

Personal Finances

ECONOMICS | SOUTH AFRICA

Household finances strengthened further in Q4 2025.

- Household finances improved further in Q4, with real personal disposable income (PDI) growth accelerating, debt service costs easing, and net wealth improving.
- Real PDI growth improved from 0.8% qoq in Q3 to 1% in Q4, lifted by low inflation and a rise in compensation of employees (COE). COE bounced back over the quarter, rising by 0.5% following a contraction in Q3. Other income (profits, rents, interest, and dividends) also remained firm, benefiting from improving economic conditions. However, the growth rate moderated significantly from robust 4.6% and 4.7% in Q2 and Q3 to only 2.1% in Q4. On a year-on-year basis, COE growth accelerated from 3.4% to 3.7% while other income jumped from 8.2% to 15.1%.
- Household debt metrics were largely stable, as higher debt, in line with affordable credit and higher spending, was largely matched by income growth. Household consumption expenditure growth accelerated from 0.9% qoq in Q3 to 1.2% in Q4. Consequently, the **ratio of household debt to PDI** only edged up from 61.5% in Q3 to 61.8% in Q4. In 2025, the ratio of household debt to PDI dropped to 61.9% from 62.7% in 2024. Households' debt servicing burden also eased further, moderating for the 6th consecutive quarter due to lower interest rates. The ratio of debt service costs to PDI declined from 8.5% to 8.4%. In 2025, the debt service costs to PDI ratio fell to 8.6% from 9.2% in the previous year.

Chart 1: Household income trends.

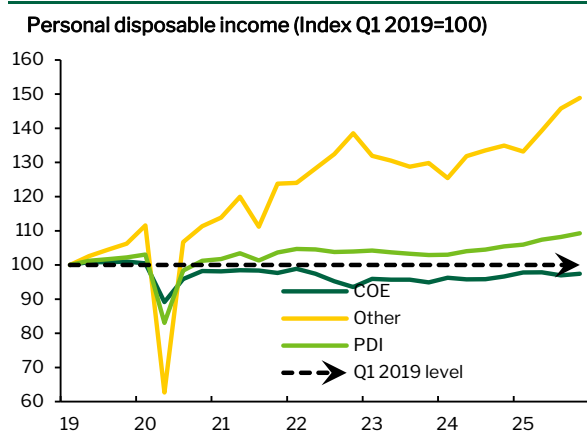
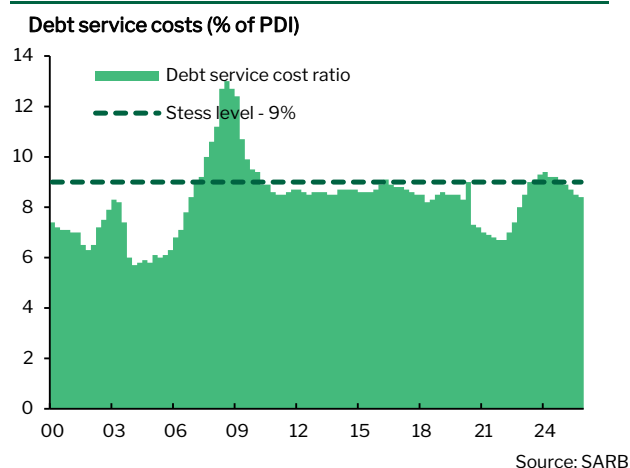


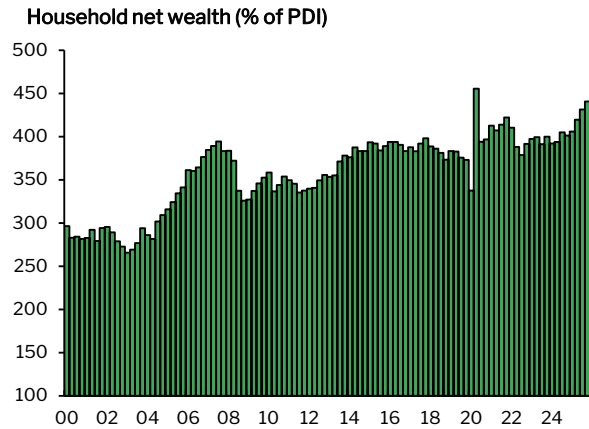
Chart 2: Debt service costs eased further



- Household balance sheets strengthened further, with **net wealth** increasing as the market value of assets grew faster than that of liabilities. Rising share prices and firmer house prices drove the gain in asset values. As a result, the ratio of **net wealth to PDI** increased from 432% in Q3 to 441% in Q4. In 2025, net wealth also increased noticeably to 425% from 398% in 2024, primarily due to exceptionally higher performance in domestic share prices. During the year, the JSE All-Share Index surged by 37.7%.
- Household dissaving continued, with the personal savings-to-PDI ratio deteriorating from -1.2% to -1.4%, the deepest since the third quarter of 2016. In 2025, the savings-to-PDI ratio deteriorated to -1.2% from -1% in 2024.

