

Report: To accompany press release

Date: 27 February 2019

Take-home pay increases by 1.5% as inflation hits another low

Take-home pay for employees paid into the South African national payments system showed a year-on-year increase of 1.5% in real terms in January.

According to the BankservAfrica Take-home Pay Index (BTPI), take-home pay averaged R14 126 in January 2019 in real terms and R15 423 in nominal terms.

While individuals feel that their post tax and other deductions income has not increased, the minor 1.5% upward movement is similar to the retail sales increases over the last few months. Although this is nothing to write home about, much of the real increase can be attributed to the lower fuel prices that have lowered the inflation rate. At 4% in January, the Consumer Price Index helped to 'raise' the real-take home pay increase.

The nominal take-home pay was 6.1% - not far off the last six months' average of 5.9%.

How compliant is the banked formal sector on the new minimum wage?

Since January 2012, the share of people taking home R4 000 or less has shrunk from nearly 24% to 12.7%. This is a drop of nearly half, and indications are that this will continue to decline as salaries keep on rising slightly above the rate of inflation. If one assumes around 50% of employees also have pension fund contributions or other deductions such as medical, garnishee orders and the like, it would seem that over 90% of banked formal sector employees are earning more than the minimum wage.

As some of the lower paid employees are not full-time, we believe most employees are above the R3 500 per month (pm) threshold of the new minimum wage. There will, however, be a few hundred thousand that may not be paid the minimum wage yet.

In actual numbers, those taking home less than R4 000 per month have dropped from 685 000 to 406 000 between January 2012 and January 2019.

Interestingly, the share of employees earning between R10 000 and R25 000 is now the largest and up from 27.3% of all employees.

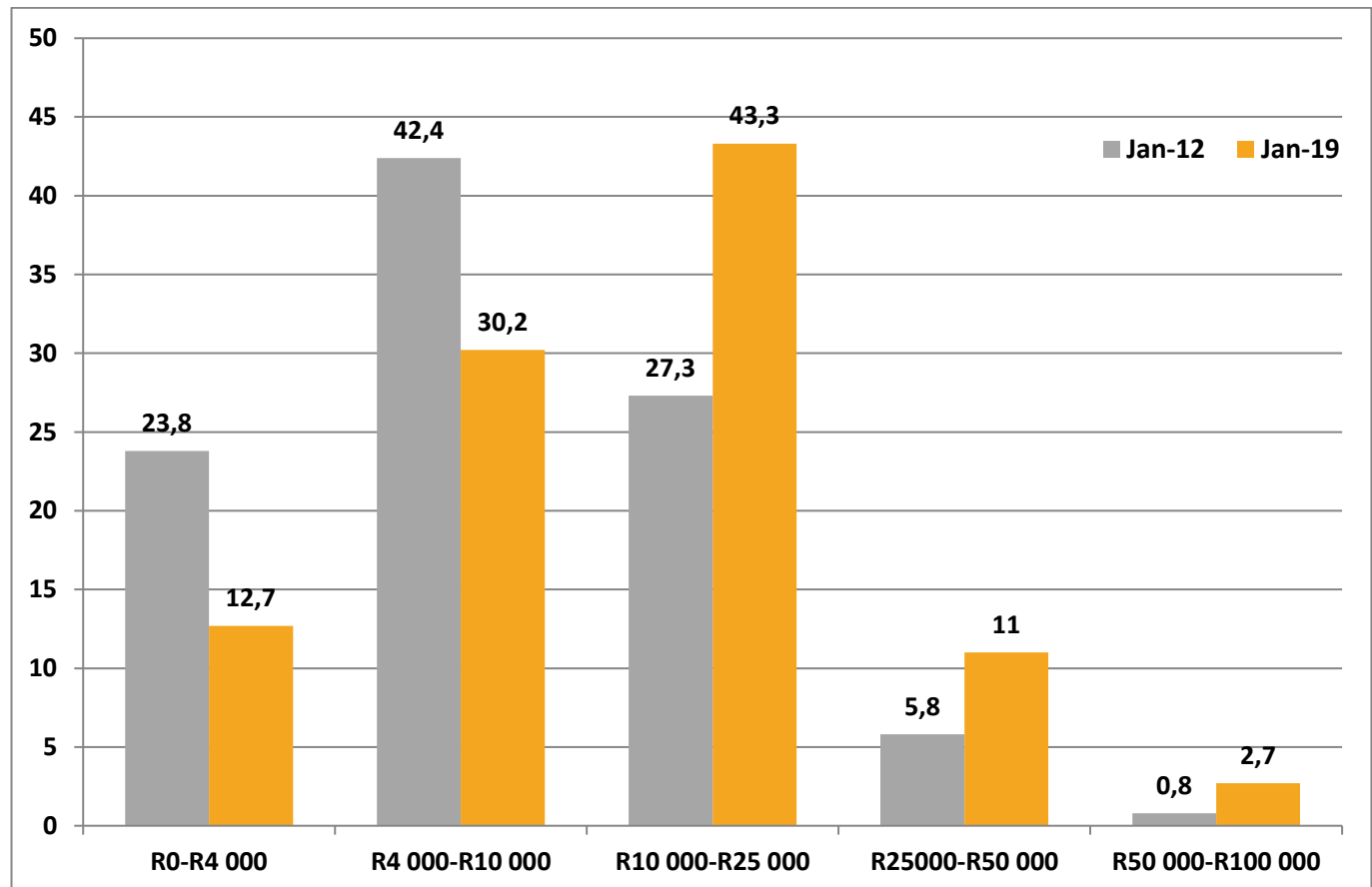
Those earning between R10 000 and R25 000 have increased from 768 000 to 1 384 000 on the BankservAfrica dataset. This represents an 80% increase. This income category now carries three times more earners than the lowest earning category.

