

Report: To accompany the press release

Date: 27 January 2021

Average SA take-home pay increased but number of employees declined

The number of take-home payments processed in December 2020 by BankservAfrica through the South African National Payment System did not reach normal levels, according to the latest data from the BankservAfrica Take-home Pay Index (BTPI).

This was mostly due to the delay in COVID-19 UIF TERS payments. Although TERS payments applications closed in September 2020, it re-opened in November for October applications to assist industries still feeling the brunt of the lockdown impact. These payments were still being paid in December, according to the Department of Labour.

Meanwhile, the number of employees paid took a knock with daily and lower paid employees affected the most by the lockdown. Interestingly, weekly take-home pay numbers increased in December 2020. This could have to do with December 2019 being a low base for the number of people paid. Twelve out of the 17 payment ranges under R25 000 were affected while none of those earning over R25 000 recorded a decline in December 2019.

Overall, the number of employees estimated to have been paid over the December period declined by 5.4%.

Average real take-home pay increases by 2.1% in December 2020

The decline in the number of employees in the lower pay ranges resulted in a 5.4% increase for the average take-home pay. In real terms, this was 2.1% higher than that in December 2019. The BankservAfrica Take-home Pay Index therefore increased mainly because of the fewer lower paid employees in the system.

In December, the total take-home pay in real terms declined by 2% on December 2019's figure. While this decline in the BTPI is not excessive, it comes off a very low base. In December 2019, the number amounted to 4% less than in December 2018.

While the new BankservAfrica data method commenced in June 2018 (see the 'note to the editor' below), our older data reflects that the total real amount paid to employees may have been the lowest since December 2015!

The BTPI is very useful in tracking average take-home pay and acts as a good indicator of total monies paid into bank accounts, a portion of which translates into consumer spending of which the BTPI provides a fair representation in addition to the retail trends. Last year, these were influenced by low interest rates and tracked slower spending movements.

How take-home pay was affected by TERS payments

The COVID-19 Temporary Employer/Employee Relief Scheme by the UIF helped many South African firms and employees withstand the lockdown levels. It was, however, a stop start process which trade unions and employer organisations will attest to.

The relief funds were announced in March but it was only in the May to June period when vast sums of payments were made. Due to stoppages in the system, hardly any payments took place in some months. This made practical payments via the normal payment systems difficult as tax was treated differently.



The result was that in some months employees were not paid via the normal payments system but in other months payments resumed. With no published guidelines, the UIF payment system more often paid late and resulted in double 'catch-up' payments.

By early December, these payments added up to a staggering R55.6 billion in 12.9 payments to millions of workers from the 1.1 million employer applications. Most of these payments were paid from May to September while about 10% was paid during November and early December. This is according to data obtained from UIF statements.

However, it now seems that there were some delays in June and July. Most of these payments caught up between August and October along with steadier TERS payments for those still not able to operate fully in the economy. The decision to pay TERS again for a few categories in November for the September to 15 October period resulted in extra but late payments in November and December.

The UIF system was swamped for most of the period and the statement by the Department of Labour makes it clear that there was still a catch-up process taking place in December. In our view, this is the most likely reason behind the bigger declines in July and October and may have influenced June's decline. It possibly resulted in less of a decline August and September along with November.

Along with tax relief and suspended pension fund contributions, the total take-home pay does not yet reflect the reality of the overall employment situation.

At present there is hope that some travel and tourism industry as well as bars and restaurants could get more TERS payments. It seems January 2021 or possibly February 2021 will be the first months where we get to see a fuller picture of the COVID-19 lockdown impact.

For now, the BTPI serves as an indication of the timing of the TERS payments which impacted many sectors of the economy.

An estimated 5-10% of employees were affected

No one is yet certain of the full scale of the employment impact but indications are that around 5% - 10% of employees in the BankservAfrica payment universe were affected. We are also aware that the salary data underrepresents smaller firms such as small restaurant chains, smaller hotel groups and vehicle rental agencies, which were also hit.

It is very likely that the full impact on the formal sector could be above 10%, but one must remember that some businesses, particularly those in the travel and tourism industry, may only be able to start operating again in the next few months.

