BUREAU of Market Research

TWO POT CLAIMS: IMPACT ON CREDIT REPAYMENTS AND SPENDING PATTERNS

Background

According to the latest SARS press release, valid claims totalling R43.4 billion were processed between 1 September 2024 and 31 January 2025. The table below illustrates the progression of total two-pot claims over different time periods, extracted from SARS's official communications:

Date	Applications for tax directives	Valid applications	Amount claimed	Change	Rand amount per day
10 September 2024	161 607	159 853	R4.1 billion	R4.1 billion	R410 million
11 October 2024	1 213 646	1 148 729	R21.4 billion	R17.3 billion	R558 million
18 November 2024	2 153 942	1 914 306	R35.1 billion	R13.7 billion	R361 million
31 January 2025	2 664 279	2 403 379	R43.4 billion	R8.3 billion	R112 million

Source: South African Revenue Service

Initial claim processing encountered challenges due to financial institutions' administrative delays and inaccuracies in claimants' personal information, which resulted in invalid claims. However, these inefficiencies were progressively resolved, leading to an acceleration of claims and pay-outs, particularly in October 2024, before slowing again in subsequent months.

Additionally, claimants were subject to income tax deductions, reducing the actual amount received. An estimated R11 billion in personal income tax was deducted from the R43.4 billion claimed, resulting in net receipts of approximately R32 billion. SARS also raised concerns regarding 213 654 claimants who misrepresented their taxable income to obtain a more favourable tax rate.

Relative to total household credit outstanding, the R32 billion in net receipts constitutes approximately 1.4% of total bank credit extended to households, which is a relatively minor share, as per the most recent credit statistics released by the South African Reserve Bank (SARB).

This study examines multiple data sources to determine whether consumers utilised funds received through two-pot claims (receipts) to reduce outstanding debt obligations and/or to facilitate credit-based purchases, such as using the pay-out as a deposit for financing. Personal income tax collection trends were used to validate the timing and magnitude of the SARS-reported two-pot withdrawals. Bank deposit trends were examined to determine whether funds were allocated to savings. Spending patterns were assessed by analysing retail

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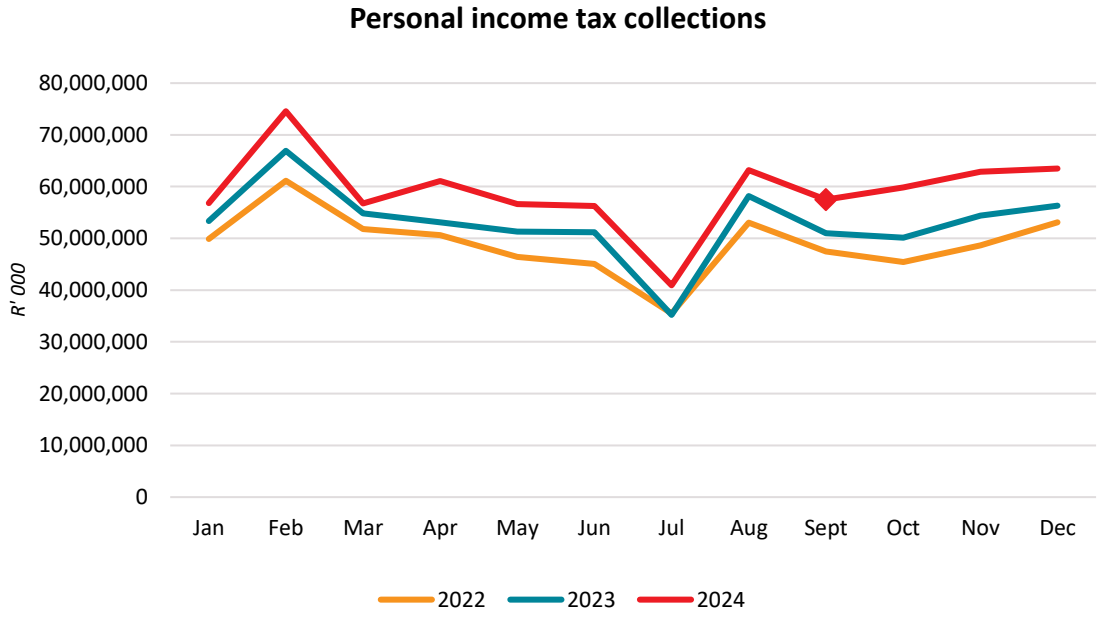
transactions and vehicle purchases, complemented by credit data to distinguish between new credit-fuelled purchases and reductions in outstanding debt.

