TRADE & INDUSTRIAL POLICY STRATEGIES

POLICY BRIEF: 5/2025

Income and Expenditure Survey 2022/2023 Analysis for Industrial Policy

SUMMARY

- The richest income decile receives 70% of total income.
- Racial and gender income gaps remain significant, with white-headed households earning over 4.5 times more than black African-headed ones, and male-headed households getting 50% more than female-headed ones.
- Provincial disparities persist, as wealthier provinces outperform while regions like Limpopo and the Eastern Cape continue to lag.
- Poorer households spend 75% of their income on essentials – housing, food, transport, and financial services – leaving little for discretionary spending.
- The richest income decile dominates spending in most sectors, while the poorest 30% are mainly excluded from private options for health and education in particular.
- Inflation hits the poor hardest, as they spend most on basic goods like food, which have seen the steepest price increases in recent years.
- Transport spending reveals notably deep inequality as the wealthiest spend nearly 50 times more on vehicles than the poorest, who rely on public transport.
- Ownership of consumer durables varies sharply by income, reflecting unequal living standards.
- Current income and spending patterns constrain demand for light industrial goods, limiting inclusive, job-rich manufacturing and services growth.
- in response, industrial policy must be inclusive and regionally responsive, boosting household incomes, supporting essential goods, improving public transport, and aligning with local needs to drive equitable development.

INTRODUCTION

Statistics South Africa (Stats SA) recently released the Income & Expenditure Survey (IES) 2022/2023, which provides detailed insights into household income, consumption, and spending across national, provincial, and metropolitan levels. Stats SA uses the findings from the IES 2022/2023 for updating poverty and inequality assessments, understanding household financial patterns, and revising the basket of goods and services used to calculate the Consumer Price Index (CPI) (Stats SA 2025a).

Household income and expenditure are key elements of a nation's economic framework, shaping consumer behaviour, savings trends, and overall economic performance. The distribution of income and expenditure determines the demand for basic goods versus more luxurious goods, which affects opportunities for economic diversification and scaling up production for the domestic market. It influences the cost of living for workers, which in turn impacts wage levels and the overall cost of labour. More broadly, South Africa's high levels of inequality fuel policy conflicts, and increase investor uncertainty.

Conducting an analysis of the IES 2022/2023 is worthwhile in terms of industrial policy as the survey offers critical data directly aligned with the project's core assumptions.

Trade & Industrial Policy Strategies (TIPS) supports policy development through research and dialogue. Its two areas of focus are trade and inclusive industrial policy; and sustainable development.

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The Income & Expenditure Survey provides insight into consumption trends across income groups and regions, allowing policymakers to target industries with potential for localisation and scale.

First, if industrial policy is essential for diversifying the economy, understanding household spending patterns helps identify which sectors have the potential to grow through increased domestic demand. The IES 2022/2023 provides detailed insight into consumption trends across income groups and regions, allowing policymakers to target industries with the greatest potential for localisation and scale.

Second, since domestic expenditure is a key driver of localisation, and this spending is shaped by South Africa's extreme income inequality, the IES 2022/2023 helps clarify the structure and limitations of demand. It reveals where purchasing power is concentrated and where it is lacking, insights that are essential for designing industrial strategies that can succeed in a divided economy.

Finally, if inequality itself obstructs consistent and effective industrial policy, by fuelling policy contestation, increasing uncertainty, and complicating consensus, the IES 2022/2023 provides up-to-date evidence of the scale and nature of inequality. This analysis of the IES 2022/2023 follows a multi-layered methodological approach to extract insights relevant to industrial policy in South Africa. The first step involves a review of the IES 2022/2023 methodology, including sampling design, response rates, and data quality. It compares the IES 2022/2023 to previous rounds to assess consistency and identify any methodological changes that may affect comparability over time. It also evaluates the survey against international best practices, particularly in its treatment of imputed rent and asset income.

The second component of the methodology involves mapping household consumption data, classified under the Classification of Individual Consumption According to Purpose (COICOP) system, to relevant industries as defined by the Standard Industrial Classification (SIC). This process allocates product groups to corresponding sectors and disaggregates household expenditure across income groups defined in the survey. The aim is to highlight which industries are most reliant on demand from specific income classes and examines the industries that are vulnerable to inequality constrained demand. The third element of the analysis focuses on the goods and services by the division expenditure classification and examines how their affordability and relative importance have changed in constant rand terms. This helps assess how inflation has impacted household consumption patterns, particularly among lower-income groups.

Finally, the analysis explores trends in income and asset inequality across income and expenditure classes, and by gender of household head. This includes examining income from employment, business, financial assets, and imputed rent. The goal is to understand how inequality in both income and assets shapes household economic security and influences consumption capacity. Together, these components will contribute to our understanding of how household-level trends affect industrial development opportunities and constraints in South Africa.

Information was collected from 19 940 households across the country over a 12-month period, which is in line with international best practice for collecting household consumption expenditure information.

EVALUATION OF SURVEY QUALITY

The IES 2022/2023 is a comprehensive effort to profile household income and expenditure patterns across the country. The survey employs a combination of diary and recall methodologies, with households participating over a four-week period. During this time, respondents complete a weekly questionnaire and maintain a two-week expenditure diary, covering a wide range of items such as food, housing, transport, education, and healthcare. The IES 2022/2023 was the first household expenditure survey conducted by Stats SA to use electronic survey instruments; however, the survey still had the paper-based element of data collection embedded within it through the use of printed weekly diary booklets that were left with responding households.

In total the survey used three data collection instruments, namely the household questionnaire, weekly diary and COICOP codebook used by field staff for the coding of diary entries. The information was collected from 19 940 households across the country over a 12-month period, which is in line with international best practice for collecting household consumption expenditure information (Stats SA, 2025b). The sample for the survey included all domestic households, holiday homes and all households in workers' residences, such as mining hostels and dormitories for workers (Le Masson, 2025).[1]

In terms of response rates, the survey aims to achieve a high level of participation to ensure representativeness. The previous survey reported a response rate of approximately 92%. The national response rate for the IES 2022/2023 was 82%, almost 10% lower. The highest response rate (94%) was recorded in the Free State and the lowest in Gauteng (68%). It is important to note that there is no universally defined threshold for a "good" response rate. A response rate of 60% is generally regarded as the minimum acceptable, though large surveys, like the World Health Survey from the World Health Organization, request a response rate of at least 75% (United Nations, 2005; Le Masson, 2025).

The IES 2022/2023 was the first household expenditure survey conducted by Stats SA to use electronic survey instruments through the Computer Assisted Personal Interview technology. This change was informed by Stats SA's digital transition strategy.

The survey's methodology faces challenges, particularly in capturing income from informal earnings, which constitute close to 20% of employment and an estimated 5% of value added in South Africa (TIPS 2024a). Households often underreport informal income, leading to potential underestimation of household income.

