

# FACT SHEET

## The emergent middle class and the consumer market

A comprehensive study on the emergent middle class and the South African consumer market was undertaken by the Research Group on Socio-Economic Policy at Stellenbosch University's (SU) Department of Economics. It forms part of a collaborative programme of research into the emergent middle class including SU, Wits and the University of Pretoria.

### GROWTH IN MIDDLE CLASS

- South Africa's middle income group has grown rapidly since 1993
- There has been a significant increase in the black share of the middle class
- Both these trends are robust across surveys and also across various definitions of the middle class
- This growth in the black middle class has reduced inequality between race groups considerably, but inequality within race groups continues to rise
- Wage inequality – rather than unemployment – is the major determinant of overall inequality.
- Poor education is the major constraint to accelerated growth of the emergent middle class.

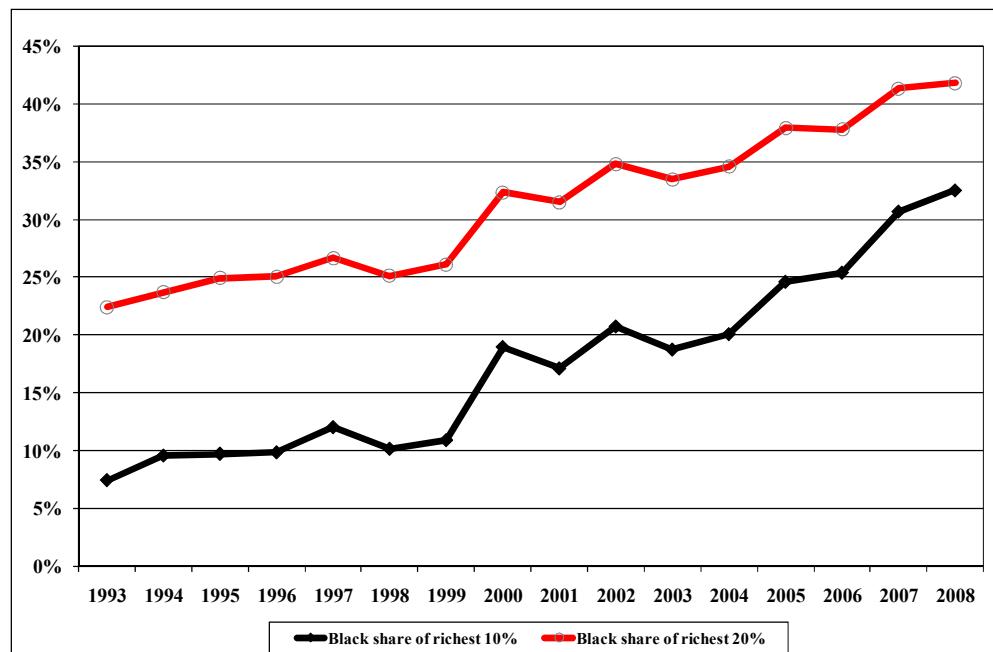
### CONSUMER BEHAVIOUR

- Educated and affluent black households are often part of the emergent or new middle class (rather than the established middle class) and consequently they have fewer accumulated assets
- Examples of assets would include houses, cars and expensive and durable appliances and furniture
- Due to the asset deficits, many black middle class households may initially devote a larger proportion of their spending on assets so that they can "catch up" with the established middle class
- Consequently, black households have less money to spend on other spending categories, including holidays and insurance
- However, black households that have already accumulated assets are *more* likely than their white counterparts to purchase insurance
- There may be some minor remaining role for conspicuous consumption, but this could be related to younger age profile of the emergent middle class

### PROSPECTS

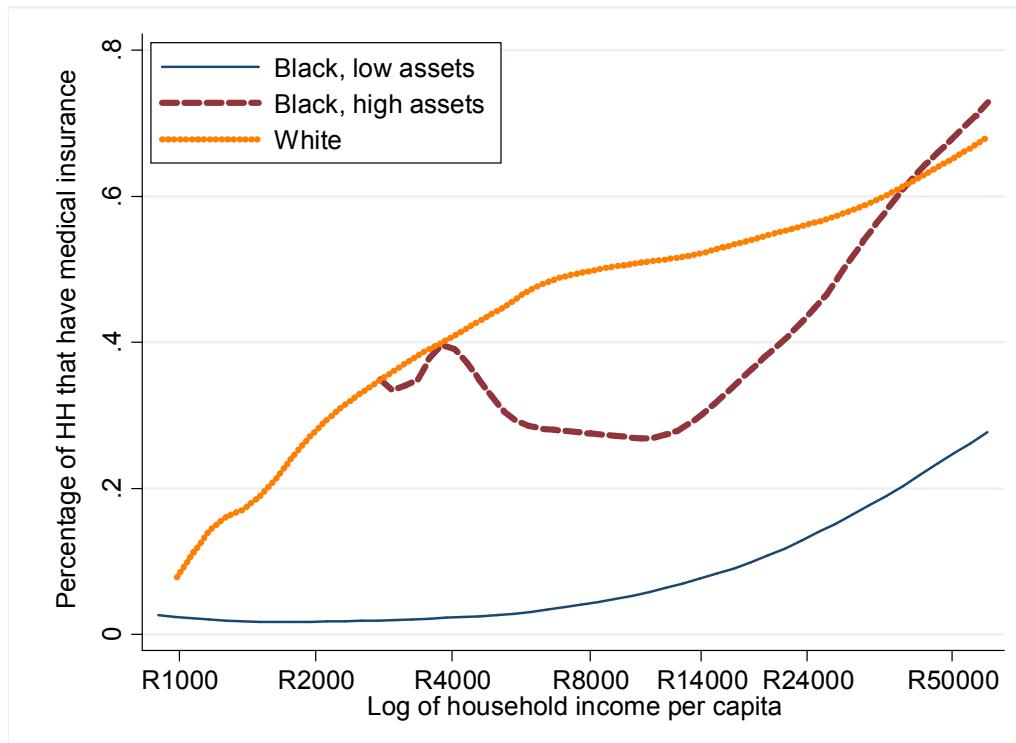
- Assuming moderate economic growth, we would expect to see continued expansion of the black middle class
- As the emergent middle class eventually catches up and attains similar asset levels to the established middle class, behaviour will change
- Once the asset deficit has diminished sufficiently, we expect this group to spend more on items such as insurance and holidays
- The problems in the school system and consequent issues around quality of education constrain the growth of the emergent middle class

### Black share of the richest 10% and the richest 20% of the population



Source: Own calculations based on AMPS data

### Percentage of households that have medical insurance



Source: Own calculations from NIDS 2008