Main Findings

The analysis focuses on identifying deviations from historical monthly and yearly trends across the aforementioned data sources. Emphasis was placed on months exhibiting the highest two-pot claim volumes.

- **Personal Income Tax**
  National Treasury's personal income tax collection figures were compared against SARS two-pot withdrawal data to determine whether tax collection anomalies corresponded with two-pot pay-out periods.



Source: National Treasury

A pronounced deviation from historical tax collection patterns in 2024 occurred, particularly in September and October, that aligns with the peak months of two-pot withdrawals. This suggests that consumers had increased disposable income during this period, which could have been allocated toward purchases, debt repayment or savings.

- **Household Savings**
  An analysis of bank deposits indicated no significant deviations from historical savings trends, suggesting that two-pot receipts were not primarily allocated to household savings.

- **Retail Sales**
  Retail sales data were assessed to identify deviations in consumer spending, particularly among general retailers and other retail categories. The analysis controlled for seasonal factors such as interest rate changes and holiday sales events (e.g., Black Friday).

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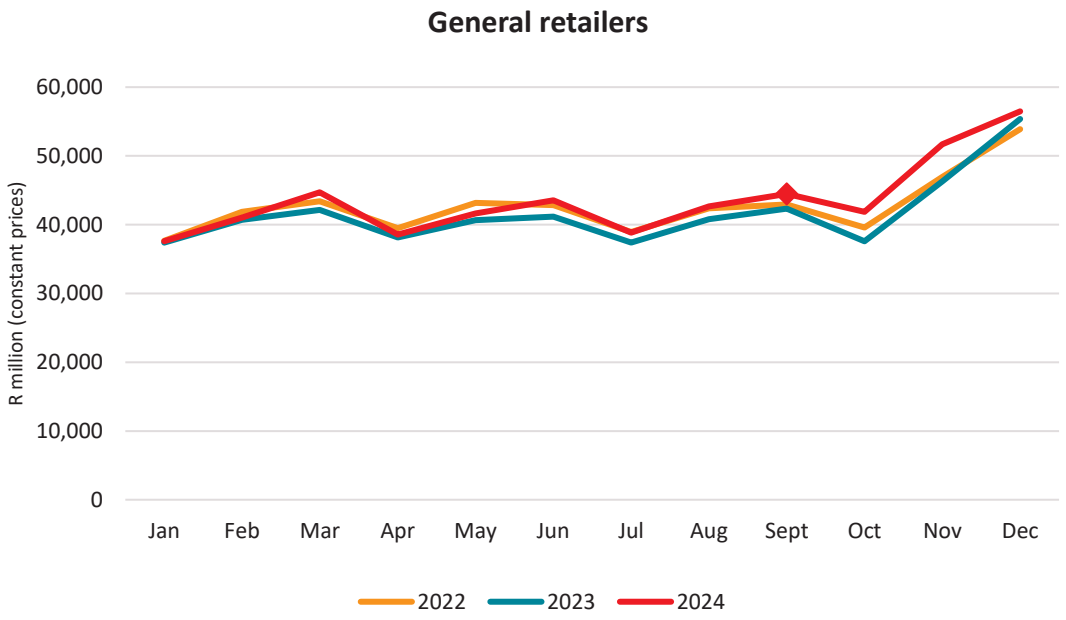
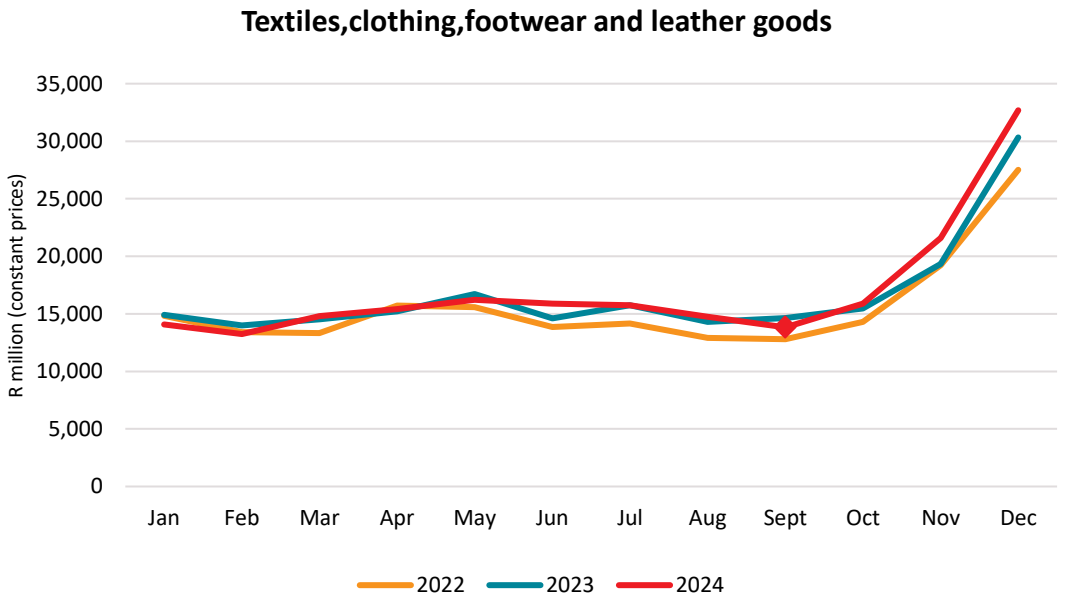
Retail sales data revealed the following:

- General dealer sales (a proxy for essential consumer purchases) increased beyond expected seasonal trends in September and October.



Source: Statistics South Africa

- Other retail categories, including clothing and furniture, exhibited elevated sales volumes but these increases were largely attributed to seasonal effects, such as Black Friday sales and not purely to increased income from two-pot withdrawals.



Source: Statistics South Africa

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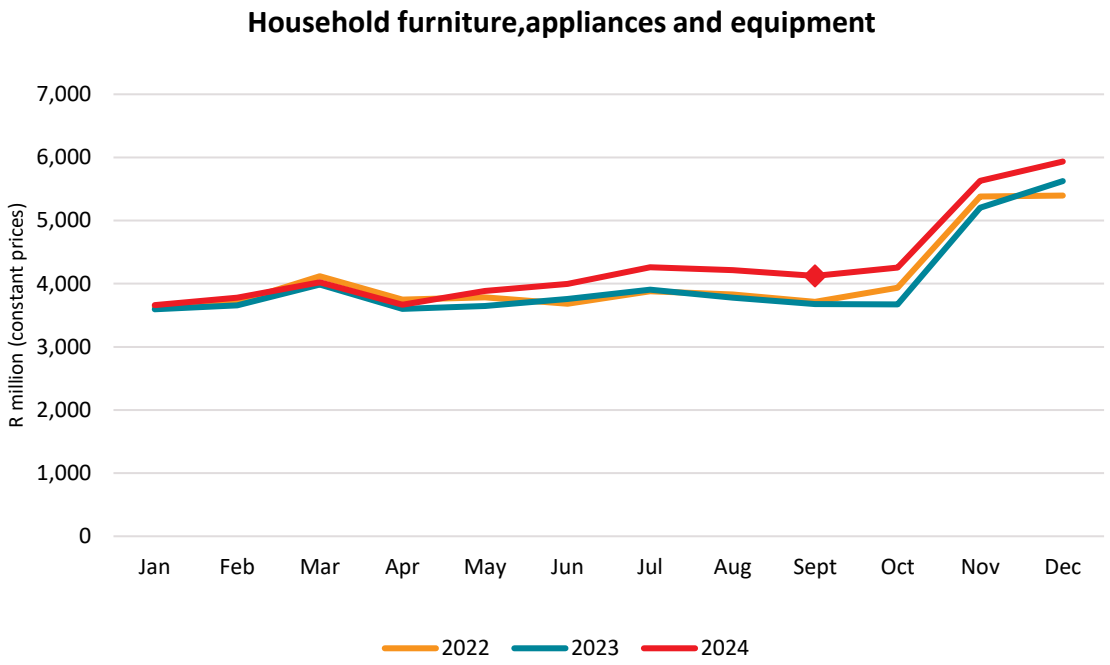

Source: Statistics South Africa

Given the absence of abnormal trends in discretionary retail spending, it is likely that two-pot withdrawals primarily influenced general consumer purchases rather than luxury or non-essential items.

- **Vehicle Purchases**
  NaTIS vehicle registration data were analysed, accounting for concurrent interest rate reductions in September and November, to determine whether two-pot funds contributed to increased vehicle purchases.

  Notwithstanding the impact of lower interest rates, used car sales experienced a sharp increase from September to December, with October 2024 recording the highest number of monthly used car registrations since 2012. While lower interest rates likely contributed to higher vehicle sales, the magnitude of the increase—particularly in September and October—suggests that two-pot receipts were used as deposits for used vehicle purchases.

  New vehicle registrations followed a more conventional pattern, increasing in October but stabilizing thereafter, making it difficult to isolate the influence of two-pot receipts from other macroeconomic factors such as interest rate reductions.