At the beginning of the lockdown well over four million employees applied for TERS by the end of April and less than 1.5 million per month after July. The average was 2.6 million a month. Reports from unions and employers indicate that not all were helped due to administrative problems, so the amount that applied is higher but we do not know how much higher.

The BankservAfrica Take-Home Pay Index should reflect a more normal situation in the next few months. We will also revert to the index's reporting on the average and median salaries in the formal sector that are paid via BankservAfrica.

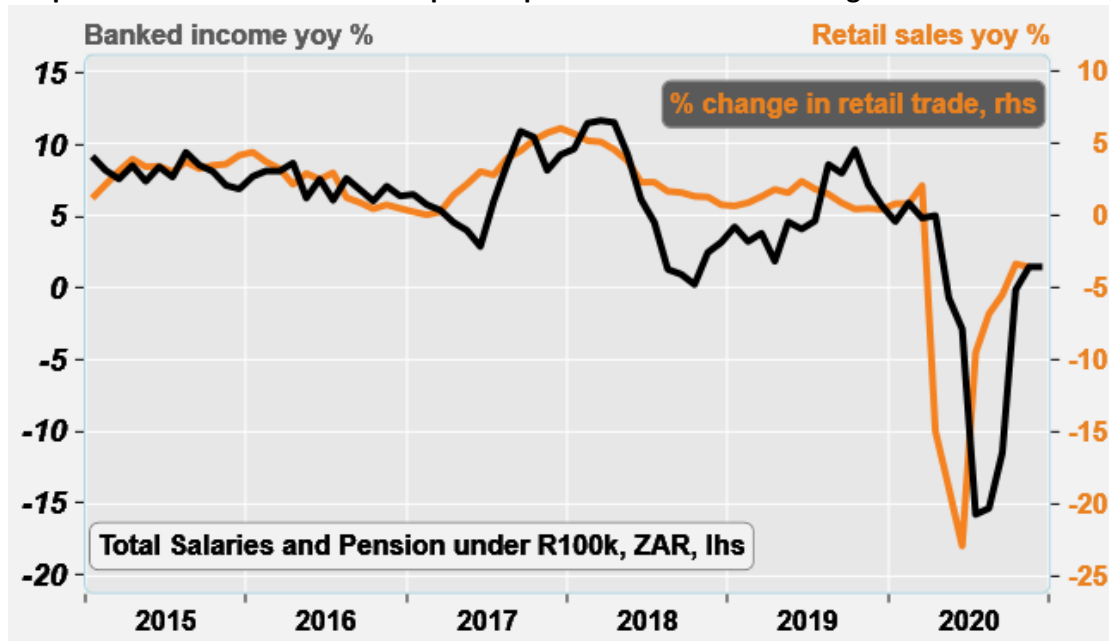


BankservAfrica Private Pension Index (BPPI) remains robust

BankservAfrica recorded private pensions in South Africa as averaging R7 483 in real terms and R8 879 in nominal terms. The 6.1% increase in real terms was the highest annual increase since February 2018.

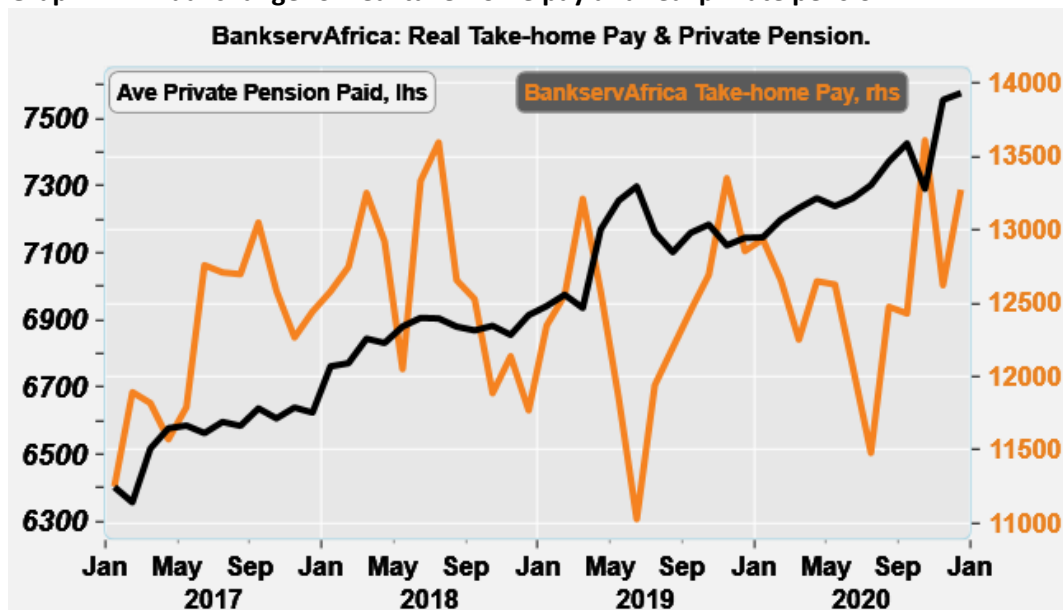
However only 625 163 private pension payments were made in December which was a 2.5% year-on-year decline. The number of actual private pension payments have declined for six consecutive months. This may have to do with minor rule changes allowing pensioners with little money to take their capital out.

