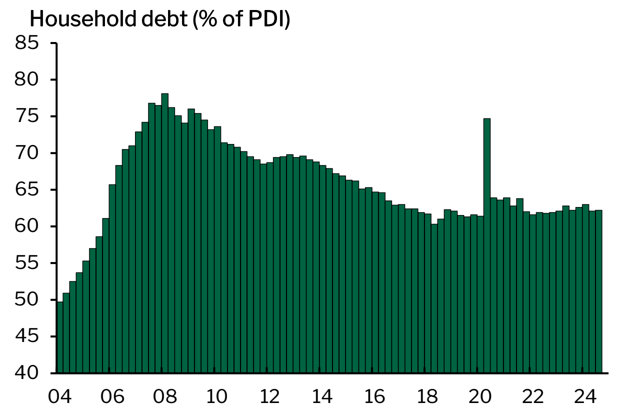
- Household finances weakened in Q3, hurt by slower income growth and stagnant employment. Real personal disposable income (PDI) grew by 0.6% qoq, slowing from 1% in Q2. Employee compensation recovered off a low base, but other income (profits, rents, interest, dividends) lost momentum. Real compensation rose by 0.1% qoq after shrinking by 0.4% in Q2. The boost likely came from lower inflation. Employment data on Q3 were murky. While the quarterly Labour Force Survey showed a 1.1% qoq increase in formal sector employment in Q3, the Quarterly Employment Statistics, which surveys companies directly, reported a 1.2% decline in formal employment over the same period. The softening in household finances led to slower growth in consumer spending, which grew by 0.5% qoq in Q3, down from 1.2% in Q2.
- Household debt to income ratio was almost unchanged at 62.2% in Q3 after dropping to 62.1% in Q2 from 63% in Q1. Debt accumulation grew slightly faster than nominal income. Most credit categories increased as households used credit to finance essential spending, and debt affordability increased somewhat after the first interest rate cut in September. The household debt service cost to disposable income ratio was unchanged at 9.1%.

Chart 1: Household income trends.



Source: SARB

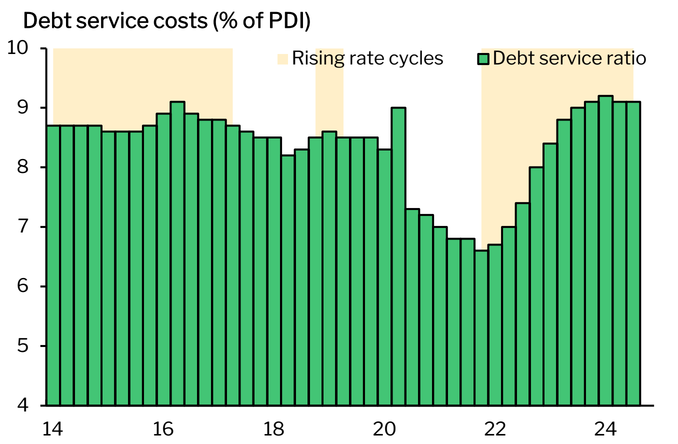
Chart 2: Household debt to income increased slightly.



Source: SARB

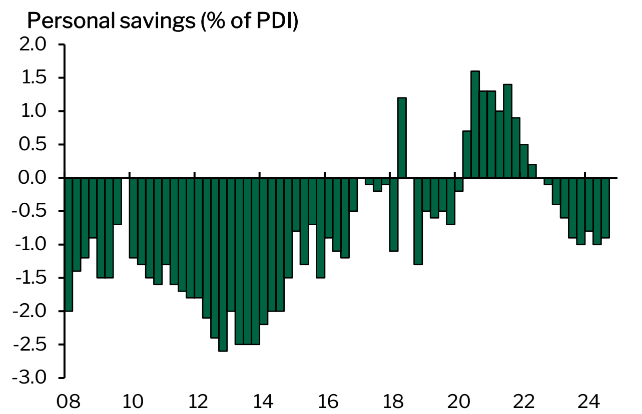
- Encouragingly, household balance sheets improved further. Net wealth levels rose to 409% of PDI, up from 395% in Q2. The market value of total assets outweighed the rise in total liabilities. The rebound in share prices and the gradual recovery in house prices supported the market value of assets.
- The savings drawdown continued in Q3, with the ratio of personal savings to PDI almost unchanged at -0.9% from -1 in Q2.

Chart 3: Debt service costs remained steady.



Source: SARB

Chart 4: The personal savings rate remains negative.



Source: SARB

- Household finances will likely improve in the final quarter of this year and throughout 2025. Lower inflation will boost real personal disposable income, and falling interest rates will reduce debt service costs. The cyclical upturn in response to easing monetary policy should also lift house and equity prices, contributing to stronger balance sheets and helping to restore financial health. If used to reduce debt, the withdrawals from the two-pot retirement system could also help restore consumers' financial health. These will gradually free more funds for discretionary spending.

GROUP ECONOMIC UNIT

Isaac Matshego Khosa	+27 10 234 8359	IsaacMat@nedbank.co.za
Nicky Weimar	+27 10 234 8357	nickywe@nedbank.co.za