

Report: To accompany the press release

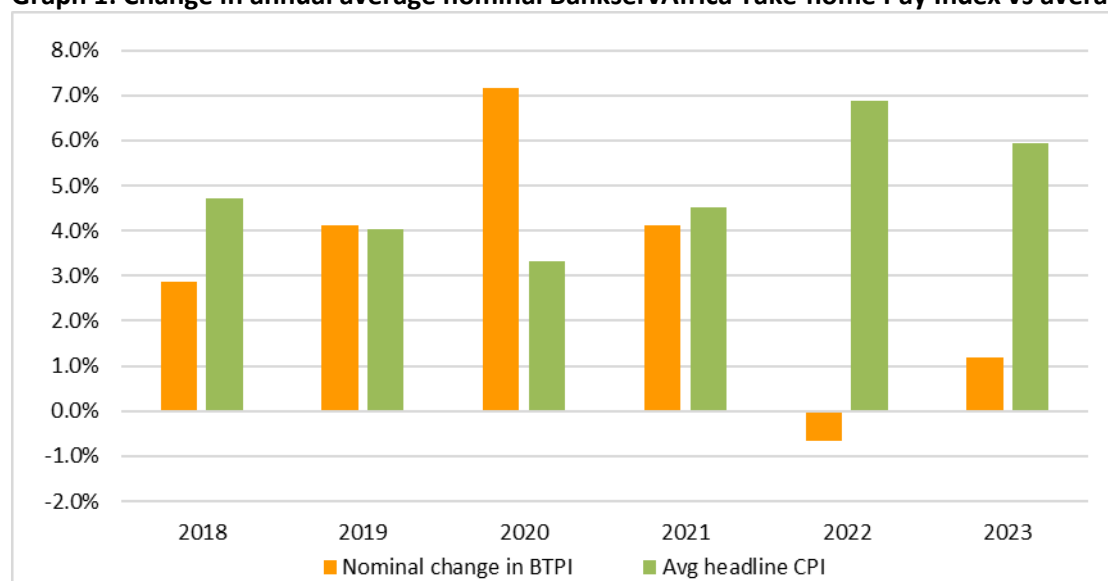
Date: 31 January 2024

Average take-home pay and private pensions increased somewhat in 2023

The BankservAfrica Take-home Pay Index (BTPI), tracking the average nominal take-home pay among about 4 million salary earners in South Africa, ended 2023 at 5.6% higher than a year earlier to reach R15 409 in December 2023 (compared to the R14 596 in December 2022). However, the average nominal take-home pay in 2023 in the BTPI was only slightly better than the averages in 2022 and 2021, suggesting this has essentially moved sideways in the past three years. With inflation having been on the rise and sticky in this period, salary earners have been worse off in real terms for the third consecutive year. This pressure on disposable income has been reflected in dwindling retail sales growth, with real growth for the eleven months to November 2023 at 1.5% lower than the previous year, while passenger car sales have also contracted in 2023.

The BankservAfrica data confirms that ongoing economic challenges have hampered companies' ability to pay inflation-related salary increases in the past 18 to 24 months. Significant increases in the operating cost environment, partly due to the impact of load shedding, but also global factors, have been among the main forces impacting companies' profits.

Graph 1: Change in annual average nominal BankservAfrica Take-home Pay Index vs average headline CPI



