

DEBT INDEX

Purchasing power has plunged 42%

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SA consumers are grappling with reduced purchasing power as they battle financial pressures.

According to DebtBusters' fourth-quarter 2024 debt index, consumers who sought debt counselling in the fourth quarter had, on average, 42% less purchasing power than they did in 2016, and higher debt service burden.

While nominal incomes have risen 2% over the past eight years, cumulative inflation of 44% has eroded real incomes, leaving households with far less ability to spend, the organisation said on Tuesday.

While the second half of 2024 brought some relief, including lower food inflation and the lifting of load-shedding, many consumers are still feeling the weight of rising debt and stagnant wages, according to DebtBusters executive head Benay Sager.

In the face of these financial pressures, consumers are turning to personal loans and short-term credit to bridge the gap. According to the debt index, 82% of those seeking debt counselling in the fourth quarter of 2024 had a personal loan, and more than half had a one-month loan, highlighting a growing reliance on unsecured debt to cover daily expenses, with many consumers finding themselves caught in a cycle of borrowing.

The average debt-service burden had also reached alarm-

ing levels, with consumers spending a staggering 68% of their take-home pay on debt servicing before entering counselling, DebtBusters said. For individuals earning R35,000 or more, this figure climbs to 74%, pushing many to the brink of financial instability.

The situation is worse for lower-income earners, with debt-to-income ratios soaring as high as 137% for those earning R20,000 a month.

"Unsecured debt is, on average, 29% higher than in 2016. For those taking home more than R35,000 per month, it is 60% higher. This shows that in the absence of any meaningful salary increases, consumers are supplementing their income with unsecured debt," it said.

However, DebtBusters remains optimistic, saying that the demand for online debt management tools surged by 9% in the fourth quarter of 2024, as consumers sought proactive solutions to manage their debt. The organisation said more South Africans were taking advantage of its free digital debt management services, with more than 1-million users in 2024 alone.

"The increasing use of online debt-management tools indicated consumers are being more proactive about debt before it gets out of control.

"The data also points to more people considering debt counselling as an effective way to deal with debt in a high-interest environment," said Sager.

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