

**Press release:** January 2009  
**Editorial contact:** *FinMark Trust*  
Mark Napier (082 456 5036)  
Darrell Beghin (082 497 5017)

*TNS Research Surveys*  
Neil Higgs (011 778 7500)  
Rob Powell (011 778 7500)

## South Africa in black and white

Fourteen years after the first democratic elections, the living conditions of a large proportion of South Africans are improving, though they still live in humble circumstances. This is one of the findings of FinScope South Africa 2008, a comprehensive study of the lives and circumstances of South Africa's residents. However, the population is still largely divided along racial lines in terms of employment types, living conditions, income and other key indicators.

### The populace at a glance

South Africa is home to almost 32 million adults over the age of 16. The adult population has grown by 400 000 people since 2007, a growth rate of 1.2% that is marginally lower than the growth rate of 1.45%, or 450 000 people, between 2006 and 2007. However, the racial profile remains consistent over time. Most South Africans are black (76%), followed by whites (11%), coloureds (9%) and Indian/Asians (3%).

There are more female adults in South Africa (53%) than male (47%) and the provinces with the biggest populations are Gauteng (22%) and KwaZulu-Natal (20%). The male/female ratio in some provinces differs from the national proportion, with the ratio of women to men particularly high in Mpumalanga and North West (59% and 57% respectively). This may be due to the migration of men out of these areas to larger metropolitan areas in search of work.

Education is an important means to economic upliftment. It is encouraging to see that 85% of South Africans have a minimum of some high school education. Educational levels by race are below:

	2007	2008				
	Total %	Total %	Black %	White %	Coloured %	Indian/Asian %
No formal education	4	2	2	0	2	0
Some primary/primary completed	13	12	14	1	15	5
Some high school/high school completed	70	73	74	60	73	75
Post matric	12	12	10	39	10	20

Large discrepancies in the education levels are still evident across the race groups, with white and Asian adults being the best educated.

Similar racial skews are evident when analysing personal income levels. Over a quarter of a million white South African adults earn a personal monthly income of more than R19 500. Only around 39 500 black adults have the same earning power. Even at an income level of R10 000 a month, there is racial disparity. More than twice as many white adults earn more than R10 000 a month than their black counterparts.

## Analysing South African households

Data at a household level is probably more indicative of living standards than data at a personal level, and is a useful starting point for understanding the living conditions of many South Africans.

The table below indicates average income levels across the population groups, and shows changes in income over time, a useful indicator of whether living standards are improving or deteriorating.

	<b>Total</b>	<b>Black</b>	<b>White</b>	<b>Coloured</b>	<b>Indian/Asian</b>
Average monthly household income – 2006	R4 200	R2 900	R16 500	R4 770	R8 560
Average monthly household income – 2007	R4 800	R3 570	R16 400	R4 800	R11 700
Average monthly household income – 2008	R5 750	R4 050	R19 600	R5 350	R13 650

Between 2006 and 2007, income levels grew much faster than the inflation rate in the country as a whole (14% vs 6.5%). However, this growth rate has not been repeated between 2007 and 2008. Income levels grew by 20% against average inflation of 13% over the fieldwork period from August to October, 2008. Again, the ability of income to match inflation differed according to race. Growth in the incomes of white and Indian/Asian households (20% and 17%) outpaced inflation of 13%. Inflation exceeded the growth in income of black and coloured households (12% and 10% respectively).

As well as differing significantly by race, income levels also vary by region. The data below shows average household income levels by the major cities:

Bloemfontein:	R 3 700
Cape Town:	R 6 400
Durban:	R 7 700
Johannesburg:	R10 000
Port Elizabeth:	R 4 300
Pretoria:	R 9 600

The financial stress of poverty for black and coloured households is further compounded by the larger size, on average, of these households compared to white and Indian/Asian households.

Household size by race is below:

	<b>2007</b>	<b>2008</b>
Black	5.8	5.3
White	3.5	3.5
Coloured	5.7	5
Indian/Asian	4.7	4.6

In terms of household density, there are on average five people per household in South Africa.

Those most likely to live in the poorest of circumstances are also the most likely to have the largest households. LSM 1-2<sup>1</sup> has the largest number of people per household at 5.9, with household size being the lowest in LSM 9-10 at 3.8. KwaZulu-Natal is the province with the largest households, with an average of 6.2 people living together.

---

<sup>1</sup> LSM or Living Standards Measure is a categorisation ranging from 1 to 10 used extensively by marketers and advertisers as a means to segment the population. It is crude proxy for wealth, with the lower LSM groups comprising the most impoverished end of the spectrum.