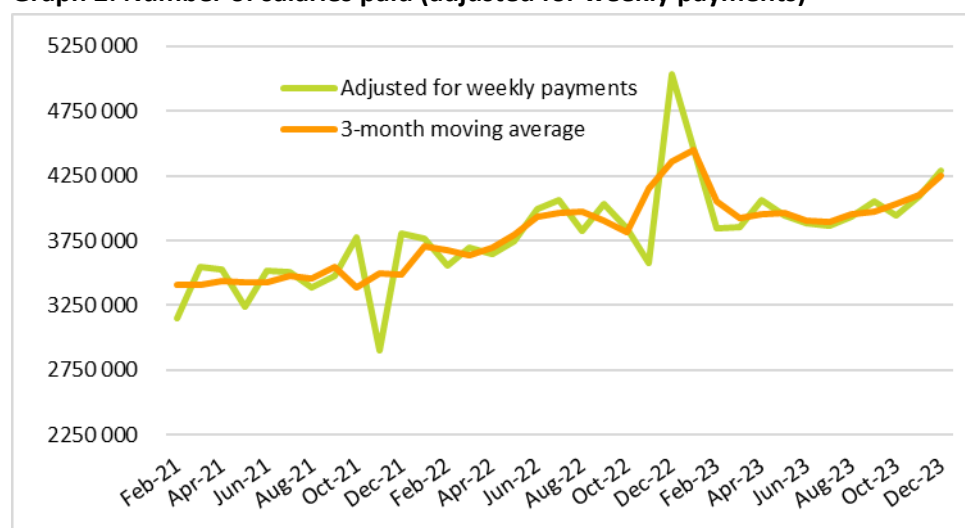
Sources: BankservAfrica

After retracting for three consecutive months, annual growth in the average real take-home pay was flat in December 2023. The real take-home pay at R13 732 in December 2023 was slightly higher than in November, but for the year, average real take-home pay dropped by 4.7% compared to 2022, suggesting significant ongoing erosion in the purchasing power of salary earners. Sharp fuel and food price increases kept headline CPI elevated in the last months of 2023, still notably higher than the desired mid-point of the South African Reserve Bank's 3-6% target range. With the expectation that both international oil prices and the rand exchange rate would bring stability on an annual average basis in 2024, while food price inflation is forecast to moderate further, consumer inflation is expected to average around 5.2% in 2024 compared 6.0% in 2023 (2022: 6.9%). A lower inflation rate in combination with some relief forecast on the level of interest rates (interest rate cuts of 75bps pencilled in for

2024), could provide much-needed support to households, with regards to spending ability and confidence levels this year.

On the jobs front, StatsSA's latest Labour Force Survey (LFS) confirmed the indications from BankservAfrica's sample, which represents about 25% of the broad labour market. According to the LFS, 399K jobs were created in Q3, while the official unemployment rate moderated to 31.9%, down from 32.9% a year earlier. Adjusted for weekly payments, BankservAfrica's sample signals that 430K more salaries were paid in Q4 2023, which should facilitate a further moderation in the unemployment rate.

Graph 2: Number of salaries paid (adjusted for weekly payments)

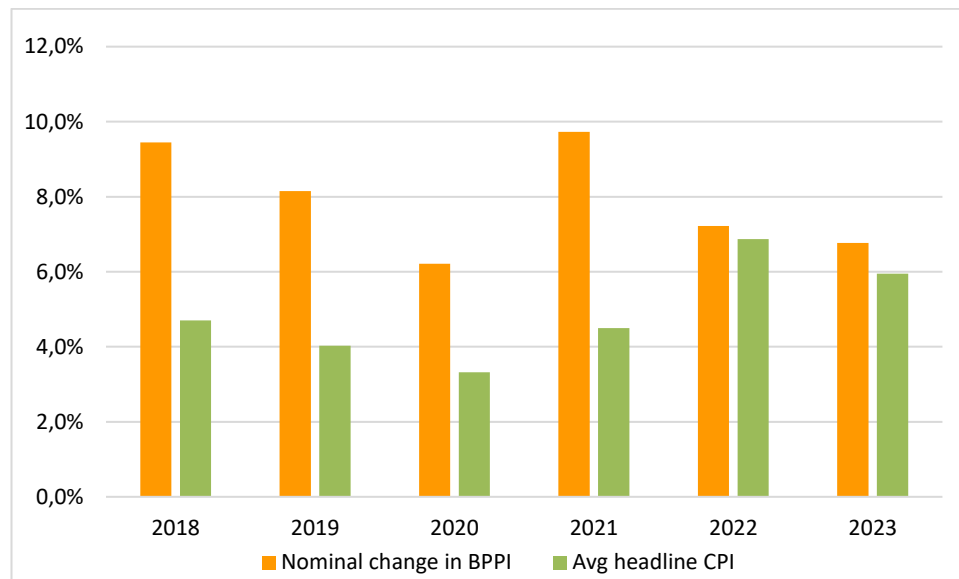


Source: BankservAfrica

Average private pensions increased further in 2023

The BankservAfrica Private Pensions Index (BPPI) slipped marginally in both nominal and real terms in the last five months of 2023, but remains in positive territory on an annual basis. The average nominal private pension fell slightly to R10 606 in December compared to the previous month's R10 647, but still a healthy 5.7% higher than a year earlier. For the year 2023, the average private pension realised at R10 657, was 6.8% higher compared to a year earlier, signalling that the purchasing power of pensioners represented in the BankservAfrica database has largely been preserved amid the still high inflation environment. Similarly, in real terms, the average BankservAfrica BPPI increased by 0.8% in 2023, keeping its recent track record to beat inflation. The value of total take-home pay and private pension payments (less than R100K per month) processed by BankservAfrica in December 2023 increased by 6.0% and 0.8% in nominal and real terms, respectively, compared to a year earlier on a non-seasonally adjusted and smoothed basis.