In addition, there are concerns about the accuracy of self-reported data, as respondents may underreport income or overreport expenditures due to recall biases or social desirability effects. Internationally, similar income and expenditure surveys have faced challenges related to underreporting of income, especially for the highest and lowest income levels. Income data in household surveys tend to be less complete than expenditure data, with income data often being underreported. This issue is compounded by the complexity of measuring income from diverse sources (World Bank Group, 2022).

The inclusion of imputed rent in household income in the IES 2022/2023 is a key methodological feature that aligns with international standards. Imputed rent makes up 18% of total household expenditure in the survey. This approach adds the estimated rental income that homeowners would receive if they were to rent out their house to someone else.

[1]It did not include institutions such as hospitals, prisons, old-age homes, student hostels and dormitories for scholars. Boarding houses, hotels, lodges and guesthouses were also excluded from the sample.

There was significant income inequality across South Africa's provinces between 2006 and 2023, with the Western Cape and Gauteng recording household incomes well above the national average.

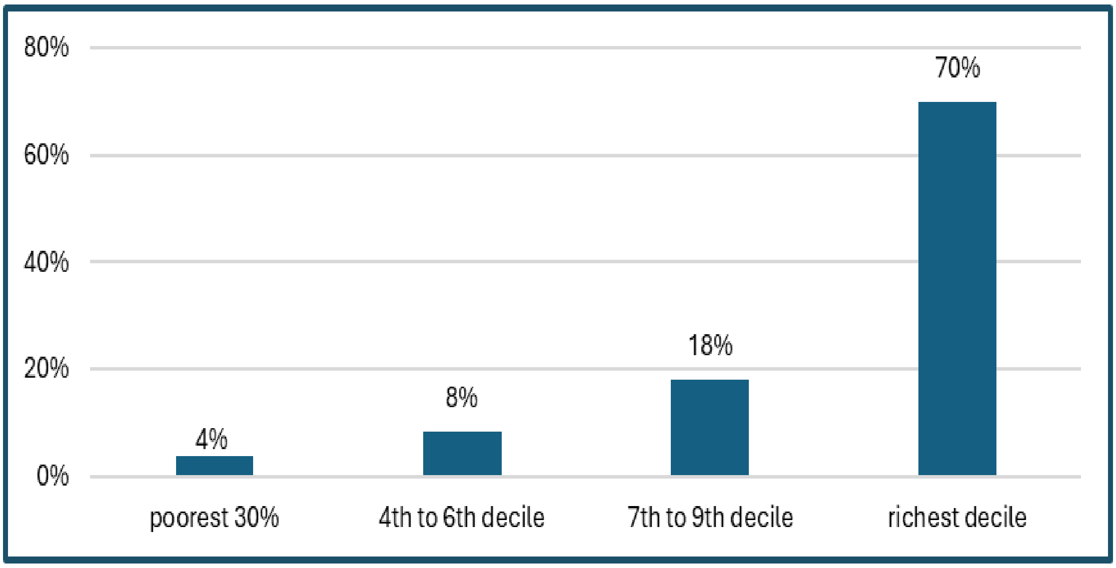
Because homeownership is unusually high in South Africa, especially among lower-income households, including imputed rent in household income can overstate income in financial terms, potentially distorting measures of poverty and inequality as well as the relationship between incomes and expenditure. Estimating imputed rent is also complex, particularly in countries with informal housing or diverse market conditions, or where housing markets are underdeveloped, as in most South African working-class communities (Australian Bureau of Statistics, 2018).

INCOME INEQUALITY TRENDS

This section explores the trends in income inequality in South Africa, highlighting shifts in income distribution among population groups, provinces, and household types. The analysis also examines persistent disparities by region, race, and gender, shedding light on the structural inequalities that continue to define South Africa's economic landscape.

Graph 1 presents the distribution of per capita income across income decile groupings. The poorest 30% of individuals receive only 4% of the total income, indicating a very small share for a large portion of the population. The next group, comprising those in the 4th to 6th decile, receives 8% of the income, which is still a modest portion. Those in the 7th to 9th decile hold a larger share, receiving 18% of the income. However, the most striking figure is that the richest decile, or the top 10% of earners, receive a substantial 70% of the total income. This distribution reflects a highly unequal income structure, with the vast majority of resources concentrated in the hands of the wealthiest segment of the population.

Graph 1: The distribution of household per capita income shares, 2022/2023

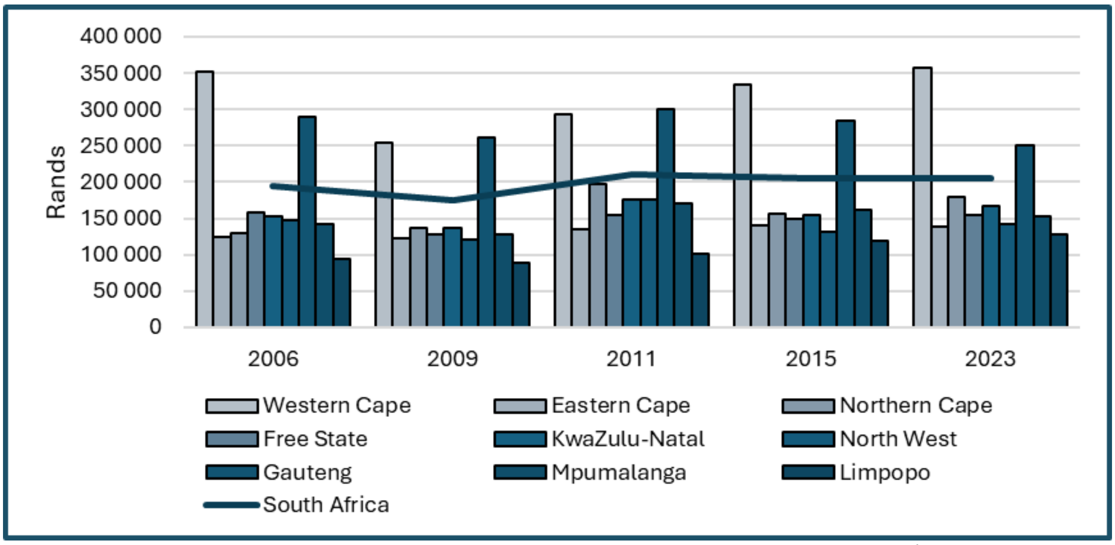


Source: Calculated from Statistics South Africa (Stats SA). Income and Expenditure Survey of Households 2022/2023, P0100. Accessed at https://www.statssa.gov.za/publications/P0100/P01002022.pdf in May 2025.

