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CoreData predicts rapid rise in household wealth

BUSINESS WATCH

AS SOUTH Africans battle to make ends meet they will be surprised to learn that gross household wealth is likely to rise an average annual 12.5 percent over the next eight years.

According to CoreData, the Cape Town arm of a global specialist financial services research and strategy consultancy, gross household wealth as of last year stood at R7.8 trillion, while an average household's wealth was R670 000.

CoreData was not able to provide specifics on debt but said: "The gross household wealth versus debt ratio has slowly been decreasing, indicating the debt has grown faster than wealth. This is especially true in the light of the quickening of debt build-up which reached its lowest ratio point in 2008."

CoreData said income levels were also rising and by 2020 an average salary would more than double to R168 300 from R72 000 in 2011, according to its calculations.

The wealth of people aged 31 to 45 (accumulators) and 46 to 60 (pre-retirees) in particular is likely to increase dramatically "and the appetite for short- and long-term savings products, securities investments, and mortgages will grow as a result", according to CoreData.

In 2011, accumulators gathered a pot of savings that includes pensions, stokvels and insurance contributions worth R385 billion. Total accumulated savings of pre-retirees alone was R720bn that year.

Other information from the consultancy includes the fact that pension funds and long-term insurance are the highest portion of gross household wealth, followed by non-financial assets such as property and then by other financial assets, including securities and assets with monetary institutions.

Consumer spending

Monthly data on transactions in the Spark cash index suggest that cash withdrawals increased by 4.84 percent last month to R465. This represents an 11.28 percent year-on-year increase.

But these figures do not necessary point to consumers being in a better financial position or have an impact on the retail sales. Yesterday's FNB consumer confidence index gave a bleak picture of what consumers are going through.

The index said not even at the height of the global financial crisis in 2008 were consumers as downbeat about the country's economic prospects and their household finances as they are now. Combined with a slowdown in household income growth and credit extension, low consumer confidence levels foreshadow subdued growth in household consumption expenditure during the first half of the year.

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The cash withdrawal increase, according to the operations manager at Spark ATM Systems, Ryan Tzamtzis, was boosted by the combination of public holidays and major religious festivals, including Passover and Easter. This was also pushed by the school holidays, which resulted in consumers spending more, especially on entertainment and travel.

He added that the jump might have been influenced by the beginning of the financial year for many companies, resulting in employees receiving pay hikes and bonuses.

As with all other data around consumer spending and retail sales, Tzamtzis agreed that cash withdrawals did not necessarily point to consumers being financially better off. "Prices are on their way up so the figure partly reflects higher prices or cost of living, as well as spending."

HIS Global Insights principal economist Ronel Oberholzer said that while public holidays did provide a short-term boost to the economy, they did not necessarily provide long-term benefits.

The sustainable way to grow the economy was through production and therefore holidays could have a negative effect rather than a positive one.

Margaret Thatcher

Even after Margaret Thatcher lost out to John Major as head of the Conservative Party and prime minister of Britain and decided to resign she represented a formidable force.

No doubt there are some among corporate South Africa's old guard who recall her visit here in the early 1990s during which she addressed a luncheon hosted by Barloworld, or Barlows as it was known at the time.

The world was changing. She was no longer prime minister and the ANC "terrorists" had been unbanned and released from prison but Thatcher remained chillingly formidable. This might, of course, have had as much to do with the power of branding as it had with reality.

But back on that wet day in 1991 the predominantly white males in attendance at the lunch, in a large marquee on the lawns of Barlowpark, were enthralled by this formidable woman.

It was the businessman equivalent of a Justin Bieber concert for young female teenagers. The Joburg businessmen were transfixed by the Iron Lasy.

Perhaps it had something to do with what former French president François Mitterrand had said years earlier: that she had the lips of Marilyn Monroe and the eyes of Caligula – although it must be noted that some Monroe fans have objected vigorously to that comparison with their heroine.

Apparently on that same visit to South Africa the Democratic Party-led Johannesburg management committee planned to award her with the freedom of the city. According to the SABC, the plan was strongly opposed by the ANC and the PAC, both of which threatened to disrupt her visit.

No doubt in the coming days some feminists will object to the constant reference to Thatcher, as the first female leader of the Conservatives and the first female prime minister of Britain, having made great progress for women. They may argue that it is because of Thatcher that there has not been a female political leader in Britain since 1990.

Edited by Peter Delonno. With contributions from Ethel Hazelhurst, Nompumelelo Magwaza and Ann Crotty.