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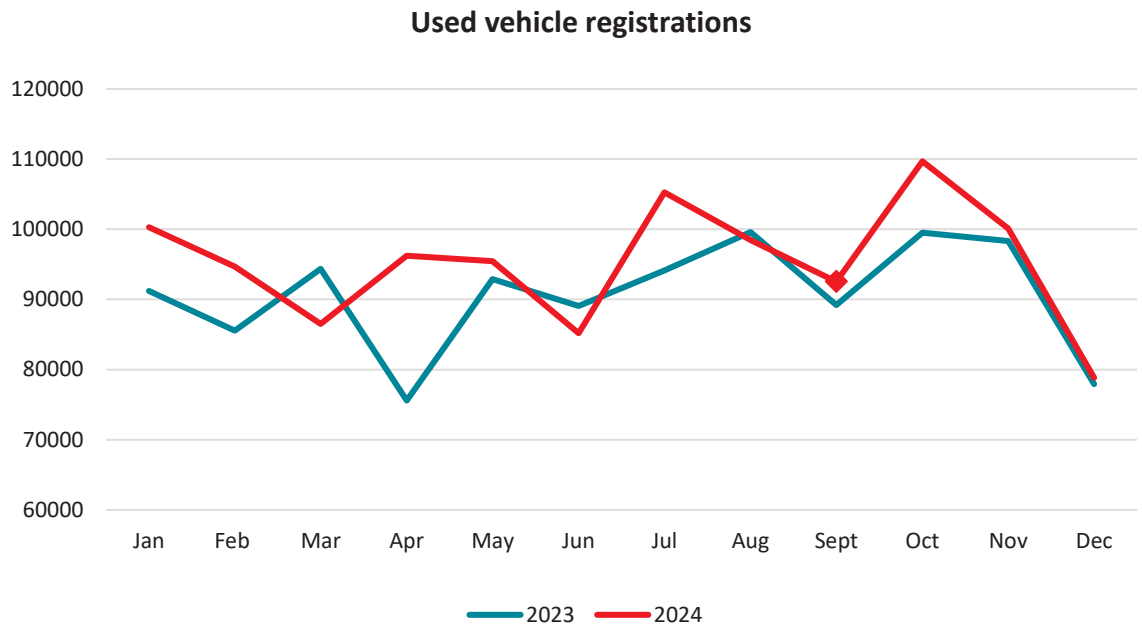
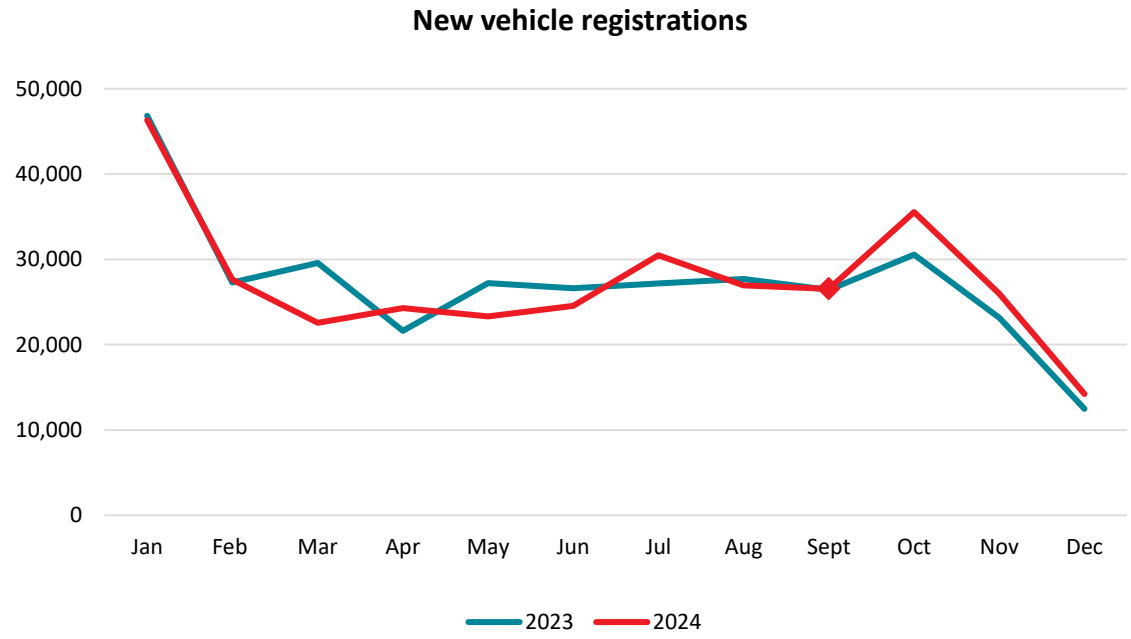


Source: eNaTIS



Source: eNaTIS

- **Debt Repayment**
  Credit bureau data supplied by VCCB was examined to determine whether claimants used funds to settle overdue debt, reduce outstanding credit balances or finance new credit obligations. A limited number of categories of credit are reflected in this report to showcase the main findings.