There was persistent and significant income inequality across South Africa's provinces between 2006 and 2023. Provinces such as the Western Cape and Gauteng consistently recorded household incomes well above the national average, with the Western Cape reaching R357 000 in 2023, nearly triple the income of Limpopo, which had the lowest average at R128 000 (see Graph 2 on page 5). Although some provinces like Limpopo and the Northern Cape showed gradual income growth over the years, the gap between high and low-income provinces remains wide. For example, in both 2006 and 2023, the difference between the highest and lowest income provinces exceeded R220 000, highlighting the uneven distribution of economic opportunities.

The overall trend suggests that economic gains have been concentrated in developed regions, underscoring the need for targeted policies to promote equitable regional development and reduce income inequality.

Graph 2: Distribution of real annual average household income by province (2006, 2009, 2011, 2015 and 2023)



Source: Calculated from Stats SA. Income and Expenditure Survey of Households 2022/2023, P0100. Accessed at https://www.statssa.gov.za/publications/P0100/P01002022.pdf in May 2025.

This inequality reflects broader structural disparities, including uneven access to employment, services, and infrastructure. While some provinces saw income growth decrease or even reverse, such as Gauteng, which declined from R300 000 in 2011 to R251 000 in 2023, lower-income provinces have not closed the gap meaningfully. The overall trend suggests that economic gains have been concentrated in already developed regions, underscoring the need for targeted policies to promote equitable regional development and reduce income inequality (TIPS, 2024b).

There are significant disparities in income levels across different population groups, reflecting deep-rooted historical inequalities (see Table 1). White-headed households had the highest average income at R676 000, followed by Indian/Asian households at R417 000, Coloured households at R261 000, and Black African households at R144 000. This indicates that White households earned over 4.5 times more than Black African households on average.

Table 1: Source of household income by race, annual average rands per household 2022/2023

SOURCE OF INCOME	BLACK AFRICAN	COLOURED	INDIAN/ ASIAN	WHITE	SOUTH AFRICA
Income from work	98 326	189 908	308 588	457 075	140 641
Income from capital	1 053	1 767	12 416	21 521	3 157
Pensions and social insur-ance	14 909	24 657	28 874	76 520	21 278
Income from Individuals	2 039	1 463	4 187	8 508	2 619
Other income	7 647	7 760	7 286	24 675	9 142
Imputed rent on owned dwelling	17 838	33 248	53 151	84 700	25 527
Imputed rent (rent free)	1 820	2 013	2 928	3 376	1 995
Total	**143 632**	**260 816**	**417 431**	**676 375**	**204 359**

Source: Calculated from Stats SA. Income and Expenditure Survey of Households 2022/2023, P0100. Accessed at https://www.statssa.gov.za/publications/P0100/P01002022.pdf in May 2025.

The 2023 average annual household income data by sex of the household head reveals clear gender-based income inequality in South Africa.

Across all groups, income from work, which includes owning and operating a business, was the largest source of household income, accounting for 69% in Black African households, 73% in Coloured households, 74% in Indian/Asian households, and 68% in White households, with a national average of 69%. However, absolute income from work varied greatly, with Black African households earning R98 000 and White households earning R457 000 on average from employment. This underscores the wide wage gap among racial groups.

Income from capital, such as investments, was a relatively small portion of total income overall, but contributed more significantly to the income of Indian/Asian and White households. While White households received R22 000 (3%) and Indian/Asian households R12 000 (3%) from capital, Black African households received only R1 000 (1%). This points to stark disparities in wealth and asset ownership. Pensions and social insurance were a notable income source, especially for White households, which received R77 000 (11%) from this category. Black African households received R15 000 (10%), highlighting differences in access to formal employment and retirement benefits, which tend to favour historically advantaged groups. Housing benefits, captured as imputed rent on owned dwellings, also contributed significantly to household income. White households received R85 000 (13%) in this form, Indian/Asian households R53 000 (13%), and Black African households R18 000 (12%). Income received from individuals, such as private transfers or remittances, was relatively small across all groups. White households received the highest amount (R9 000), while Black African households received R2 000. Other income sources, including grants and business income, also varied, with Black African households earning R8 000 from these sources, which made up 5% of their income.

The 2023 average annual household income data by sex of the household head reveals clear gender-based income inequality in South Africa. The concept of household head is a debatable indicator but is still useful as an indicator for gender inequality. Male-headed households earn significantly more on average (R240 000) than female-headed households (R158 000), a gap of over R81 000 (see Table 2). This disparity is primarily driven by income from work, where male-headed households earn R177 000, almost double the R94 000 earned by female-headed households. In contrast, female-headed households rely more on pensions and social insurance (16%) compared to male-headed households (8%), highlighting greater dependence on government support and suggesting lower labour market participation or access to quality employment for women. While other income sources like capital and imputed rent are relatively similar, the overall income gap reflects deeper structural inequalities, including gender disparities in employment, earnings, and asset ownership. This reinforces the need for targeted policies to promote gender equity in economic opportunities and income distribution.

Table 2: Source of household income by gender of the household head, annual average rands per household 2022/2023

SOURCE OF INCOME	MALE	FEMALE	SOUTH AFRICA
Income from work	176 812	93 540	140 641
Income from capital	3 254	3 031	3 157
Pensions and social insurance	18 340	25 104	21 278
Income from individuals	1 835	3 640	2 619
Other income	10 384	7 524	9 142
Imputed rent on owned dwelling	26 984	23 631	25 527
Imputed rent (rent free)	1 981	2 012	1 995
Total	**239 590**	**158 481**	**204 359**

Source: Calculated from Stats SA. Income and Expenditure Survey of Households 2022/2023, P0100. Accessed at https://www.statssa.gov.za/publications/P0100/P01002022.pdf in May 2025.

Despite improvements in income distribution since 2006, South Africa remains deeply unequal. The top 10% of earners still control half of all household income, while the most vulnerable groups lag behind.

