

June brings a slight boost to average take-home pay, offering relief

Amidst challenging economic conditions, June witnessed a marginal uptick in the average nominal take-home pay, as revealed by the BankservAfrica Take-home Pay Index (BTPI). This increase adds to the observed stabilisation seen over the past three months.



Source: [Pexels](#)

“The average nominal take-home pay for June was R14,596 exceeding the R14,579 level shown in June 2022 and fairly higher than the R14,483 in May 2023,” says Shergeran Naidoo, BankservAfrica’s head of stakeholder engagements.

This stabilisation in salaries noted since April 2023 is welcomed against the backdrop of economic activity that has been dampened by the ongoing load shedding, rising interest rates, a lacklustre job market and low confidence levels.

Indications that some industries have become progressively more resilient to the effects of load shedding is an underlying positive development in an otherwise dismal environment, notes Elize Kruger, independent economist. Furthermore, the South African Reserve Bank recently upwardly revised its real GDP growth forecast for 2023, as have other forecasters, in response to the observed resilience.

On a year-on-year basis, the average real take-home pay remains in negative territory in June but less so compared to the previous two months. The real average take-home pay, according to the BTPI, increased to R13 522 in June, 0.8% higher

than in May 2023 but still 5.7% lower than the R14,336 recorded in June 2022.

“Salary earners have had to deal with a double whammy during the past year of disappointing average nominal wage increases and high consumer inflation,” explains Kruger. The erosion of households’ purchasing power has been evident in declining retail sales. StatsSA recently indicated that real retail sales for the first five months of 2023 are 1.2% below the corresponding period in 2022.

Household financial resilience faces decline

The latest Altron FinTech Household Resilience Index (AFHRI), which provides more clarity on the financial disposition of households and their ability to cope with debt, confirmed the observations from BankservAfrica’s BTPI. The AFHRI similarly indicated that household financial resilience declined by 2.4% in Q1, compared to Q4 2022 and by 1.8% year-on-year with South African households now worse off than pre-Covid-19.



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On total remuneration levels in the economy, the report indicated that average monthly remuneration in South Africa declined in nominal terms by 4.4% y/y in Q1 (from R16,192 in Q1 2022 to R15,473 in Q1 2023), while in real terms (deflated by the consumer price index), the decline was 10.7%.

While not definitively evident in the data yet, the pressure on salary earners could soon alleviate somewhat based on the notable moderation in consumer inflation from 7.1% y/y in March to 5.4% y/y in June, the first print back in the South African Reserve Bank’s 3-6% target band since April 2022.

“The moderation in consumer inflation will go some way in reducing the extent of the erosion of purchasing power that households have had to deal with, especially in the past year,” says Kruger. Current forecasts suggest that headline inflation could be at 5.0% y/y in July and average around 5.2% in H2 2023, which could bring more good news.

Job market's uninspiring trajectory

The job market, however, remains uninspiring as indicated in BankservAfrica’s data adjusted for weekly payments. With fewer salaries paid into the bank accounts of South Africans in each of the past three months, cumulative job losses of almost 200,000 were recorded in Q2 2023.



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“With little indication that a different economic environment will play out in the second half of 2023, the job market and salary adjustment are likely to remain lacklustre in the remainder of 2023, a scenario that could only exacerbate South Africa’s unemployment crisis,” says Kruger.

The BankservAfrica Private Pensions Index (BPPI) ticked up in both nominal and real terms during June, continuing its outperformance trend.

“The average nominal private pension increased to R10,734 in June compared to the previous month’s R10,285, 7.2% higher than one year earlier and the highest monthly payment so far in 2023,” says Naidoo. In real terms, the average real

private pension in June 2023 came to R9,825, 1.7% higher compared to a year earlier.

Kruger believes this signals the purchasing power of pensioners has largely been preserved amid the high inflation environment.

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