The biggest growth, however, over the last seven years has been the top category - in early 2012 there were 162 000 people earning between R25 000 per month and R50 000 per month. This has risen to 351 000. It is likely that within the next two years the share of people in the R25 000 to R50 000 take-home pay level will become more than those taking home less than R4 000pm. The difference is just 55 000 earners now, down from over 600 000 seven years ago! The R25 000 to R50 000 plus category, therefore, saw a 117% growth in the number of earners in that take-home category.

The share of the top earning category that BankservAfrica monitors as a share of the total has increased more than threefold from 0.8% to 2.7% (this excludes all the employees who earn over R100 000 per month).

It would be interesting to see how the share of earners change over the next year or two and the impact the minimum wage legislation will have on the bottom pay category.

Share of employee total number by salary category for January 2012 to January 2019



Source: BankservAfrica and Economistsdotcoza (note: payments of over R100 000 pm are excluded as these include final payouts of retrenched employees or final salaries of retirees)

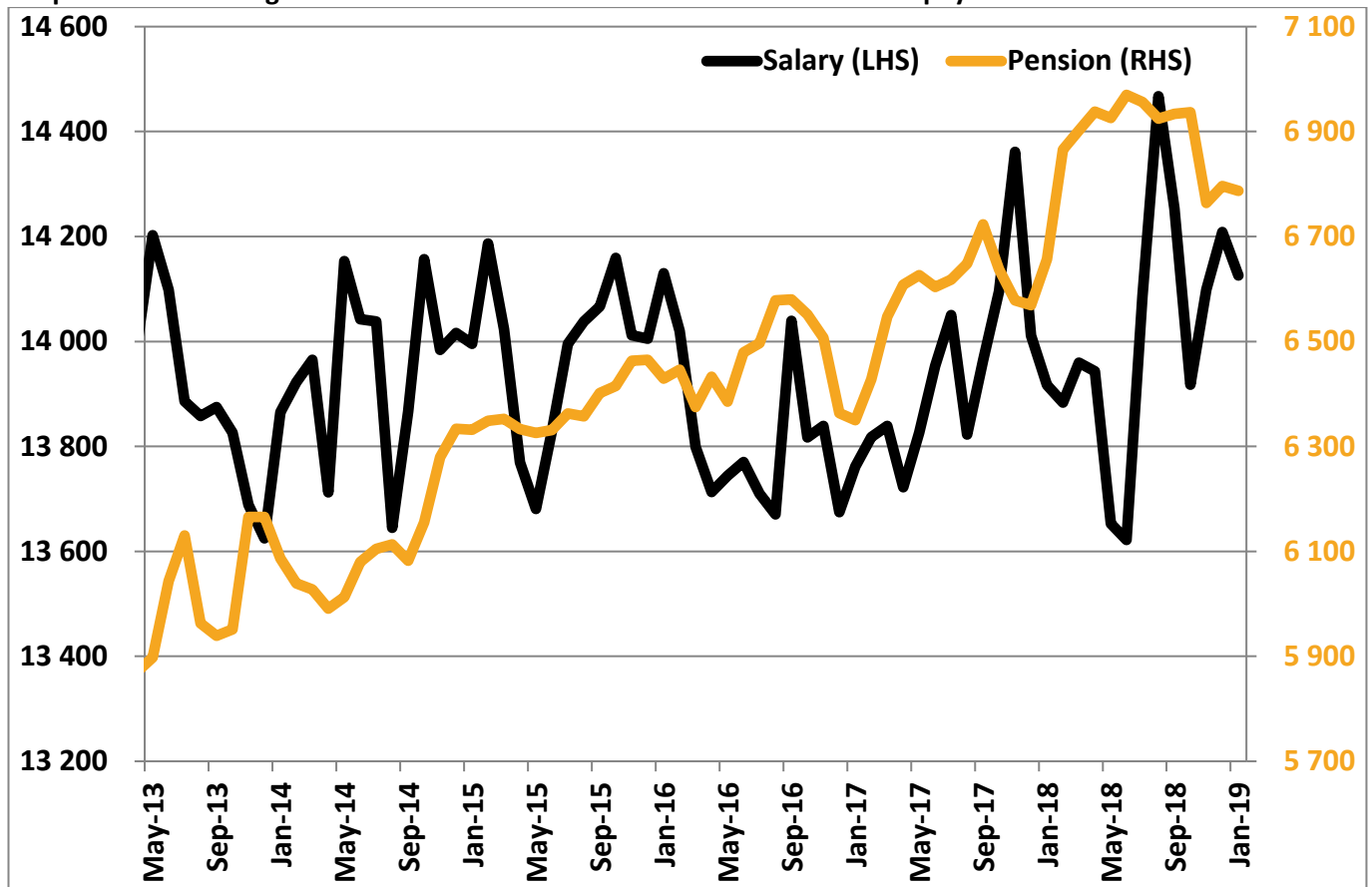
Private pensions continue to increase

In January, the BankservAfrica Private Pensions Index (BPPI) experienced growth of 2% on a year-on-year basis. This is, however, a substantial decline in the real rate of increase, which not so long ago averaged over 5%.

It may be that the poorer market performance is not catching up to banked pensions at rates of increase nearly twice the inflation rate. The actual private pension was R6 787 for January 2019. The nominal value was R7 361.

Some pensioners may be drawing down more of their pensions but we do not have the data to prove this at the moment.