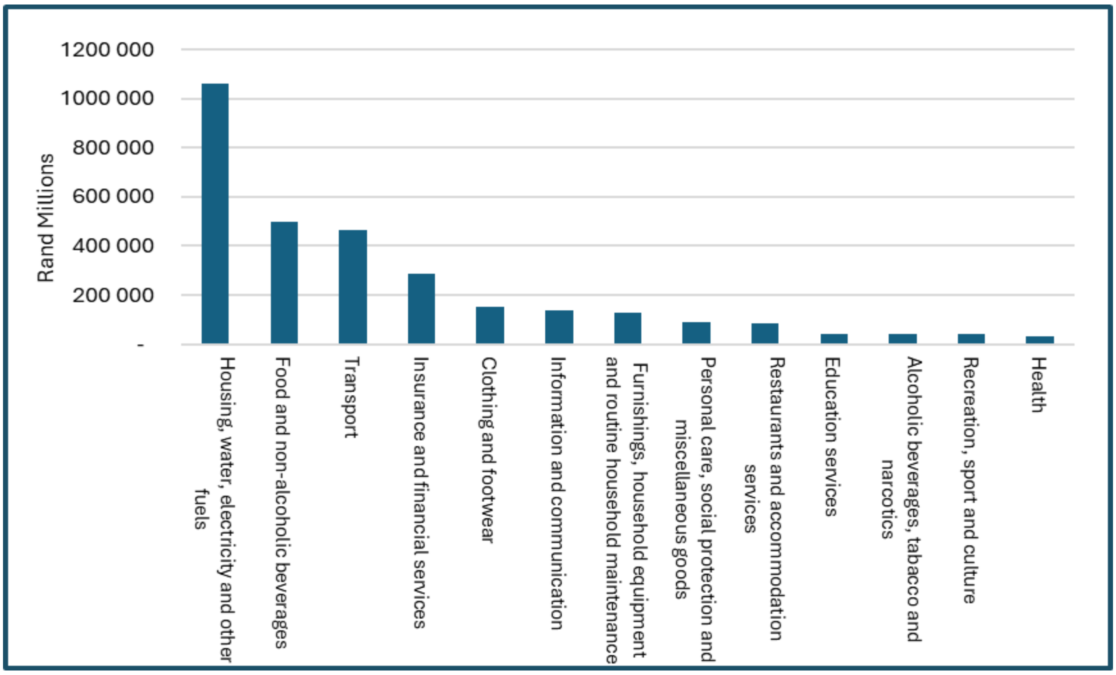
Despite slow improvements in income distribution since 2006, South Africa remains deeply unequal. The top 10% of earners still control half of all household income, while the poorest and most vulnerable groups lag behind. Regional income gaps remain wide, and gender and race-based income disparities persist, underscoring the urgent need for inclusive economic reforms and targeted interventions that address inequality at its structural roots.

AVERAGE HOUSEHOLD EXPENDITURE BY PRODUCT GROUP AND REGION

This section explores the distribution of household spending across various industries and regions, highlighting both essential consumption patterns and regional disparities that reflect broader socio-economic dynamics.

South Africa's household consumption expenditure amounted to R3.1 trillion, with an average annual expenditure of R144 000 per household. The distribution of household expenditure shows that the largest portion (35%) was spent on housing, water, electricity, and other fuels. This was followed by 16% on food and non-alcoholic beverages, 15% on transport, and 9% on insurance and financial services (see Graph 3). These four categories alone accounted for more than 75% of total household consumption. Other notable spending categories included clothing and footwear (5%), information and communication (5%), and furnishings and household equipment (4%). Lower levels of expenditure were recorded for health (1%), education (1%), and recreation (1%).

Graph 3: National household consumption expenditure by division expenditure, 2022/2023

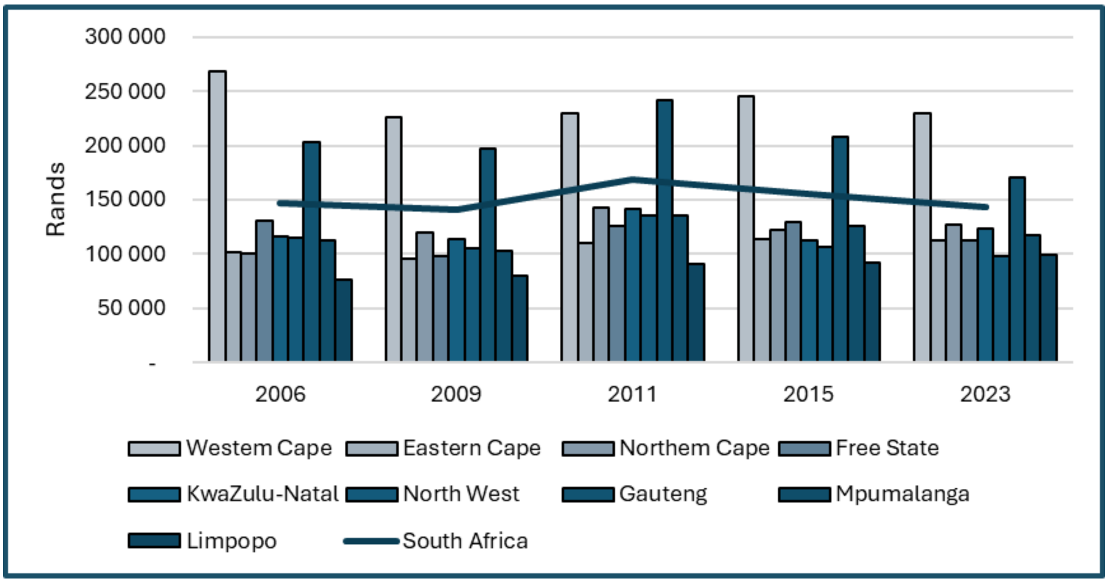


Source: Calculated from Stats SA. Income and Expenditure Survey of Households 2022/2023, P0100. Accessed at https://www.statssa.gov.za/publications/P0100/P01002022.pdf in May 2025.

The national average household consumption expenditure declined from 2011 to 2023. These trends largely tracked the fall in the GDP per person.

Provincial differences highlight ongoing regional inequalities, though some areas, like Limpopo, show gradual improvement in household spending power. The Western Cape consistently reports the highest average consumption, peaking at R269 000 in 2006, but declining to R230 000 in 2023. Gauteng follows as the second highest but shows a more pronounced decrease from R242 000 in 2011 to R171 000 in 2023.

