

Report: To accompany the press release

Date: 30 September 2020

Take-home pay starts to normalise

The COVID-19 lockdown caused a massive disruption to South Africa's average take-home pay, as seen in our recent months of salary data where numerous salary payments were either suspended, terminated or adjusted.

The BankservAfrica Take-home Pay Index (BTPI) for August 2020 indicates that real take-home pay increased by a monthly 1.7%. This is due to the very low base in August 2019 and the recent changes in the make-up of the workforce as the lockdown level moved to level 2 with more of South Africa's economic sectors re-opening.

The other factor influencing the number of payments, as referred to in the July BTPI monthly report, were the COVID-19 UIF TERS payments that were paid into a different system due to this fund's tax exemptions. But, with these payments being temporarily suspended in August 2020, the number of payments done via the normal payment system was probably closer to the usual amount as many employers resumed to paying staff as they would have ordinarily done so - but with a few industries as an exception.

The average take-home pay in August 2020

The average take-home pay in August was R14 008 in nominal terms and R11 893 in real terms. One should note that the average BankservAfrica Take-home Pay Index was at its lowest point in a year during July and August 2019. It is unlikely that the real average take-home pay will continue on this positive trend as the next two months had a relatively high average real take-home pay in 2019. While the downward tax rate adjustments left employees with a slightly lower tax burden, the low base in July and August 2019 was much larger and will therefore influence the take-home pay movement in the months to come.

The average real take-home pay for the first eight months of 2019 was R12 200 per month, indicating that the August 2020 number is nearly 2.5% lower than the same reporting period in 2019. This is probably a more meaningful indication of the real salary trend in South Africa at present.

With many firms paying pension contributions into pension funds again while other private sector employees have had salary reductions to help firms survive, the salary trend is more likely to remain slightly negative in real terms (and perhaps even in nominal terms as casual workers return to employment, bringing the average down slightly).

The number of payments is increasing again but down on 2019's figures

Another small and welcoming development in August 2020 was for casual payments, which picked up for the first time in months, suggesting that the number of employed temporary and daily casual workers are growing again.

However, the number of weekly and monthly payments were still lower than a year ago. Overall, the number of payments was just over 6% lower than that in August 2019. Casual payments were up for the first time in six months, which probably reflects an economy that is slowly opening up for business again. Lockdown level 2 began in mid-August 2020, allowing more businesses to operate. There were fewer job casualties as business as usual returned for restaurants, and gyms and fitness centres and domestic travel re-opened as interprovincial travel for all purposes resumed.

The suspension of UIF TERS payments has helped to show a more normal number of payments again. However, as we raised in previous BTPI reports, one must keep in mind that the true situation of payment numbers is still difficult to assess as TERS, suspension and terminations were not all processed through the usual payroll systems for the National Payments System, making it difficult to determine the average take-home pay and overall payments made.

The total BankservAfrica take-home salaries paid into employee accounts via the National Payment System was 1.4% down in nominal terms. In real terms, it is estimated to have declined by 4.7% which is the smallest drop since April 2020.

We believe an exact view of take-home pay will only be revealed in the months or so when the UIF TERS payments come to a close and termination payments are expected to end. These have helped to boost retail spending and, in the same way, are expected to weaken sales when the funds discontinue.

Nonetheless total compensation has improved since June and July, which were lower due to UIF TERS being paid out via a different system to make allowance for UIF disbursements that are not taxable. This is what we believe is part of the normalisation process.

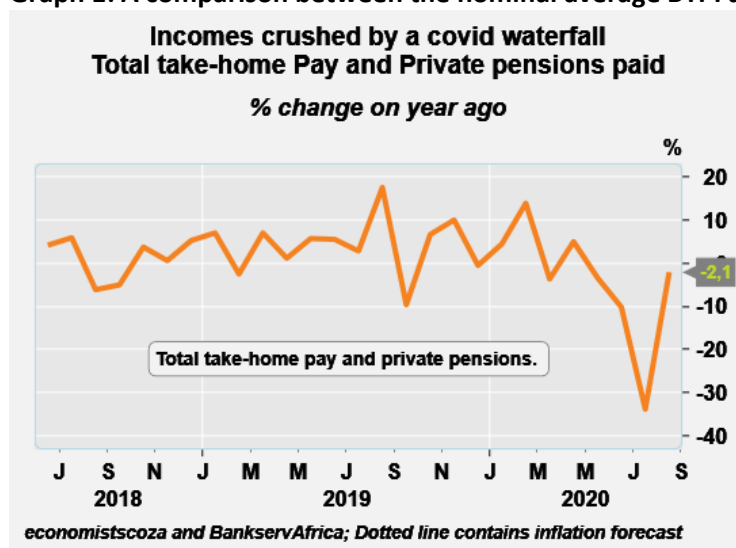
Private pensions show real growth yet again

The BankservAfrica Private Pension Index (BPPI) is again strongly positive in August 2020, reflecting a year-on-year increase of 3.7%. However, for the third consecutive month, the number of private pension payments was closer to 600 000 payments, which is below the norm of the past year of about 660 000 payments.

It seems that those with payments of less than R4 000 per month have been exiting the system for the last few months for various reasons, such as withdrawing funds – where this is possible – to compensate for salary reductions or losses.

Nonetheless, most private pensioners are keeping up with inflation which brings some good news for the income side of the economy.

Graph 1: A comparison between the nominal average BTPI and BPPI amounts



Source: BankservAfrica and economists.co.za

Table 1: The BankservAfrica Take-home Pay Index data

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-19	13442	12076	1,8%	-2,6%	7557	6873	6,5%	2,0%
Feb-19	13748	12228	1,4%	-2,7%	7656	7056	7,9%	3,7%
Mar-19	13888	12695	3,3%	-0,8%	7731	7003	6,3%	2,2%
Apr-19	13789	12744	3,5%	-0,7%	8040	7215	9,9%	5,2%
May-19	13453	12578	3,6%	-0,8%	8181	7237	10,1%	5,5%
Jun-19	13185	11908	-3,6%	-7,4%	8183	7302	10,3%	5,6%
Jul-19	13104	11684	-7,8%	-11,3%	8039	7130	7,5%	2,9%
Aug-19	13380	11691	-8,5%	-12,1%	8016	7117	7,5%	3,4%
Sep-19	14208	12495	1,5%	-2,5%	8119	7260	8,3%	3,8%
Oct-19	14503	12807	9,9%	5,6%	8157	7286	8,5%	4,2%
Nov-19	14882	13241	15,0%	10,8%	8074	7098	7,4%	3,6%
Dec-19	14801	13015	14,3%	10,1%	8115	7141	7,6%	3,9%
Jan-20	15127	13070	12,5%	8,2%	8124	7103	7,5%	3,3%
Feb-20	15088	12854	9,8%	5,1%	8297	7318	8,4%	3,7%
Mar-20	14478	12649	4,2%	-0,4%	8413	7283	8,8%	4,0%
Apr-20	14143	12567	2,6%	-1,4%	8403	7240	4,5%	0,4%
May-20	13911	12615	3,4%	0,3%	8311	7141	1,6%	-1,3%
Jun-20	14271	12581	8,2%	5,7%	8310	7266	1,6%	-0,5%
Jul-20	13887	12091	6,0%	3,5%	8438	7321	5,0%	2,7%
Aug-20	14008	11892	4,7%	1,7%	8575	7377	7,0%	3,7%

Source: BankservAfrica and economists.co.za

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