Employment statistics provide a useful analysis of the economic environment, financial stress in the home as well as the fit between the available jobs and relevant skills to fill these positions. The table below outlines the average number of job seekers per household.

	<b>Total South Africa</b>	<b>Black</b>	<b>White</b>	<b>Coloured</b>	<b>Indian/Asian</b>
Average job seekers per household – 2007	1.3	1.5	0.3	1.1	0.7
Average job seekers per household – 2008	2.0	2	1.3	2.0	1.4

Based on the figures above, household income has been affected by the fact that unemployment in South African homes rose steeply between 2007 and 2008, with there being an average of two job seekers in each home. Although the situation is most dire in black and coloured homes, a marked increase in job seekers is also evident in white and Indian/Asian homes. The financial stress that many homes are under can be verified by the fact that 31% of adults withdraw their money as soon as it is deposited into their accounts.

At a city level, Cape Town has the highest level of unemployment, with an average of 2.2 job seekers per household.

The FinScope study also investigates the extent to which adults or their families had gone without various necessities in the 12 months prior to the study. Although the results are fairly static between 2007 and 2008, they do reflect a gradual improvement over time.

	<b>2006</b> %	<b>2007</b> %	<b>2008</b> %
Gone without cash income	44	39	39
Gone without medicine/treatment that was needed	35	29	26
Gone without enough food to eat	26	22	21
Gone without clean water to clean or cook with	19	15	15
Gone without shelter	3	2	2

One key figure that has shown a marked deterioration over time is crime. As in 2007, almost 40% of South Africans stated that they had felt unsafe from crime in their homes in the past year, a statistic that was up from 36% in 2006. It is evident that the effects of crime in terms of living with fear are far-reaching and affect South Africans across the board.

As a global measure, LSMs are also used as a key indicator of whether living conditions are improving or not. The percentages of people falling into each LSM group in 2006, 2007 and 2008 are below:

	<b>2006</b> %	<b>2007</b> %	<b>2008</b> %
LSM 1-2	20	10	9
LSM 3-4	27	31	27
LSM 5	16	16	18
LSM 6-7	22	27	30
LSM 8-10	15	16	16

Between 2006 and 2008, the percentage of people falling into the poorest segments, particularly LSMs 1-2, decreased. In addition, LSM 6-10 has incorporated an additional 13% of South African households since 2006. As LSM is largely based on amenities and facilities in the home, many more South Africans have enjoyed the benefits of more comfortable homes in recent years.

## Financial Indicators

	2006	2007	2008
Number of banked adults	15 868 856	19 040 835	20 051 264
Percentage of banked adults	51	60	63

The penetration of banking in South Africa is often cited as a key financial variable.

Around three million people joined the banked population between 2006 and 2007, representing a year-on-year growth of about 20%. In 2008, 63% of adults claimed to have a bank account. This figure represents about 1.1 million new entrants into the banking arena. Therefore, although the uptake of banking is larger than that which would be expected as a result of population growth, the figure signals a slowdown in the uptake of formal banking compared with previous years. However, banks have, without a doubt, made enormous strides in targeting the lower-income groups. In 2006, 35% of LSM 1-5 claimed to be banked. This has risen to almost 50% in 2008. This achievement must also be contextualised within a diminishing LSM 1-5 market. To some extent the roll-out of government grants must be driving this growth. More than one in five adults receives a government grant, and 63% of these grant recipients are banked.

However, even though the use of banks is increasing steadily, patronage of informal providers of financial services is substantial in South Africa. Eleven percent of adults borrow money through informal networks, compared to 16% using formal channels. However, the incidence of informal borrowing in the black market is 15%, compared to 11% using more formalised options. Borrowing from friends and family is the most significant source of informal finance.

Informal cover for funerals is also common. More than 7.8 million people, or 25% of South Africans, claim to belong to burial societies. However, membership of such societies is largely along racial lines, with incidence being very low in the white and Indian/Asian communities at 3%. It is highest in the black market at 29%.

Informal products also dominate when it comes to savings products, with 15% using informal products such as stokvels and the like versus 10% using formal products such as fixed-notice accounts and unit trusts. Once again, use is polarised along racial and income lines.

