

R425bn decrease in SA household real value in Q3 2021

While the decline in the real value of South African households' net wealth in the third quarter of 2021 can in part be attributed to the 8 - 18 July KwaZulu-Natal (KZN) and Gauteng looting and riots, the bulk of the decrease in household wealth can be attributed to a decline in the real value of households' assets, especially their investments in pension funds and unit trusts.



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The real value of South African households' net wealth is estimated to have decreased by R425.2bn in the third quarter of 2021 (Q3 2021) says the Momentum and Unisa household index.

The index estimates that households' real net wealth declined from R12 577.8bn (R12.577tn) in Q2 2021 to R12 152.6bn (R12.152tn) in Q3 2021.

The real value of households' assets is estimated to have been R14 189.8bn at the end of Q3 2021 - R442.5bn (3%) less compared to Q2 2021. However, the real value of household liabilities (mostly outstanding credit) is also estimated to have decreased by R17.2bn in Q3 2021.

The combination of lower asset and outstanding debt values equates to the decrease of R425.2bn in household wealth.

Not all categories decreased

A breakdown of household assets in its major categories revealed that not all asset components decreased in Q3 2021.

Real non-financial assets increased by an estimated R33.3bn in Q3 2021, mainly because of an increase of R29.3bn in the real value of residential property.

However, the more volatile (and also largest) component, namely financial assets, decreased by R475.8bn in Q3 2021 to R9 020.8bn.

Whereas the real value of household deposits increased by R19.4bn (1.5%) in Q3 2021, the real value of households' investments in pension funds and other retirement instruments decreased by an estimated R265.6bn (5.1%) in Q3 2021.

In addition, the other investments component declined by R229.6bn (7.6%).

Contribution of looting and riots

While many international and local events contributed to the decline in the real value of households' financial assets, the looting and riots also contributed to this decrease – as it negatively affected share and bond prices.

As households' contributions to pension funds and other investments are among others invested in listed shares, the real value thereof decreased by an estimated R268.3bn in the period ranging from 7 July to 19 July 2021.

The decrease of R17.2bn in the real value of households' outstanding liabilities can be attributed to the other debt category, as the real value of household mortgages remained unchanged at R951.9bn in Q3 2021.

Most of the decline in the other debt category accrued from decreases in the real value of households' outstanding personal loans and overdraft facilities.

It has become much harder for households to access credit as credit providers turned cautious when considering credit applications.

For instance, only 36.4% of all loan applications were approved in Q2 2021. This percentage was 55.4% a decade ago.

Q4 outlook

Early indications are that the real value of household wealth should benefit from a “soft recovery” in the real value of household assets. However, household credit may also increase due to festive season borrowing.

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