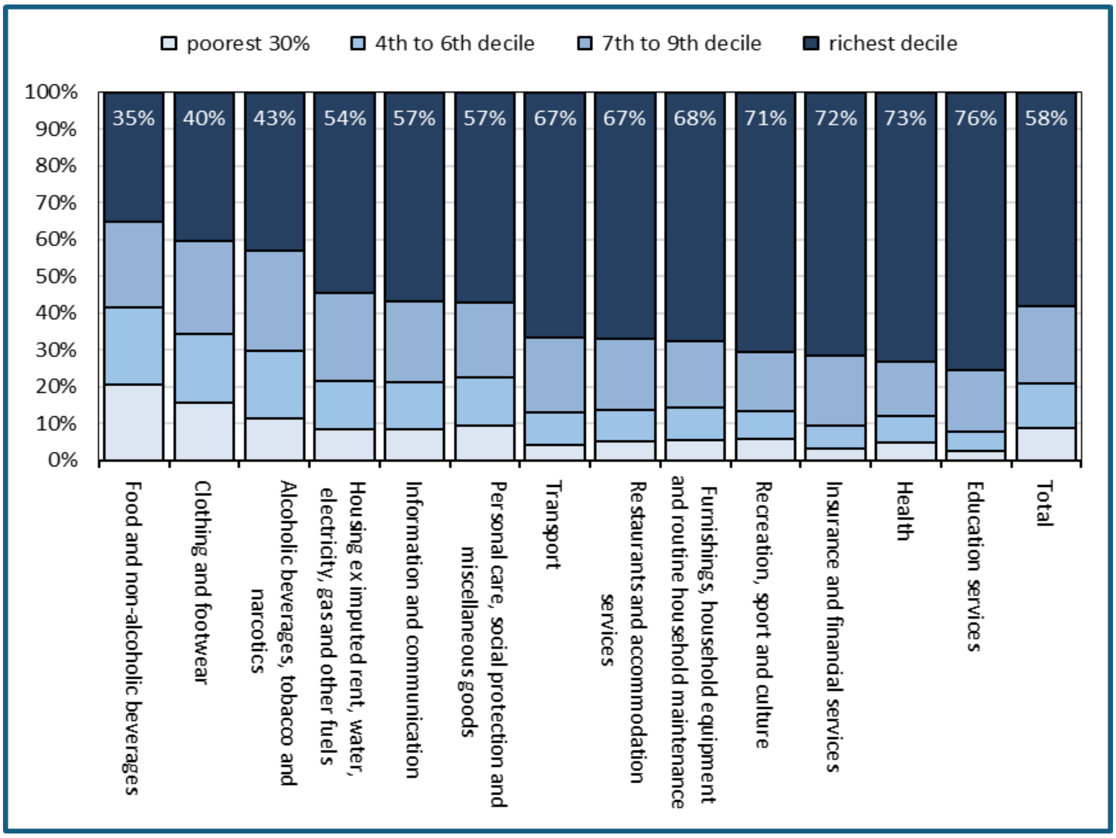
Graph 4: South Africa's real annual average household consumption expenditure by province (2006, 2009, 2011, 2015 and 2023)



Source: Calculated from Stats SA. Income and Expenditure Survey of Households 2022/2023, P0100. Accessed at https://www.statssa.gov.za/publications/P0100/P01002022.pdf in May 2025.

Provinces like the Northern Cape and KwaZulu-Natal have seen fluctuations, with Northern Cape's average expenditure rising steadily until 2011 and stabilising around R127 000 in 2023. KwaZulu-Natal experienced a dip in 2015 but recovered to R123 000 in 2023. Limpopo shows a gradual but steady increase in consumption expenditure from R76 000 in 2006 to R99 000 in 2023, signalling improving household spending power in a historically lower-income province. Other provinces such as the Eastern Cape, Free State, North West, and Mpumalanga have relatively lower but more stable expenditure levels, with some fluctuations that may reflect regional economic conditions, employment trends, and inflation impacts (see Graph 4).

Graph 5: Household expenditure proportions by income per capita deciles, 2022/2023



Source: Calculated from Stats SA. Income and Expenditure Survey of Households 2022/2023, P0100. Accessed at https://www.statssa.gov.za/publications/P0100/P01002022.pdf in May 2025.

HOUSEHOLD EXPENDITURE BY INCOME DECILES

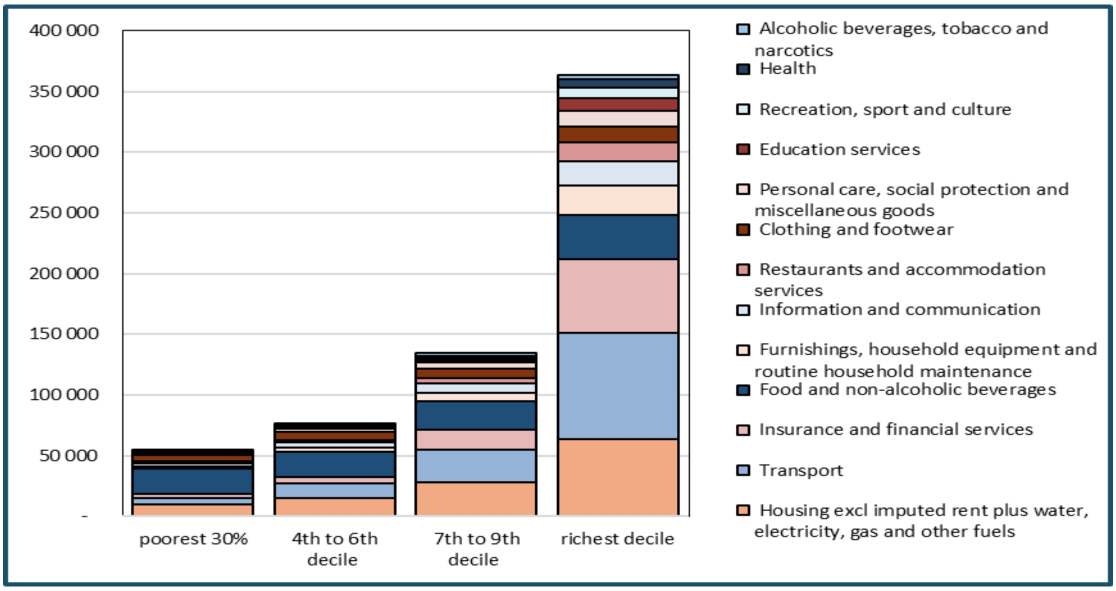
This section examines how inequality affects household consumption. The richest decile accounts for more than half of consumption for every product except food. The composition of goods and services consumed varies sharply between the richest households and the rest of the country. These patterns affect demand for industries in both scale and quality. Graph 5 shows significant inequalities in household expenditure across income deciles, with the richest 10% of the population accounting for a disproportionately large share of total spending in nearly every expenditure division.

For essential goods such as food and non-alcoholic beverages, the distribution is relatively balanced, with the poorest 30% accounting for 20% of total expenditure and the richest 10% accounting for 35%. As we move away from basic necessities, disparities become more pronounced. Spending on clothing and footwear, alcoholic beverages, and housing (excluding imputed rent, water, electricity, gas and other fuels) show a significant tilt toward higher-income groups. For instance, the richest decile accounts for 40% of clothing expenditure and 54% of housing expenditure, while the poorest 30% contribute only 16% and 9%, respectively. These differences grow even more in categories such as transport, restaurants, furnishings, and information and communication technologies, where the richest 10% control between 57% and 71% of total spending. In contrast, the poorest 30% contribute no more than 6% in each of these categories.

Extreme inequalities are found in spending on education, health, and financial services. The richest 10% account for 73% of total health expenditure and 76% of education pending, while the poorest 30% contribute only 5% or less. Most of these services are, however, provided by the public sector at well below cost for the majority. Around 94% of learners were in state schools in 2024; and 84% of residents did not belong to a medical scheme. Private providers were typically much more expensive that government services, but supplied significantly higher quality.