Graph 2: Real % change in BankservAfrica Private Pensions and Take-home pay



Source: BankservAfrica and economistscoza

Table 1: BankservAfrica Take-home pay and Private Pensions

Month	Nominal Average Take-home Pay	Real Take Home Pay	Nominal BTPI % change YoY	Real BTPI % change YoY	Nominal Average Pensions Paid	Real Private Pension	Nominal BPPI % change YoY	Real BPPI % change YoY
Jan-18	14532	13917	5,7%	1,1%	6909	6657	9,8%	4,8%
Feb-18	14644	13883	4,9%	0,5%	7314	6866	11,5%	6,8%
Mar-18	14817	13959	5,0%	0,9%	7333	6902	9,7%	5,4%
Apr-18	14916	13943	5,8%	1,6%	7327	6938	9,0%	5,0%
May-18	14591	13653	2,9%	-1,3%	7328	6926	9,2%	4,5%
Jun-18	14568	13622	2,0%	-2,4%	7568	6970	10,2%	5,5%
Jul-18	15046	14087	5,0%	0,3%	7553	6956	9,9%	5,1%
Aug-18	15574	14467	9,8%	4,7%	7524	6925	9,5%	4,2%
Sep-18	15457	14254	7,1%	2,1%	7516	6934	8,2%	3,1%
Oct-18	15240	13917	3,7%	-1,3%	7531	6937	9,6%	4,5%
Nov-18	15437	14099	3,1%	-1,8%	7358	6764	8,1%	2,8%
Dec-18	15557	14209	6,4%	1,4%	7398	6796	8,8%	3,5%
Jan-19	15423	14126	6,1%	1,5%	7361	6787	6,5%	2,0%

Source: BankservAfrica and economistscoza



Technical notes about the BankservAfrica Take-home Pay Index

Every month BankservAfrica measures wages that are transferred to employee bank accounts. Take-home pay does not include UIF payments in all cases. By law this is subtracted before payments are made into the bank account of an employee.

Moreover these take-home payments exclude personal income tax and employee pension payments in most cases. By law, all who are required to pay personal income tax – commonly referred to as PAYE – is subtracted before payments into a bank account are made. Often these exclude part of the medical insurance payments that employees make. In an estimated 12% of employee payment cases, we believe debt repayments are subtracted before earnings are paid into the bank account.

The BankservAfrica Take-home Pay Index accounts for weekly payments. We track the weekly payments by estimating them on the national payment system (NPS) and via the South African Quarterly Labour Force Survey. We believe the part of the formal sector that goes via the NPS is about 9% to 11%. We have estimated it at 9.5%. There are a few daily payments in the NPS but it is difficult to account for them.

We see most weekly payments on Friday and then Monday and then Thursdays. Every month we count the number of Fridays and Thursday and Mondays there are and work from the normal month that is from the 1st to the 30th or 31st. We take the weekly payments and make it one payment per month. This will normally take say 4.8 million payments to 3.1 million monthly payments (we do not account for daily payments which we believe will be less than 1% on a monthly estimate basis). We believe we cover around 3.1 million monthly payments which is about 30% of all non-farm employees.

We measure salary payments that are loaded onto the NPS for salaries. We have also investigated EFT salary payments (where the word salary or wage is mentioned in an EFT). We believe this would increase our universe to well over 4 million employees and we see the same trend. However this data is a little more speculative and we follow this trend to check our data rather than incorporate this data.

We exclude all payments of over R100 000 as these seem to be very few in some months but high in March and December and January. The reason for the exclusion of the over R100k is due to bonus payments and retirement or retrenchment payments we believe. Some months this extends to 3000 people, and other months it can be 16 000 people. It also skews the numbers as the average goes from R150 000 to R480K.

We then calculate the average and a median from our data. We use a three month moving average as this allows us to present figures to South Africa that do not fluctuate too much.

We also seasonally adjust all our data to take out the December year-end bonus payments and the additional people employed from October to December on a part-time basis.

We show all the estimated data as monthly payments.

About BankservAfrica

BankservAfrica is the trusted payments partner and Financial Markets Infrastructure (FMI) to the financial services industry. As the largest automated payments clearing house in Africa we clear and process billions of low value card, ATM and EFT transactions annually. Our role in the South African National Payments System (NPS) is to facilitate interoperability between the banks and ensure regulatory compliance with our regulators against international banking security best practice and standards and reduces risk and complexity in the industry.

We continue to strive to be a world class and pre-eminent payments operator, innovator and payments partner of choice in Africa, by simplifying our worlds through combining trusted transactions with sensitive information.

BankservAfrica's national responsibility is to provide safe financial payment services for 56.7 million South Africans, irrespective of their location in partnership with our shareholders and partners.

With a 47-year history in South Africa, BankservAfrica operates 24/7, 365 days a year and delivers on very strong SLAs.