

Average take-home pay at a low point

South African consumers are feeling the heat as the latest statistics released by BankservAfrica show that the average take-home pay declined in December last year.



Source: [Pexels](#)

This is according to the latest BankservAfrica Take-home Pay Index (BTPI), and ended the compensation year at a low point.

“At R14,633, the average nominal take-home pay was 4.8% lower than the R15,403 reflected in the previous year,” says Shergeran Naidoo, BankservAfrica’s head of stakeholder engagements. For 2022 overall, the average nominal take-home pay amounted to R15,055 per month compared to R15,166 in 2021, thus moving sideways.

2022 proved to be an exceptionally challenging year for the economy, with the rising cost of living, higher interest rates and the worst year ever of loadshedding, which has been affecting growth. Cumulatively, these headwinds kept a lid on salary increases in a year where consumer inflation reached a 13-year high of 6.9% in 2022 (2009: 7.1%).

The South African Reserve Bank recently reported that growth in the nominal remuneration per worker in the private sector remained unchanged at 5.7% y/y, as the average wage settlement rate in collective bargaining agreements came to 6.0% in the first nine months of 2022.

Erosion of purchasing power

This provides evidence that nominal wage increases lagged on actual inflation trends during 2022 and thus even more so in real terms, which is confirmed by BankservAfrica’s data that reflected a 6.9% y/y decline in the real average salary recorded in 2022, compared to 2021.

“This has given rise to a notable erosion of South Africans' purchasing power, a trend that filtered through to lacklustre consumption expenditure by households in 2022,” comments independent economist, Elize Kruger.



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However, despite these conditions, employment levels have picked up, though playing catch-up for the job losses incurred from the Covid-19 pandemic. Adjusted for weekly payments, BankservAfrica's data suggests that 1,072 million more salaries were paid into South Africans' bank accounts in 2022 compared to the previous year.

The positive trend in employment was confirmed by the latest StatsSA Labour Force Survey, indicating 1,22 million job opportunities were created in the first three quarters of 2022, though still not back at pre-Covid levels.

New job opportunities

According to BankservAfrica data, 204,075 more salaries were paid in December 2022. “A phenomenon noted throughout 2022 - and reflected in December's data - is that there was often an inverse correlation between the number of salaries paid and the average value of salaries, suggesting that the bulk of the new opportunities were likely created in the lower-income categories. This probably ties in with a demand for temporary and seasonal workers during the festive season,” explains Kruger.

Despite the higher inflation, the BankservAfrica Private Pensions Index (BPPI), in nominal terms, rose to R10,016 in December, showing a 7.2% year-on-year growth, according to Naidoo. “The average nominal BPPI in 2022 came to R9,982, also 7.2% up on the 2021 average. In real terms, the average real private pension in 2022 was R9,576, 0.3% higher than a year earlier, as such preserving the purchasing power of pensioners,” he added.

Looking at the economic prospects that lie ahead, there are many indications that we could expect ‘more of the same’ in 2023, as the main challenges will likely prevail.

“The ongoing energy supply problems, in addition to elevated input costs, rising interest rates and increasingly higher wage demands, are placing downward pressure on company profits and margins. Furthermore, a less favourable global economic backdrop adds to the economic challenges for many sectors,” says Kruger.

One silver lining is the expectation that consumer inflation should moderate to an average of around 5.5% compared to 6.9% in 2022, supporting consumers' purchasing power in the coming months.

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