In monetary terms, total annual household spending increases from R68 000 for the poorest 30% to R457 000 for the richest 10%, indicating that the richest households spend more than six times as much as the poorest (see Graph 6). This overall gap is reflected across nearly all expenditure categories. Spending on housing (excluding imputed rent, water, electricity, gas and other fuels) is R10 000 for the poorest 30% decile compared to R63 000 for the richest decile. Transport expenditure also shows extreme inequality, with the richest decile spending R87 000 compared to only R5 000 for the poorest 30%, noting the differences in mobility, car ownership, and transport options.

Graph 6: Household expenditure by income per capita deciles, annual rands per household, 2022/2023



Source: Calculated from Stats SA. Income and Expenditure Survey of Households 2022/2023, P0100. Accessed at https://www.statssa.gov.za/publications/P0100/P01002022.pdf in May 2025.

A similar pattern is seen in insurance and financial services, for which the poorest 30% of households spend R3 000, while the richest spend R61 000, over 22 times more. This reflects limited access to financial tools such as insurance, savings, and credit among low-income groups, which in turn affects financial security. In contrast, spending on food and non-alcoholic beverages shows a lower case of inequality, with the poorest 30% spending R21 000 and the richest decile spending R36 000.

The inequality becomes most pronounced in private spending on human capital. Education expenditure is R356 for the poorest 30% compared to R10 000 for the richest decile, a gap of nearly 29 times. Similarly, health spending rises from R458 among the poorest to R7 000 among the richest. Again, the actual differences in consumption of health and education services are less among the poorest due to public consumption.

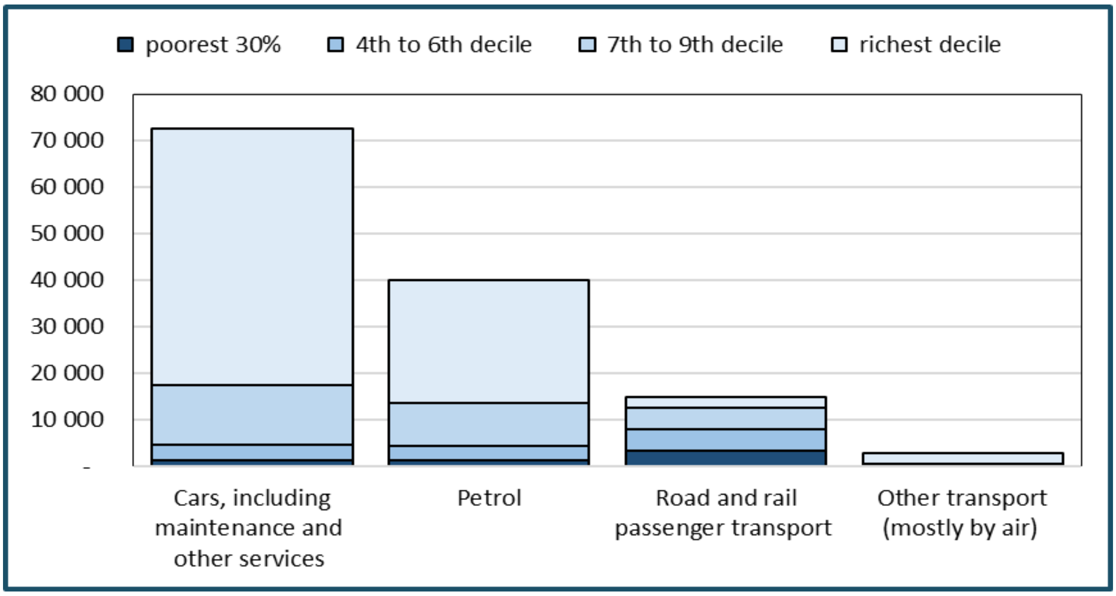
Discretionary spending categories such as restaurants and accommodation services, recreation, and information and communication, show some of the widest gaps. The richest households spend R16 000 on restaurants, compared to only R1 000 by the poorest 30%. Information and communication spending ranges from R2 946 in the poorest 30% decile to R20 000 in the richest. These disparities suggest that access to leisure, digital tools, and social participation is heavily influenced by income.

Examining the broad middle-class, these households spend more than the poorest 30%, indicating improved access to goods and services, but there is a clear divide between the lower-middle class (4th to 6th decile) and the upper-middle class (7th to 9th decile). Total annual household expenditure rises from R94 000 to R164 000, reflecting greater purchasing power in the upper-middle group. In essential categories such as housing and transport, spending in the upper-middle class is nearly double that of the lower-middle class (R28 000 versus R15 000), for housing and (R27 000 versus R11 000) for transport.

Spending on services that enhance long-term opportunities such as education (R2 000 versus R704) and health (R1 000 versus R694) also increases considerably between the two segments, showing that only upper-middle households are consistently accessing private options. Similar trends are observed in categories like financial services, information and communication, and furnishings, where the upper-middle class spends two to three times more than the lower-middle class.

The findings on household transport expenditure across income deciles highlights clear and substantial inequalities in both access to and modes of transport, reflecting broader disparities in mobility, economic opportunity, and living standards (see Graph 7).

Graph 7: Transport expenditure group by income per capita deciles, annual rands per household, 2022/2023



Source: Calculated from Stats SA. Income and Expenditure Survey of Households 2022/2023, P0100. Accessed at https://www.statssa.gov.za/publications/P0100/P01002022.pdf in May 2025.

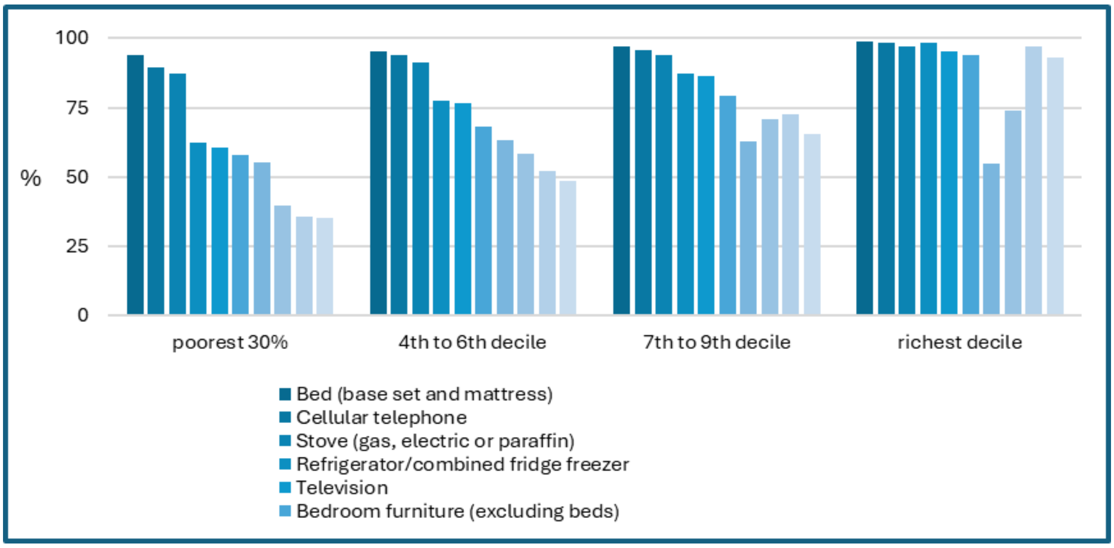
Spending on vehicles (including maintenance and related services) rises across the income deciles from R1 000 in the poorest 30% to R55 000 in the richest decile. This means that the wealthiest households spend nearly 50 times more on car ownership and upkeep than the poorest, and more than four times as much as even the upper-middle class (7th to 9th decile, at R13 000). This sharp gradient indicates that vehicle ownership remains largely inaccessible to the majority of households and is heavily concentrated among the top income earners.