Graph 3: Nominal growth in average BankservAfrica's Private Pension Index (<R100K per month) vs Average Headline CPI



Source: BankservAfrica

Table 1: The BankservAfrica Take-home Pay and Private Pensions indices

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-22	15492	15493	0.4%	-5.0%	9746	9551	5.4%	-0.2%
Feb-22	15834	15746	1.4%	-4.1%	9807	9650	6.2%	0.5%
Mar-22	15229	14940	-0.2%	-5.6%	9709	9536	5.5%	-0.4%
Apr-22	15355	15019	0.1%	-5.4%	9615	9430	3.6%	-2.1%
May-22	15021	14651	-1.0%	-6.6%	9851	9617	8.3%	1.7%
Jun-22	14709	14277	-1.7%	-7.8%	10231	9721	9.1%	1.5%
Jul-22	14615	14118	-0.9%	-7.6%	10363	9791	10.9%	2.8%
Aug-22	14804	14123	-1.0%	-8.0%	10257	9684	8.5%	0.8%
Sep-22	15119	14326	-1.3%	-8.3%	9996	9453	5.5%	-1.9%
Oct-22	15310	14412	2.0%	-5.2%	10167	9612	8.7%	1.0%
Nov-22	14511	13633	-1.6%	-8.4%	10004	9425	7.7%	0.2%
Dec-22	14596	13727	-4.2%	-10.8%	10038	9443	7.2%	0.0%
Jan-23	14438	13465	-6.8%	-13.1%	10420	9553	6.9%	0.0%
Feb-23	15521	14405	-2.0%	-8.5%	10418	9576	6.2%	-0.8%
Mar-23	15508	14218	1.8%	-4.8%	10363	9506	6.7%	-0.3%
Apr-23	14712	13454	-4.2%	-10.4%	10233	9394	6.4%	-0.4%
May-23	14612	13355	-2.7%	-8.8%	10507	9649	6.7%	0.3%
Jun-23	14726	13467	0.1%	-5.7%	10967	9889	7.2%	1.7%
Jul-23	15616	14306	6.9%	1.3%	11137	10047	7.5%	2.6%
Aug-23	15670	14244	5.8%	0.9%	10891	9812	6.2%	1.3%
Sep-23	15738	14205	4.1%	-0.8%	10870	9755	8.7%	3.2%

Oct-23	15581	13921	1.8%	-3.4%	10829	9667	6.5%	0.6%
Nov-23	15223	13539	4.9%	-0.7%	10647	9505	6.4%	0.9%
Dec-23	15409	13732	5.6%	0.0%	10606	9490	5.7%	0.5%

Source: BankservAfrica

About the BTPI

The BankservAfrica Take-Home Pay Index (BTPI) is calculated on a monthly basis by dividing the total value of salaries paid into the bank accounts of employees (excluding salaries greater than R100K per month) by the total number of salary payments. We measure salary payments that are loaded onto the National Payment System (NPS) and paid by an EFT message that gets processed via our systems. These take-home payments typically exclude UIF contributions, as well as personal income tax and employee pension payments (a portion of medical insurance premiums and even debt repayments could be subtracted before earnings are paid into an employee's bank account). The BankservAfrica salaries data gets adjusted for weekly payments in order to prevent double counting on the number of salaries used to determine the average take-home pay amount. As we noted that most weekly payments take place on Fridays, Mondays and Thursdays, our process takes the number of these particular days in any given month in consideration. Weekly payments are estimated using NPS data as well as the South African Quarterly Labour Force Survey, as published by Statistics South Africa. We have estimated weekly payments at 9.6% of the total number of salaries that gets processed by the NPS. The BTPI reflects the trend in almost 4 million monthly salary payments, which represents about 37% of all non-farm employees (or formal sector) in the South African labour market or 25% of the broader workforce that includes the informal sector and employees in the agricultural and household sectors. The BTPI is published as a smoothed seasonally adjusted index, with 2013 as base year.

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 62 million South Africans, irrespective of their location in partnership with our shareholders and partners.

With an over 50-year history in South Africa, BankservAfrica operates 24/7, 365 days a year and delivers on very strong SLAs.