Personal Finances

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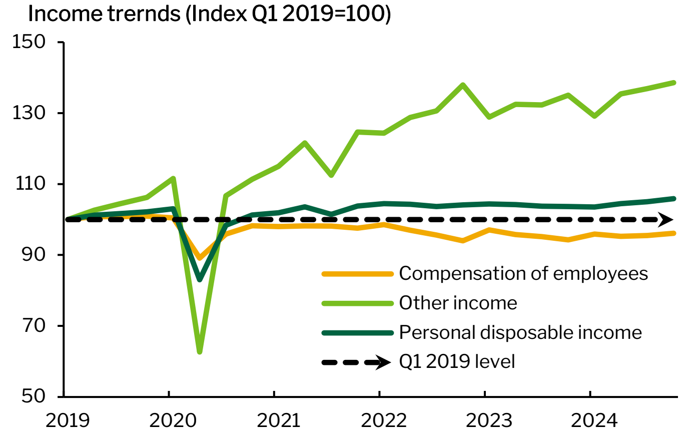
Household finances improved in the final quarter of 2024.

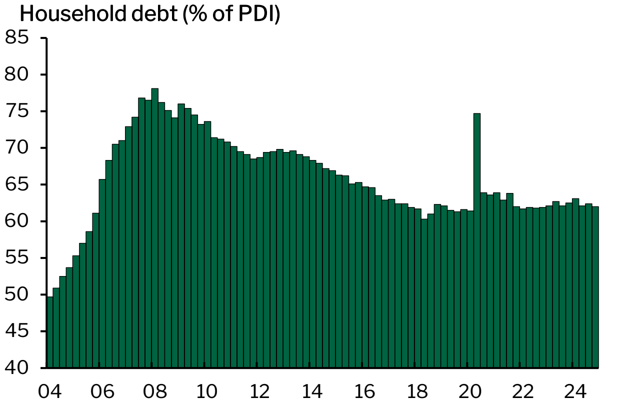
- Household finances improved in Q4, benefiting from a combination of faster income growth, a modest increase in employment, lower interest rates and a boost from Two-pot withdrawals. Growth in real personal disposable income (PDI) moved higher to 0.8% qoq from 0.5%, mainly boosted by an improvement in other income (profits, rents, interest, dividends), which rose by 1.2%, up from 1.1%. Compensation of employees also increased by a slightly faster 0.7% from 0.2%, and inflation moderated further over the period.
- Employment data for Q4 was mixed but nonetheless showed a modest increase in job creation. The Quarterly Labour Force Survey showed formal employment growth slowed to 0.8% qoq in Q4 from 1.8% in Q3, while the Quarterly Employment Statistics, which surveys companies directly, reported a 0.1% increase following a 1% drop over the same period. The net increase in employment, lower interest rates, income growth and a boost from the Two pot withdrawals boosted consumer spending, which accelerated by 1% in Q4 qoq from 0.4% in Q3.
- Despite the rise in spending, households probably avoided taking more new debt and used part of the savings from the Two-pot withdrawals to reduce the debt burden. This, and faster income growth, caused the household debt-to-income ratio to drop to a two-year low of 62% from 62.4% in Q3.
- Debt affordability improved somewhat due to slower debt accumulation and lower interest. The household debt service cost to disposable income ratio eased to 8.9% in Q4 after remaining steady at 9.1% in Q2 and Q3.

Chart 1: Household income trends.



Source: SARB

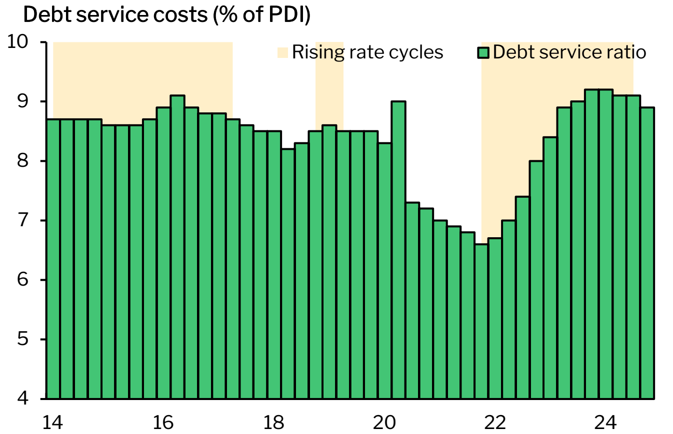
Chart 2: Household debt to income eased slightly.



Source: SARB

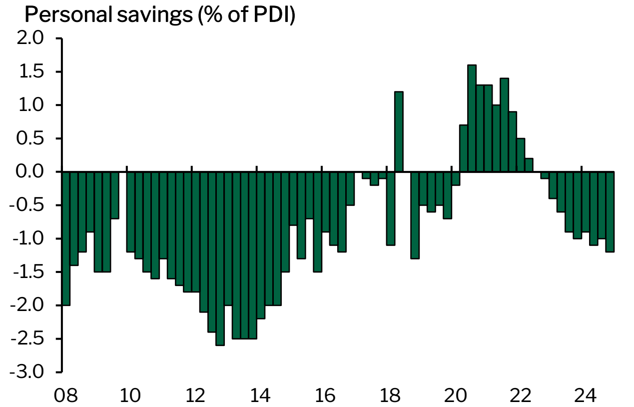
- Household balance sheets also improved further, with net wealth levels increasing as the market value of assets grew faster than liabilities. The rise in the value of assets was boosted by an increase in the value of housing stocks due to the improvement in house prices. This outweighed a drop in the JSE All-Share Index. However, the ratio of net wealth to disposable income decreased to 413% from 416% as disposable income increased faster, but the ratio was still higher on an annual basis.
- The savings drawdown continued in Q4, with the ratio of personal savings to PDI down to -1.2%, the lowest since Q4 2018.

Chart 3: Debt service costs remained steady.



Source: SARB

Chart 4: The personal savings rate remains negative.



Source: SARB

- Household finances are expected to improve further in 2025. Subdued inflation will continue to support real personal disposable income, and the effect of the interest rate cuts and the withdrawals from the Two-pot retirement system should help reduce debt service costs. At the same time, the gradual improvement in employment, in line with better growth prospects, as well as higher wage settlements in the public sector and relatively strong growth in bonuses and other additional pay will continue to support consumers' financial health. Lower and steady interest rates should also lift house and equity prices, contributing to stronger balance sheets. These will gradually free more funds for discretionary spending.

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