Road and rail passenger transport, which includes public transport, shows a reverse trend. The poorest 30% spend R3 000, while the richest decile spends only R2 000. This reflects the heavy reliance of low-income households on public transport, often in the absence of alternatives. Spending on other transport, mostly air travel, is negligible for the bottom 90% of households (only R19 to R265), but increases to R3 000 for the richest decile. This underscores the exclusivity of certain transport modes, reinforcing how higher-income households access goods, services, and networks that are geographically and economically out of reach for the majority.

Ownership of consumer durables by household income deciles shows a clear link to income level. Beds and cellphones are widely owned across all income groups, with ownership rates above 90% even in the lowest decile, suggesting these items are considered essential (see Graph 8). However, ownership of other key assets increases significantly with income. For example, only 55% of households in the lowest decile own a refrigerator, compared to 98% in the highest decile. Similarly, television ownership rises from 51% in the lowest group to 95% in the highest, and microwave ovens from only 29% to 97%. More discretionary or luxury-related items like lounge furniture and satellite TV also show steep increases across deciles, with less than a third of the poorest households owning them, compared to over 90% in the top decile. This pattern highlights not only income inequality but also unequal access to living standards, with lower-income households still excluded from many basic and luxury enhancing amenities that are standard in wealthier homes.

Household expenditure patterns in South Africa reflect deep income-based disparities, with the richest 10% dominating spending across nearly all categories. While essential goods like food are shared more evenly, access to services such as private education and healthcare, individual and air transport, and financial tools remains heavily skewed toward higher-income groups. Even within the middle class, significant gaps emerge between lower- and upper-middle households. These patterns not only highlight unequal living standards but also underline how income inequality limits social mobility and access to opportunity, reinforcing the need for more inclusive economic policies.

Graph 8: Ownership of top 10 consumer durables by household income deciles, 2022/2023



Source: Calculated from Stats SA. Income and Expenditure Survey of Households 2022/2023, P0100. Accessed at https://www.statssa.gov.za/publications/P0100/P01002022.pdf in May 2025.

Inflation affects all households, but its impact is more severe for lower-income groups, which spend most of their income on necessities with high inflation rates, such as food and housing.

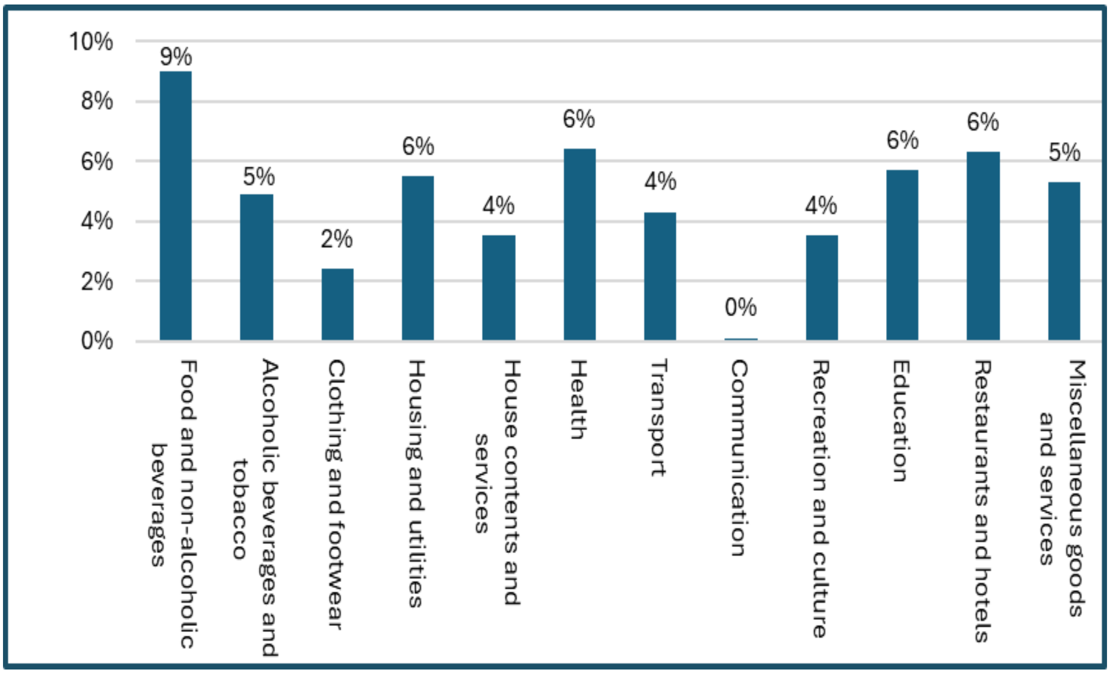
IMPLICATIONS FOR THE COST OF LIVING

Inflation has uneven effects across income groups, with lower-income households bearing a disproportionate burden. This is mainly because they spend a greater share of their income on essential goods, which have seen some of the highest inflation rates.

Food and non-alcoholic beverages saw an inflation rate of 9%, the highest among all categories (see Graph 9). This is particularly significant as food accounts for over 30% of total expenditure in the lowest-income decile, compared to only 8% in the highest decile. As a result, food price increases disproportionately affect the poor, placing further strain on their already limited budgets. Similarly, housing and utilities, which make up around 38% of spending for the poorest households, increased by 6%. While this inflation rate is moderate, its impact on low-income households is substantial due to the large share of their income spent on overall housing costs. In contrast, wealthier households are less affected, as housing forms a smaller proportion of their overall expenditure. Other categories experiencing inflationary increases such as transport (4%) and health (6%), have varying impacts depending on the income group. Transport costs, for example, can severely limit access to jobs, services, and opportunities for the poor. Inflationary increases in categories like restaurants and hotels (6%), education (6%), and miscellaneous goods and services (5%) are more relevant to higher-income households, which allocate a larger portion of their budget to these items. However, because these goods and services are less essential, inflation in these areas tends to be less burdensome for wealthier households.