Graph 1: Total annual salaries and private pensions vs annual % change in retail sales



Source: BankservAfrica and economists.co.za

Graph 2: Annual change for real take-home pay and real private pension



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	13597	12072	1,8%	-2,6%	7557	6909	6,5%	2,0%
Feb-19	13878	12221	1,4%	-2,7%	7656	7093	7,9%	3,7%
Mar-19	14050	12713	3,3%	-0,8%	7731	7040	6,3%	2,2%
Apr-19	13803	12762	3,5%	-0,7%	8040	7253	9,9%	5,2%
May-19	13468	12597	3,6%	-0,8%	8181	7275	10,1%	5,5%
Jun-19	13205	11929	-3,6%	-7,5%	8183	7340	10,3%	5,6%
Jul-19	13116	11704	-7,8%	-11,3%	8039	7168	7,5%	2,9%
Aug-19	13431	11711	-8,4%	-12,1%	8016	7154	7,5%	3,4%
Sep-19	13805	12209	-2,5%	-6,3%	8119	7185	8,3%	3,8%
Oct-19	13924	12389	4,5%	0,4%	8157	7202	8,5%	4,2%
Nov-19	14291	12825	9,4%	5,4%	8074	7042	7,4%	3,6%
Dec-19	14625	12878	13,3%	9,2%	8115	7056	7,6%	3,9%
Jan-20	15300	13068	12,5%	8,3%	8124	7140	7,5%	3,3%
Feb-20	15234	12850	9,8%	5,1%	8297	7357	8,4%	3,7%
Mar-20	14657	12670	4,3%	-0,3%	8413	7322	8,8%	4,0%
Apr-20	14160	12586	2,6%	-1,4%	8403	7279	4,5%	0,4%
May-20	13928	12635	3,4%	0,3%	8311	7178	1,6%	-1,3%
Jun-20	14245	12562	7,9%	5,3%	8310	7304	1,6%	-0,5%
Jul-20	13853	12072	5,6%	3,1%	8438	7360	5,0%	2,7%
Aug-20	14015	11882	4,3%	1,5%	8575	7416	7,0%	3,7%
Sep-20	14043	12048	1,7%	-1,3%	8660	7434	6,7%	3,5%
Oct-20	14795	12763	6,3%	3,0%	8563	7341	5,0%	1,9%
Nov-20	14841	12907	3,8%	0,6%	8850	7474	9,6%	6,1%
Dec-20	15415	13149	5,4%	2,1%	8879	7483	9,4%	6,1%

Source: BankservAfrica and economists.co.za

Note to the editor about the BTPI

There have been revisions to the BTPI due to a change in the South African National Payment System (NPS), which now excludes all salary payments from other Southern African Customs Union member countries in the Common Monetary Area (CMA). This occurred for the period from June 2018 onwards. Under the request by the South African Reserve Bank, the CMA payments were removed, and, as such, this needed to be adjusted accordingly in the BTPI data set. This means the historical data that included these countries were removed and adjusted. This took place over more than a month. We have therefore undertaken a review of the massive decline in average wages in July 2019 – August 2019. Please also note that due to this, the September 2018 – September 2019 data has been revised and has resulted in minor changes to the 2019 data.

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



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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.