



October 2020 BETI report to accompany press release

Date: 11 November 2020

## **Is the BETI supported by extra TERS and SASSA payments?**

While a number of economic forecasts are predicting South Africa's Q3 2020 will hold the strongest growth quarter on record, we are seeing the last quarter of 2020 beginning on a strong footing in the BankservAfrica Economic Transactions Index (BETI) data for October 2020.

The BETI for October 2020 reached 122 index points - the highest level since February 2020. However, the monthly increase of 2% is the smallest since June 2020, showing that although the economic pick-up continues, it is not as fast, as recorded in the previous months. Still, the BETI has managed to regain most of what it lost since the initial lockdown economic crash. On a quarterly basis, the BETI improved by 15% over the last quarter.

Overall, October 2020 was a very strong month and the best indication that the economy is edging closer to the level it was before South Africa's nationwide lockdown.

### **The BETI is extremely strong – what's the story behind it?**

Over the last five months, there have been on average about 6.9 million more income transactions than in the same period last year. Owing to how we measure and compile the BETI, some of these transactions are excluded but feature in our monthly BankservAfrica Take-home Pay Index, as well as to the BankservAfrica Private Pensions Index (we do not add the COVID-19 Social Relief Distress special grant pay-outs and some COVID-19 UIF TERS payments are excluded).

This may have resulted in the number of transactions reaching an all-time high of 110.5 million in October 2020, which was an 8.8% increase on October 2019. Therefore, the real value of the BETI increased by 2% year-on-year while the number of transactions increased by nearly 9% over the same period - or more than four times the value of the number.

This is certainly unusual; the last time the number of transactions increased at this rate was in October 2018.

We believe this was driven by an increase in TERS and SRD grant payments. We do not include these payments in the actual BETI but, as individuals tend to spend this additional relief money in the rest of the economy, the result is the 'spill over' effect in the BETI data. The increases in the BETI from the extra income and salaried payments saw Electronic Fund Transfer Credit (EFTC) payments, in particular, increase by nearly 12% over the last two months compared to a year ago.

What we have picked up in the transaction data (leaving out the actual value) shows that in the quarter to October 2020, the number of transactions increased by 3.5% over the quarter to July 2020. As this leaves out the April 2020 low, it does not indicate that more transactions were processed. The last two months have shown the strongest increase since July 2012.

In analysing the income and salary side, including the SASSA payments (which are excluded from the BETI), we see there was an extra 6.9 million transactions per month at an average value of R1 910 per month. We think this

indicates that the TERS and SRD grant payments could have averaged this amount as the average for salaries and SASSA payments would usually be around R5 100 per month.

Our data shows from June 2020 to October 2020, the value of these extra payments processed through BankservAfrica was at least R66 billion - or about 12% of all income stream payments.

Added to this, some TERS payments were paid via the normal EFT system, not the EFT income side. We believe that the total would be closer to R80 billion for payments made through BankservAfrica.

The total in extra payments is estimated at around 5% of the cumulative transactions that make-up the BETI over the last five months. So, while the income stream share was 12%, the share of the overall BETI was much smaller at around 5% on average.

These extra payments will slowly fade away from here on. The TERS applications have already ceased while the extra SASSA grants will stop in January 2021.

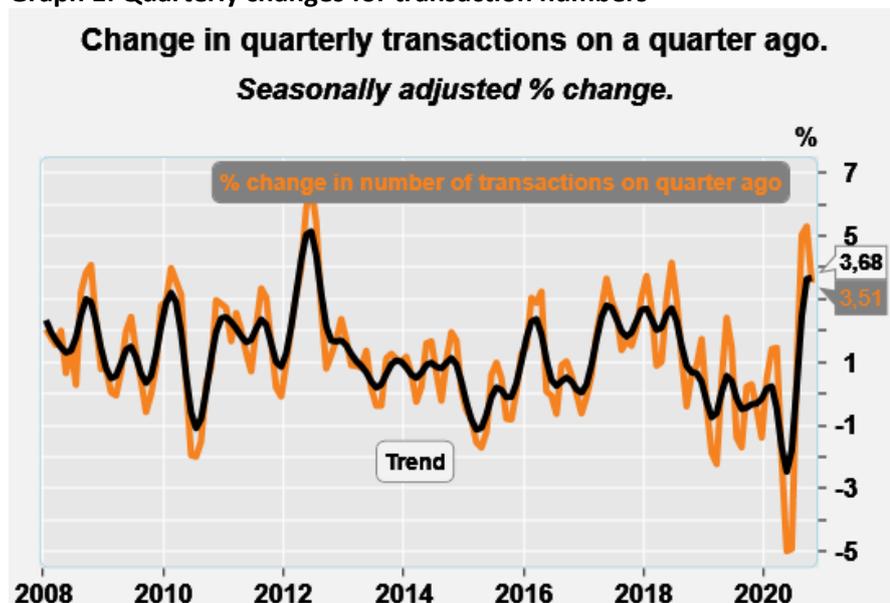
### So, what do the extra income payments mean?