Inflation affects all households, but its impact is more severe for lower-income groups, which spend most of their income on necessities with high inflation rates, such as food and housing. In contrast, wealthier households are less exposed due to their more diversified spending. These disparities underline the importance of inflation-sensitive monetary policy and targeted support to shield poorer households from rising costs and preserve their basic living standards.

Graph 9: Change in consumer price indices for urban areas by expenditure division, November 2022 – November 2023



Source: Calculated from Statistics South Africa (Stats SA). Consumer Price Index, November 2023. Accessed at https://www.statssa.gov.za/publications/P0141/P0141November2023.pdf in May 2025.

Provincial differences in household consumption expenditure have significant implications for industrial policy and regional economic development. Each province requires a tailored approach due.

INDUSTRIAL POLICY IMPLICATIONS

South Africa's household expenditure patterns present both challenges and opportunities for industrial policy. The high concentration of spending on essentials like housing, food, transport, and financial services suggests potential for demand-led growth in these sectors. However, deep income and regional inequalities limit broad-based consumption, posing a barrier to the expansion of local manufacturing and labour-intensive industries.

Provincial differences in household consumption expenditure have significant implications for industrial policy and regional economic development. Each province requires a tailored approach due to significant differences, mainly rooted in their roles from an apartheid-era geography, which intensified the rural-urban disparities common to all economies. In wealthier provinces such as the Western Cape and Gauteng, higher household spending traditionally supports sectors like retail, finance, real estate, and advanced services. However, recent declines in consumption in these areas highlight the need for economic diversification and innovation to sustain growth. In provinces with lower but gradually increasing consumption levels, such as Limpopo, the Northern Cape, and parts of KwaZulu-Natal, there is potential in industries linked to basic goods and services, including agriculture, agro-processing, construction, and transport. These sectors can play a key role in boosting incomes, generating employment, and meeting essential needs.

The significant disparities in household spending across income deciles have important implications for South Africa's industrial policy. One of the key findings is that lower-income households spend a disproportionate share of their income on essential goods and services such as food, housing, and transport. This is a critical obstacle to the development of light industry and would need to be addressed. Strengthening local value chains in agriculture, food processing, construction materials, and public transport infrastructure can help reduce the cost of living for the marginalised, increase access, and create employment opportunities in sectors that are relevant to their needs. In addition, there are significant inequalities in spending on labour-intensive sectors such as clothing, furnishings, and household maintenance. These sectors offer potential for inclusive, employment-generating industrial growth.

The dominance of the top 10% of households in total spending significantly constrains the potential for a broad-based domestic market, particularly for non-durable, mass-produced consumer goods such as food, clothing, and household furnishings. While these goods are traditionally the foundation of labour-intensive, large-scale manufacturing, the current consumption pattern undermines this model. In South Africa, the skewed income distribution means that effective demand for such products is highly concentrated among a small segment, while the majority of households, including much of the middle class, have limited disposable income to drive large-scale domestic consumption.

Moreover, wealthier households tend to spend more on services rather than goods, and when they do purchase goods, they often prefer consumer durables, imported items, or high-end, niche products rather than locally produced, mass-market items. This pattern limits the scale and predictability of domestic demand for standard light industrial products, making it difficult for local manufacturers to achieve the economies of scale necessary for competitiveness.

The ownership of consumer durables across income deciles has important implications for industrial policy in South Africa. The figures show that ownership of household equipment increases sharply with income. Expanding the purchasing power of lower-income households through employment creation, wage support, and social protection could significantly broaden domestic markets for consumer durables, stimulating local production and ultimately promoting more inclusive industrialisation.

The distinctive inequalities in transport spending across income deciles also have important implications. The dominance of private vehicle use among the richest households, which spend nearly 50 times more on cars and over 20 times more on petrol than the poorest, indicates that private transport primarily serves the narrow high-income deciles. This limits the potential for growing domestic demand in sectors like automotive manufacturing, spare parts, and fuel services. At the same time, the heavy reliance of lower-income households on public transport highlights the potential of prioritising mass transit systems and the local production of affordable transport solutions, such as minibuses, low-cost rail cars, two-wheeled vehicles, and electric buses. Investing in public and shared transport infrastructure and encouraging domestic industries that serve these needs can promote inclusive industrialisation, reduce mobility-related inequality, and support employment in transport-related manufacturing and services.

Aligning industrial policy with the provincial distribution of household consumption can help address regional disparities and promote more balanced, inclusive growth across the country. The household expenditure data illustrate how income inequality translates directly into unequal economic participation. To avoid reinforcing these disparities, industrial policy must be inclusive by design. This means not only supporting productive sectors but also addressing demand-side constraints, investing in human capital, and ensuring that infrastructure and opportunities reach all regions and income groups.

Industrial policy in South Africa must respond to unequal consumption patterns and regional disparities by promoting inclusive and demand-driven growth. This includes expanding support for local production in essential goods, enabling small and medium-sized enterprises (SMEs), investing in affordable transport solutions, and targeting labour-intensive sectors. At the same time, boosting the purchasing power of lower- and middle-income households is critical to creating a sustainable domestic market. By addressing both supply- and demand-side constraints, industrial policy can foster economic inclusion, reduce inequality, and strengthen the country's manufacturing and service base.

CONCLUSION

The IES 2022/2023 reveals significant provincial and decile-based disparities in household expenditure patterns, indicating that national, one-size-fits-all industrial policies are insufficient. Instead, South Africa requires targeted, region-specific industrial policies that build on local economic strengths while addressing regional constraints. While the IES 2022/2023 offers valuable insights into household economic behaviour, its full potential is limited by challenges in capturing informal sector income and ensuring the accuracy of self-reported data. Strengthening data collection methods in these areas would provide a more complete and accurate picture of household conditions, particularly for vulnerable and underrepresented groups.

The IES 2022/2023 highlights the deep economic and social inequalities that persist in South Africa. The figures show that poorer households allocate a large proportion of their income to basic necessities such as food, housing, and transport, which are sectors with some of the highest inflation rates. This inflation has a regressive effect, disproportionately raising the cost of living for low-income households and further constraining their already limited financial capacity. At the same time, the wealthier segments of the population are better insulated from these pressures and are able to spend more on long-term investments like education, recreation, and financial services, thereby reinforcing intergenerational inequality.

Overall, the IES 2022/2023 reinforces the urgent need for a comprehensive and inclusive policy framework. This approach is essential not only to foster economic growth but also to promote social equity, reduce structural inequality, and ensure that all South Africans benefit from the country's economic progress.

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