

Report: To accompany the press release

Date: 28 April 2021

## **Take-home pay index: close but yet not fully recovered**

South Africa's real take-home pay increased by just 0.7% in March 2021, with the average salary reaching R15 092 in nominal terms and R12 749 in real terms. The growth in March 2021 came off the low base in March 2020 when the country was placed under hard lockdown.

The good news is that the average take-home pay has returned to the pre-COVID-19 trend. The number of employees in the broader payment system of formal employers from larger companies has recovered fast as the economy has re-opened.

### **How salaries played out in hard lockdown (March 2020) vs level 1 lockdown (March 2021)**

When the hard lockdown began in March 2020, the BankservAfrica Take-home Payment Index (BTPI) recorded a small number of employees in the formal economy who were already missing out on payments. This was particularly notable among weekly and daily paid employees.

The last four days of March 2020 included a Friday and a Monday (which are two important days for weekly payments) when South Africa was already in lockdown. Our data subsequently recorded a drop in the number of daily and weekly payments made to employees.

In March 2021, we see a small increase in the number of weekly and monthly take-home payments while daily payments continue on a declining trend.

Overall, the March 2021 number of take-home payments was slightly higher than the March 2020 number. The year-on-year change came in at under 1%, which we believe marks the turning point for employment numbers improving from the depth of the pandemic. The BTPI is gradually returning to normal.

### **Average salaries 'closer to pre-pandemic normal'**

The bigger picture, which is not evident in the monthly BTPI detail but rather in the trend, shows an employment recovery of about 98% for the larger sized firms in the formal sector. It is best to describe this as a 'recovery' as the actual employment numbers are still slightly below the BTPI's average. We cannot advise of growth typical to the 'normal times', as the 1% or 2% change is put down to system growth rather than actual employment growth (with the last of the salary cheque payments out of the system, it is quite possible that some of the recovery is down to system change rather than growth).

However, as Statistics SA data notes, government employment increased in the third and fourth quarters of 2020. Assuming this is still true in Q1 2021, and given that BankservAfrica's data has a larger share of government employees in its take-home data, it probably means that the private sector has only recovered by about 95%.

The 95% recovery of private sector jobs for larger private sector jobs is of course very good news. But, with daily and weekly payments still far below normal, one can assume that smaller firms and the informal sector have a long way to go for recovery.

The overall total salaries and pensions paid increased by 1.8% in real terms compared to March 2020. But, if one likens this to March 2019 two years ago, the overall amount is still 6% lower in nominal terms. Unlike a year ago, spending on consumer items should be positive in March 2021.

However, we believe a further test on the actual recovery will come when the last TERS and disaster relief payments have been made by government.

So, the economic recovery is not quite over but it is ongoing. The actual new growth in the economy is probably a little way off but it has been faster than one would have expected and should help consumer spending.

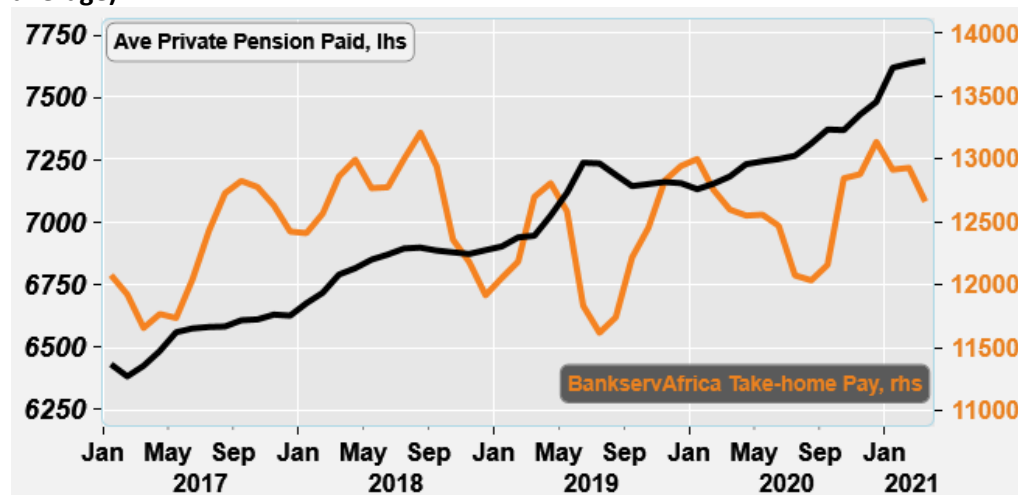
### Pensions are STILL growing fast

The data for March 2021 appeared to be back to the norm for banked private pensions following last month's extra payments to state pensioners. Interestingly, for the fifth month in a row, real pensions increased above 5% on average. The year-on-year increase was 5.6% compared to the 4% increase in March 2020.