  A reduction in the share of overdue debt to total outstanding debt can indicate that additional funds was used to reduce the amount in arrears. A reversal in the trend of rising

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overdue debt was observed in September 2024 for specific credit types, including clothing retail accounts, cellular phone (telecommunication) contracts and education loans. This suggests that consumers used two-pot withdrawals to settle outstanding balances in these categories. From October onwards, overdue balances for general retail and furniture store accounts also showed a change in the trend. The declining trend persisted through December for clothing and furniture accounts, which aligns with retail sales data that showed no out-of-pattern retail sales, indicating that consumers prioritized debt repayment over new purchases.

In contrast, overdue balances for cellular phone contracts and education loans initially decreased but later rose again, suggesting that two-pot withdrawals were primarily used for one-time repayments rather than continuous repayment. This broader application of funds toward debt reduction suggests that consumers prioritized clearing overdue obligations across multiple credit types.

The rate of growth in outstanding vehicle finance debt accelerated in September and October, coinciding with an increase in vehicle registrations. This pattern suggests that two-pot funds were used as down payments for vehicle purchases, particularly in the used car market. While total vehicle financing debt continued to grow in November and December, the rate of increase slowed. This aligns with vehicle registration data, which showed diminishing deviations from historical trends, indicating that the initial surge in vehicle purchases driven by two-pot withdrawals was not sustained in the later months.

	Overdue as % of outstanding					MoM% change in outstanding debt				
	Aug-24	*Sept-24*	*Oct-24*	*Nov-24*	*Dec-24*	*Aug-24*	*Sept-24*	*Oct-24*	*Nov-24*	*Dec-24*
Total	**10.72%**	**10.75%**	**10.73%**	**10.83%**	**11.02%**	**0.31%**	**0.41%**	**0.40%**	**0.55%**	**0.32%**
Clothing Retail	30.05%	29.97%	29.96%	29.79%	28.49%	0.64%	-0.69%	-0.73%	-0.11%	4.65%
Cellular agreements	75.50%	72.42%	72.96%	73.01%	73.62%	1.37%	1.22%	1.66%	0.81%	3.19%
Telecommunications	51.84%	51.45%	52.47%	51.47%	51.82%	0.37%	-1.94%	-4.23%	1.88%	-0.69%
Education Loan	10.75%	10.70%	10.83%	10.96%	11.17%	-1.12%	-0.81%	-1.15%	-0.87%	-1.07%
General Retail	33.81%	33.99%	33.83%	33.81%	30.54%	0.38%	0.65%	-1.49%	0.74%	-6.35%
Furniture	43.20%	43.53%	43.25%	42.85%	42.50%	0.22%	0.86%	1.87%	1.97%	3.06%
Housing Finance	5.21%	5.39%	5.43%	5.48%	5.54%	0.10%	-4.48%	-0.03%	-0.02%	0.08%
Vehicle Finance	6.80%	6.83%	6.81%	6.82%	6.83%	0.31%	0.59%	0.73%	0.72%	0.69%

*Grey shading indicates implementation of two-pot

Source: VCCB and BMR calculations

Summary

The decline in overdue balances for clothing, cellular and general retail accounts suggests that two-pot funds were predominantly used to repay outstanding debts rather than finance new purchases. This is further supported by retail sales data, which showed no significant increases in clothing and furniture sales beyond typical seasonal trends. These findings reinforce the hypothesis that funds were directed primarily toward debt repayment rather than discretionary spending.

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However, the observed increase in vehicle registrations, coupled with rising vehicle finance balances, indicates that a portion of two-pot withdrawals was used to secure new credit through vehicle financing arrangements. This suggests that while some consumers prioritised debt reduction, others leveraged the additional liquidity to facilitate new credit-based acquisitions, particularly in the vehicle market.

Overall, the findings suggest that two-pot withdrawals provided households with liquidity that was predominantly allocated toward immediate consumption, debt repayment and asset acquisition rather than savings.

Report compiled by Bureau of Market Research Personal Finance Research Division

Credit data supplied by VeriCred Credit Bureau

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