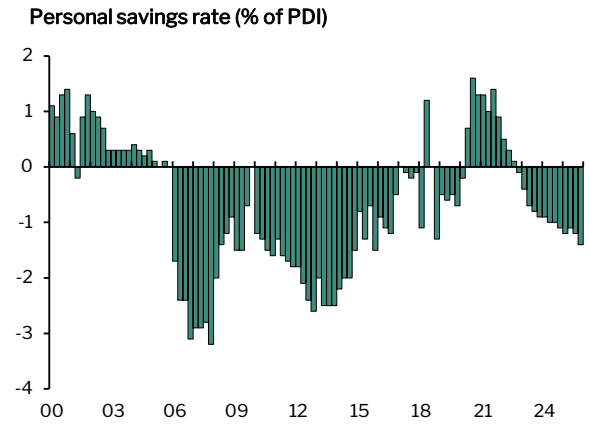


Chart 3: The rally in equity prices lifted net wealth further



Source: SARB

Chart 4: The personal savings rate remains negative.



Source: SARB

Outlook and implications

The health of household finances is uncertain amid a sharp deterioration in the inflation and growth outlook. Previous interest rate cuts and withdrawals from two-pot retirement savings should continue to provide some relief by reducing debt service costs. Lower and stable interest rates are also expected to support house and equity prices, thereby strengthening household balance sheets. However, these positive effects are likely to be partly offset by significantly higher inflation from the impact of the conflict in the Middle East. Elevated inflation will constrain real disposable income growth. If the initial inflation shock becomes a wider inflation spiral, the Reserve Bank will be compelled to hike interest rates, further pressuring disposable income. At the same time, heightened uncertainty and rising input costs associated with the conflict may prompt firms to adopt a wait-and-see approach, potentially leading to cost-cutting measures that will weigh on employment growth. This would undermine consumer confidence and curb household spending. We currently forecast consumer spending to grow by 2.6% in 2026 (with significant downside risks), down from 3.6% in 2025.



GROUP ECONOMIC UNIT

Analysts/Economists:

Johannes (Matimba) Khosa

Nicky Weimar

Telephone numbers:

+27 10 234 8359

+27 10 234 8357

Emails:

johanneskh@nedbank.co.za

nickywe@nedbank.co.za

DISCLAIMER

The information in this report may include opinions, estimates, indicative rates, terms, price quotations, and projections. It reflects the judgement of the author(s) and the prevailing market conditions at the date of this report, and these judgements and conditions may change without notice or this report being updated. This report does not necessarily reflect the opinion of Nedbank Limited (Nedbank). The information in it has been obtained from various sources, and Nedbank does not guarantee their accuracy or completeness or accept liability.

Any prices or levels in this report are preliminary and indicative only and do not represent bids or offers. These indications are provided solely for your information. The information in this report may include results of analyses from a quantitative model that represent potential future events that may or may not be realised, and this is not a complete analysis of every material fact representing any product. Any estimates included are part of Nedbank's judgement at the date of this report and may change without notice. Nedbank and/or its affiliates may make a market in these instruments for its clients and its own account. Accordingly, Nedbank may have a position in any of these instruments at any time.

Nedbank recommends that recipients of this report seek independent tax, accounting, legal and financial advice if they would like to use the information. Only professional and business investors should use this report. It must not be considered as advice, a recommendation or an offer to enter into or conclude any transactions. This report has been prepared for general dissemination and information purposes only and must not be construed as an offer to buy or sell or an invitation of an offer to buy or sell any financial instruments or to participate in any particular trading strategy in any jurisdiction. Any additional information relative to any financial instruments and/or financial products reviewed in this report is available on request.

All rights reserved. This report must not be used, shared or copied without Nedbank's prior permission. The information contained in this note is intended solely for the recipient, who must not share it.

All trademarks, service marks and logos used in this report are trademarks, service marks, registered trademarks or service marks of Nedbank or its affiliates.