Pensions only suffered a small decline in May and June of 2020. As such, these were a stabilising force during the pandemic.

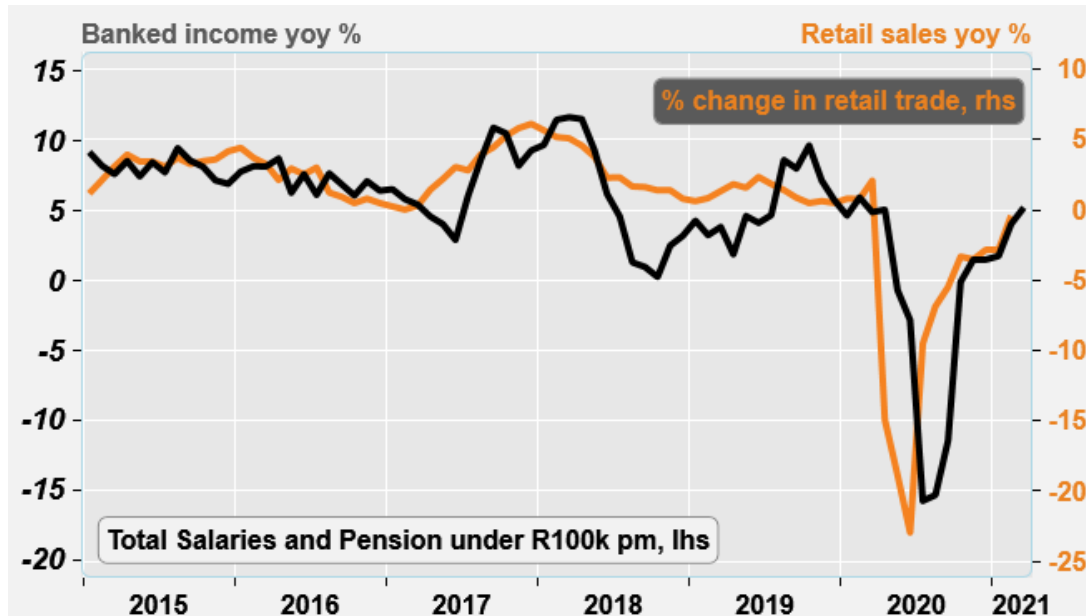
The average real private pension banked was R7 623 in March 2021. In nominal terms, the private pension averaged R9 139 for March 2021. Private pensions have breached the 60% level of salaries for the first time since September 2020.

**Graph 1: Annual change for real take-home pay and real private pension (based on a three-month rolling average)**



Source: BankservAfrica and economists.co.za

**Graph 2: Annual total salaries asnd private pensions vs year-on-year retail sales**



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-20	15150	13054	12,6%	8,3%	8124	7052	7,5%	3,3%
Feb-20	15104	12834	9,8%	5,1%	8297	7235	8,4%	3,7%
Mar-20	14543	12663	4,3%	-0,3%	8413	7218	8,8%	4,0%
Apr-20	14297	12596	2,6%	-1,4%	8403	7314	4,5%	0,4%
May-20	14046	12647	3,4%	0,3%	8311	7213	1,6%	-1,3%
Jun-20	14347	12565	7,8%	5,3%	8310	7340	1,6%	-0,5%
Jul-20	13853	12074	5,6%	3,1%	8438	7395	5,0%	2,7%
Aug-20	14044	11883	4,3%	1,5%	8575	7452	7,0%	3,7%
Sep-20	14072	12050	1,7%	-1,3%	8660	7470	6,7%	3,5%
Oct-20	14824	12765	6,3%	3,0%	8563	7376	5,0%	1,9%
Nov-20	14841	12909	3,8%	0,6%	8850	7511	9,6%	6,1%
Dec-20	15415	13152	5,4%	2,1%	8879	7519	9,4%	6,1%
Jan-21	15608	13028	3,0%	-0,2%	9096	7660	12,0%	8,6%
Feb-21	15821	13048	4,7%	1,7%	9037	7639	8,9%	5,6%
Mar-21	15092	12749	3,8%	0,7%	9139	7623	8,6%	5,6%

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 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.