We believe that the BETI will see a decline of around 4% to 5% as these extra payments get withdrawn. This will not be as big as the dive seen in the lockdown period, but the removal of the extra payments will have a small, yet significantly negative impact on the SA economy. In the near-term, we may see consumer spending on the rise for Black Friday and Cyber Monday as some in-store retailers have opted to run month-long or weekly sales to keep in line with the COVID-19 social distancing while others prepare for major online spend over the usual long weekend of sales in late November 2020.

The extra money flowing into the South African economy makes the economy look stronger, but the fact is much of this is from loans that must be paid back over time. It is therefore impossible to expect these payments to be able to continue at its current pace. As such, although there is a recovery, it is not sustainable into the long-term when these payments cease. It will be difficult to cut back on the social relief pay-outs, but it will be economically impossible to continue at this rate while tax revenue remains under pressure.

To sum it up, we expect there will be a small GDP decline in the first part of the new year due to the retraction of the UIF and SASSA payments.

Graph 1: Quarterly changes for transaction numbers



Source: BankservAfrica and Economists.co.za

**Table 1: The BankservAfrica Economic Transaction Index**

	BETI Index	Headline BETI % change	BETI quarterly % change	BETI monthly % change
01-Jan-19	118,6	-0,9%	-0,5%	-1,5%
01-Feb-19	120,0	-0,9%	-0,2%	1,2%
01-Mar-19	119,2	-1,9%	-0,9%	-0,6%
01-Apr-19	121,1	0,9%	0,3%	1,6%
01-May-19	122,2	1,7%	1,0%	0,9%
01-Jun-19	122,6	1,3%	2,3%	0,3%
01-Jul-19	123,4	2,3%	2,2%	0,7%
01-Aug-19	122,4	0,7%	1,6%	-0,8%
01-Sep-19	119,7	0,5%	-0,1%	-2,2%
01-Oct-19	119,7	-0,4%	-1,7%	-0,1%
01-Nov-19	121,0	0,6%	-2,2%	1,1%
01-Dec-19	122,3	1,6%	-0,7%	1,1%
01-Jan-20	123,1	3,8%	1,3%	0,7%
01-Feb-20	122,8	2,4%	2,2%	-0,3%
01-Mar-20	119,1	-0,1%	0,6%	-3,0%
01-Apr-20	102,5	-15,3%	-6,0%	-13,9%
01-May-20	98,7	-19,2%	-13,0%	-3,7%
01-Jun-20	102,6	-16,3%	-16,8%	3,9%
01-Jul-20	109,9	-10,9%	-9,6%	7,1%
01-Aug-20	116,3	-5,0%	2,6%	5,8%
01-Sep-20	119,7	-0,1%	13,8%	2,9%
01-Oct-20	122,0	2,0%	15,0%	2,0%

Source: BankservAfrica and Economists.co.za

**Table 2: The volume and average value of transactions and the standardised BETI in nominal terms**

	Nominal standardised value of transactions	Number of transactions	Average transaction value	Change in transaction volume
01-Jan-19	752 358 786 621	95 486 618	8056	3,5%
01-Feb-19	871 083 597 460	96 912 302	8333	2,4%
01-Mar-19	875 728 911 568	99 987 336	8444	-1,4%
01-Apr-19	895 209 267 983	103 384 373	8246	6,6%
01-May-19	885 765 229 153	101 623 908	8662	1,2%
01-Jun-19	889 664 961 147	93 655 106	8761	-8,1%
01-Jul-19	886 274 974 884	104 673 384	8890	3,6%
01-Aug-19	882 317 305 978	104 325 966	8647	-0,4%
01-Sep-19	876 129 253 723	99 715 632	8621	3,0%
01-Oct-19	895 393 805 918	101 551 480	9258	-5,6%
01-Nov-19	944 390 173 867	104 794 252	8843	-0,7%

<b>01-Dec-19</b>	983 730 036 244	104 150 830	8816	0,0%
<b>01-Jan-20</b>	827 069 468 236	98 568 174	8339	3,2%
<b>01-Feb-20</b>	921 749 299 725	101 662 462	8522	4,9%
<b>01-Mar-20</b>	891 197 747 730	103 280 758	8822	3,3%
<b>01-Apr-20</b>	679 399 945 727	90 027 122	6960	-12,9%
<b>01-May-20</b>	703 813 457 711	92 353 231	7348	-9,1%
<b>01-Jun-20</b>	795 028 150 576	99 747 038	7821	6,5%
<b>01-Jul-20</b>	841 230 477 980	105 177 728	8398	0,5%
<b>01-Aug-20</b>	892 476 950 511	101 429 102	8550	-2,8%
<b>01-Sep-20</b>	929 028 206 076	102 937 823	8856	3,2%
<b>01-Oct-20</b>	946 567 560 845	110 530 847	8756	8,8%

Source: BankservAfrica and Economists.co.za