## The psyche of a nation

In understanding the dynamics of a nation, it is important not to omit social issues. One's level of affluence, living conditions and exposure to societal stress all have an impact on one's mental health and ultimate levels of happiness. Scores on a number of positive statements for the nation as a whole are listed below:

- I have friends and family to turn to when I need them 67%
- My life has meaning and purpose 63%
- I feel well and in good health 62%
- Generally I am a happy and cheerful person 59%
- I am satisfied with what I have achieved in life 37%
- I often feel calm and serene 23%

Encouragingly, around two-thirds of South Africans feel the benefits of the emotional support of those close to them, feel that their lives have purpose, and that they are generally healthy. However, a certain level of despondency can be interpreted by the score for satisfaction with what one has achieved in life. Scores on a number of negative statements are below

- I have had a lot of financial stress lately 10%
- I cannot afford to eat the correct types of food 10%
- Sometimes I feel quite frightened 9%
- I experience feelings of depression or hopelessness 9%

Although these scores appear to be fairly low, the fact that one in ten South Africans admit to such negative emotions as well as to a level of financial stress, is cause for concern.

Based on all responses to all these factors, adults are also segmented according to how they view life. The figures for 2007 and 2008 are outlined below:

	2007 %	2008 %
Life is good	36	37
Life is okay	45	46
Life is not great	18	16
Life is terrible	1	1

It is concerning that only just over one-third of adults have a very positive outlook on their lives.

## Summary

South Africa has achieved considerable social and economic progress since the first democratic government came to power in 1994. It is commendable that educational levels have improved significantly as have living conditions, as measured by LSM. In addition, the banking sector is seeing considerable growth in drawing people into the formal financial system, although this slowed dramatically between 2007 and 2008 in comparison to previous years.

However, the challenges facing the nation continue to be immense. Race still dominates as the key predictor of the socio-economic status of individuals, signalling that the effects of pre-1994 political agendas are still far-reaching. It is a stark reality check that 17% or 5.4 million South Africans would describe their lives as *not great* or *terrible*. Crime continues to cast a shadow over all South Africans, irrespective of race or wealth. In addition, the prevalence of the use of informal channels for financial needs signals that many continue to be excluded from the formal financial sector. As we enter 2009, it would seem that the global economic turmoil that began in 2008 is likely to continue for some time. Within this context, the increase in household unemployment levels and slowdown in the growth of household incomes is not the ideal starting point for dealing with any additional hardships as a result of an economic downturn.

*FinScope was launched in 2003 by the FinMark Trust ([www.finmarktrust.org.za](http://www.finmarktrust.org.za)). It was an attempt to establish credible benchmarks for the use of, and access to, financial services in South Africa. It was designed to highlight opportunities for innovation in products and delivery. The findings in 2003 and subsequent years have identified barriers to access for low income people and provided insights for policymakers, in both the public and private sectors, who wish to remove or reduce the barriers. For more information see: <http://www.finscope.co.za>*

*FinScope SA 2008, a study to monitor use and perceptions of the financial sector in South Africa, was conducted by TNS Research Surveys, South Africa's leading marketing insights company, on behalf of FinMark Trust and syndicate members. Face-to-face interviews were conducted among 3 900 South African residents aged 16 years and older, between August and October 2008. A nationally representative sample was drawn, which was weighted and benchmarked to the 2008 mid-year estimates based on 2007 Community Survey estimate information.*

*The 2008 South African syndicate members are: Absa, First National Bank (FNB), Liberty Life, Metropolitan Life, National Treasury, Nedbank, Old Mutual, Sanlam, Standard Bank and Teba Bank.*

**About TNS**

*TNS is a global market information and insight group.*

*Its strategic goal is to be recognised as the global leader in delivering value-added information and insights that help its clients make more effective business decisions.*

*TNS delivers innovative thinking and excellent service across a network of 80 countries. Working in partnership with clients, TNS provides high-quality information, analysis and insight that improves understanding of consumer behaviour.*

*TNS is the world's leading provider of customised services, combining sector knowledge with expertise in the areas of Product Development & Innovation, Brand & Communications, Stakeholder Management and Retail & Shopper. TNS is a major supplier of consumer panel, media intelligence and audience measurement services.*

***TNS is the sixth sense of business™.***

[www.tnsglobal.com](http://www.tnsglobal.com)

**The Kantar Group**

*The Kantar Group is one of the world's largest research, insight and consultancy networks. By uniting the diverse talents of more than 20 specialist companies - including the recently-acquired TNS - the group aims to become the pre-eminent provider of compelling and actionable insights for the global business community. Its 26,500 employees work across 80 countries and across the whole spectrum of research and consultancy disciplines, enabling the group to offer clients business insights at each and every point of the consumer cycle. The group's services are employed by over half of the Fortune Top 500 companies. The Kantar Group is a wholly-owned subsidiary of WPP Group plc. For further information, please visit*

[www.kantargrouptns.com](http://www.kantargrouptns.com)