

# BDSI REPORT

## **EMPLOYEES' TAKE-HOME SALARIES DECLINE IN OCTOBER INFLATION RESULTS IN SALARY LOSSES FOR EMPLOYEES AND WINS FOR PRIVATE PENSIONERS**

The latest BankservAfrica Disposable Salary Index (BDSI) data for October shows that the nominal year-on-year difference for average South African take-home salaries increased by 3.5%.

However, when taking inflation into account, actual real disposable salaries declined for the fifth month in a row. This is the longest period of decline on BankservAfrica's records for real disposable salaries data and a 2.6% year-on-year decline.

The average disposable salary was R13 413 in October while the typical disposable salary was R10 061. Both of these nominal salary levels are lower than four months ago.

Currently the BDSI trend is lower even in nominal terms and in the short term. Due to this – and even without the possibility of further job losses – this data suggests that consumers will remain under pressure in the next few months.

At present, consumer expenditure in the domestic economy is bleak. Higher consumer inflation is likely to compound the weak domestic economy as real retail sales, along with home and car sales, are set to continue declining.

Real salaries – after taking inflation into account – are at similar levels to October 2013, indicating that the average salary has not been able to beat inflation in the last three years.

Although salaries are higher than last October, these have been declining for most of the period since then – and now stand at levels of around three years ago.

The weak retail sales along with declining car sales confirm that the low salary increases are translating into lower domestic economic growth. An adjustment on economic growth figures may, however, be necessary as South Africa's lower current account balance is also the result of lower real salary levels.

### **The continued advancement of private pensions**

Take-home private pensions are still roaring ahead as the average pension increased by 8,4% year-on-year in real terms, according to the October BankservAfrica Private Pension Index data (BPPI). Both the median and average pension, which private pensioners receive, beat inflation for 27 consecutive months.

This means that for the first time on record, average pensions have reached a level of 48% compared to average salaries. The typical take-home pension is 44.4% to median take-home pay. When BankservAfrica's BPPI data began in June 2012, the average pension was at a level of 44% to average pay while the median pension was at 38%.

Over the last four years private pension payments have exceeded salary increases and are reaching higher levels. The trend in real salary and pensions paid into bank accounts can be seen in the graph below:

**Graph 1: A comparison of take home salaries and private pension levels after inflation**

**Source: BankservAfrica and Economists dotcoza**

Retail sales in the last four years have probably underpinned salaries, however this can also be attributed to the pension increases.

**Table 1: Percentage of employees receiving salary by take-home salary category**

Share of accounts by take home pay band (monthly)	Jan-13	Oct-16	Change
0 - 4 000	24.5%	17.7%	-6.8%
4 000-10 000	38.5%	32.0%	-6.5%
10 000-25 000	29.6%	39.5%	9.9%
25000-50 000	6.3%	9.0%	2.6%
50 000-100 000	1.1%	1.9%	0.8%

**Note: Adjusted for weekly payments a payments and nominal**

**Source: BankservAfrica and Economists dotcoza**

In January 2013, the largest percentage of employees were in the R4 000 - R10 000 per month take-home salary category. By October 2016, this changed to the R10 000 – R25 000 per month salary category. This shift is in nominal terms and shows the impact of inflation on earnings.

It is interesting to note that growth in the top two categories made up 7.4% in January 2013 and now make up nearly 11%. The percentage of employees in the top two categories increased by 45%.The largest category of those receiving between R10 000 and R25 000 in their bank account increased by 32% since January 2013.

The bottom two categories saw actual declines in the number of people receiving under R10 000 per month in their bank account. The number of employees receiving less than R10 000 declined by 22%. Again, most of this was driven by inflation adjustments rather than real salary increases.

**Table 2: Percentage of pensioners receiving private pensions by disposable pension category**

Disposable pension category Rand per month	Percentage of pensioners per category		
	Jan-13	Oct-16	Change
0 - 4 000	59.1%	47.3%	-11.8%
4 000-10 000	30.1%	33.2%	3.1%

10 000-25 000	9.8%	17.6%	7.8%
25000-50 000	0.8%	1.8%	1.0%
50 000-100 000	0.3%	0.3%	0.0%

Source: BankservAfrica and Economists dotcoza

As can be seen in the tables above, the lowest income category of both employees and pensioners for the percentage of employees with an income of less than R4 000 per month declined. The number of pensioners receiving less than R10 000 per month decreased by 8%. Those receiving more than R10 000 per month increased by 86%. Clearly the growth in pension payments is far higher than inflation and the growth in numbers of higher salary earners.

However, the largest percentage of pensioners still remains below the R4 000 per month category. Growth in the top three pension categories is from a very low base as less than 11% of pensioners receive more than R10 000 monthly in their bank accounts. Compared to the percentage share of employees who receive more than R10 000 per month, the 37% share of pensioners getting more than R10 000 per month is extremely low.

Table 3: Nominal and real disposable salaries and pensions on the BankservAfrica system

Month	Nominal Ave Disposable Salaries	Real Disposable Salaries	Nominal BDSI % change YoY	Real BDSI % change YoY	Nominal Smoothed Ave Private Pension	Real Private Pension	Nominal BPPI % change YoY	Real BPPI % change YoY
Jan-15	12808	11560	6.6%	2.1%	5735	5176	9.6%	4.9%
Feb-15	12576	11279	7.1%	3.0%	5557	4984	9.8%	5.7%
Mar-15	12271	10850	4.6%	0.5%	5656	5000	9.6%	5.3%
Apr-15	11996	10514	4.5%	0.1%	5702	4997	10.0%	5.2%
May-15	12322	10771	0.8%	-3.6%	5804	5073	9.9%	5.1%
Jun-15	12551	10924	2.9%	-1.7%	5766	5018	8.9%	4.0%
Jul-15	12965	11167	4.4%	-0.5%	5854	5042	9.1%	3.9%
Aug-15	13052	11242	7.8%	3.0%	5873	5058	9.2%	4.4%
Sep-15	13005	11201	6.2%	1.6%	5947	5122	10.1%	5.3%
Oct-15	12954	11129	4.6%	-0.1%	5946	5109	9.0%	4.2%
Nov-15	12969	11132	4.8%	0.1%	6125	5258	7.7%	2.8%
Dec-15	13413	11484	5.5%	0.2%	6116	5237	6.9%	1.6%
Jan-16	13710	11648	7.0%	0.8%	6131	5209	6.9%	0.6%
Feb-16	13432	11259	6.8%	-0.2%	5992	5022	7.8%	0.8%
Mar-16	13012	10825	6.0%	-0.2%	6075	5054	7.4%	1.1%
Apr-16	12877	10624	7.3%	1.1%	6155	5079	8.0%	1.6%
May-16	13142	10825	6.7%	0.5%	6224	5127	7.2%	1.1%
Jun-16	13266	10865	5.7%	-0.5%	6267	5132	8.7%	2.3%
Jul-16	13488	10957	4.0%	-1.9%	6353	5161	8.5%	2.4%
Aug-16	13484	10963	3.3%	-2.5%	6442	5238	9.7%	3.5%

<b>Sep-16</b>	<b>13755</b>	<b>11165</b>	<b>5.8%</b>	<b>-0.3%</b>	<b>6474</b>	<b>5255</b>	<b>8.9%</b>	<b>2.6%</b>
<b>Oct-16</b>	<b>13413</b>	<b>10843</b>	<b>3.5%</b>	<b>-2.6%</b>	<b>6445</b>	<b>5210</b>	<b>8.4%</b>	<b>2.0%</b>