## *Covid-19 has wiped out a third of South Africa's middle class* – Businesstech (25 August 2020)

South Africa's overall GDP is expected to decline by at least 5.1% and up to 7.9% in 2020 and recover slowly through 2024, the United Nations Development Programme (UNDP) has warned. This will lead to major setbacks in addressing poverty, unemployment and inequality, according to the UNDP's latest study on the socio-economic impact of Covid-19 in the country.

The study focuses on how Covid-19 will drive temporary and long-term changes in poverty levels in South Africa. It shows that the number of households below the poverty line increases, as households fall from the lower-middle class.
54% of households that have been pushed out of permanent jobs to informal or temporary contracts – as a coping mechanism for businesses affected by Covid-19 – are likely to fall into poverty after the six-months stimulus package is over, the study found.
And, as many as 34% of households are likely to exit the middle class into vulnerability.

"Inequalities within and among nations are being exposed and exacerbated by Covid-19, as the poor and vulnerable are unable to protect themselves," said UN resident coordinator Nardos Bekele-Tomas.

"While government social protection grants tend to target the poorest, this study posits that care and support needs to be provided to those at the borderline of the poverty line, such as the vulnerable middle class, to reduce their likelihood of slipping into poverty."

The most recent salary data from BankservAfrica, the largest automated clearing house and payments system operator in the country, showed that the real average monthly take-home pay in the private sector is R14,197.

However, the vast majority of South Africans operate in an informal sector, where salaries are closer to R6,000 per month, while the country's minimum wage is pegged at around R3,500 per month.

Populations especially hard-hit are already-impoverished female-headed households, persons with only primary education, persons without social assistance, black populations, and heads of households who have been pushed from permanent to informal employment, the UNDP's report said.

Reports have shown that prior to the Covid-19 pandemic, South African households were already getting poorer thanks to rising food prices and the general cost of living.

**Not just the poor**

Data from consumer credit reporting company, Experian, found that the South Africans most affected by the economic downturn are those with the highest exposure to secured lending and other banking products.

These South Africans are increasingly more affected than those who experienced financial hardship before the Covid-19 pandemic, it said.

This has been felt particularly hard in the higher income populations.

The middle-high to high-income category only makes up 2.5% of the South African credit active population, and is best described as consumers with an average opening home loan balance in excess of R1.2 million (54% owning at least 1 home) and an average opening vehicle loan balance greater than R450,000.

Middle income, meanwhile, made up 9.3% of the credit active population, and can be described as consumers with an average opening home loan balance of ~R550,000 (43% owning at least 1 home) and an average opening vehicle loan balance greater than R250,000.

But even with the notable issues here, South Africa's debt problems are persistent across all categories, with even the "money conscious majority" – who make up the majority of the South African credit active population (40%) – suffering.

"Whilst exposure to secured credit facilities is lower in this group – less than 23% own a property with an average opening vehicle loan balance of ~R160,000 – exposure to unsecured facilities like personal loans and retail credit is high," Experian said.

More than half of South Africans (55.5%), live below the national poverty line, however, and given the impact of the virus in recent months, and the government's inability to create jobs, that number is likely to grow.

Dawie Roodt, executive director and chief economist at Efficient Group believes that at least three million jobs have been lost thanks to the country's lockdown – one million permanently.

"I foresee fairly rapid growth in some sectors such as the hospitality and restaurant industries but the bottom line is that the South African economy has been broken and it is going to take years for it to recover," Roodt said.

"Nobody knows precisely how much debt has been piled up during the lockdown, but the fact is that it is probably more than most economists can guesstimate at this time," he said.