

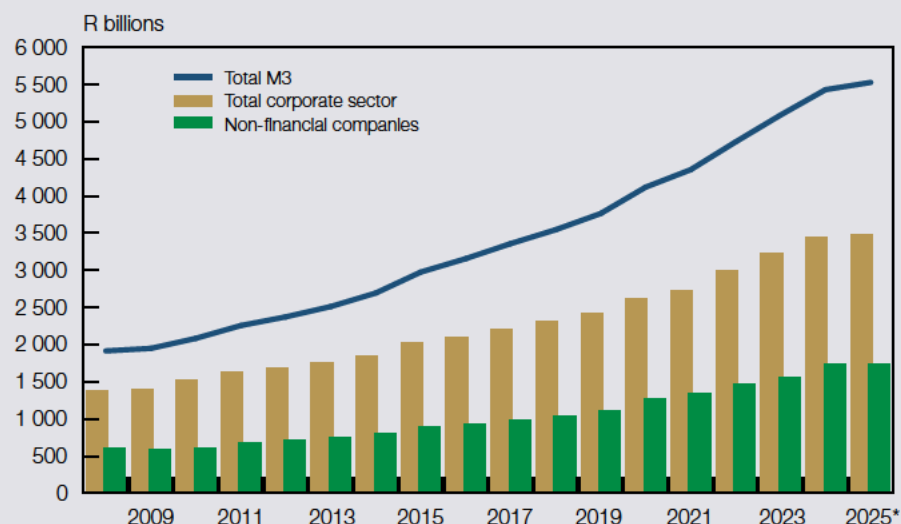
## Box 2 Are non-financial companies accumulating excessive deposits?

The notion that South African corporates are accumulating high deposit balances frequently emerges in the public discourse, especially whenever investment and economic growth are sluggish, but this narrative may be overstated. Given the recent significant contribution of non-financial companies (NFCs)<sup>1</sup> to growth in the nominal value of the broadly defined money supply (M3)<sup>2</sup>, this box examines the structural composition as well as the factors associated with growth in NFC deposits. Utilising monetary statistics and related macroeconomic indicators, the analysis assesses whether the elevated deposit balances of NFCs reflect strategic hoarding or whether they are a response to prevailing economic conditions.<sup>3</sup>

NFCs maintain deposits for a range of operational, strategic and financial reasons, including the need to ensure sufficient liquidity for routine transactions and cash flow management. Deposits also serve as a buffer during periods of economic uncertainty and may constitute funds temporarily allocated pending potential investment decisions or to earn interest income. In addition, maintaining deposit balances supports, among other things, banking relationships and capital allocation for potential mergers and acquisitions, share buy-backs, dividend payments and foreign exchange requirements. An increase in deposit holdings by NFCs can also reduce their sensitivity to monetary policy tightening as they can utilise accumulated deposits instead of incurring debt.

The analysis provides a sectoral breakdown of M3 deposits, reviews the trends in nominal and real deposit holdings, examines the deposits of NFCs relative to their total assets, and considers the relationship between deposit accumulation, gross fixed capital formation and economic growth. The findings suggest that increases in NFC deposit holdings are largely attributable to, among other factors, balance sheet growth and inflation, while precautionary motives related to uncertainties and sector-specific investment dynamics seem to be an important secondary consideration.<sup>4</sup>

### Nominal deposit holdings



\* As at June 2025

Source: SARB

The nominal value of NFC deposit holdings reached a record high of R1.8 trillion in July 2025. NFC deposits have been steadily contributing to the growth in overall M3 from 2019 to mid-2025, with private NFCs contributing the most, while the deposits of public NFCs<sup>5</sup> as well as the foreign currency-denominated deposits of both public and private NFCs also supported growth, particularly in 2024. The share of NFC deposits in M3 increased from 29.4% in 2019 to 32.2% in 2024 before decreasing slightly to 31.6% in June 2025, which was still marginally higher than the share of 31.4% recorded in 2008.

1 The deposits of the non-financial corporate sector include the deposit holdings of all privately and publicly owned resident institutional units whose principal activity is the production of goods and non-financial services. The deposit holdings of local government, which includes municipalities, are included as part of the non-financial corporate institutional sector for the purpose of calculating the money supply in South Africa.

2 M3 comprises banknotes and coin in circulation *plus* the domestic private sector's cheque and transmission deposits, demand deposits, short- and medium-term deposits as well as long-term deposits with the monetary sector.

3 This box draws on a combination of internal analysis, externally published articles and research, and direct input from domestic banking institutions. This integrated approach ensures a robust and well-informed assessment of NFC deposit behaviour, contributing to a deeper understanding of financial system dynamics and liquidity trends.

4 The analysis excludes financial companies whose deposit structure could, in part, be shaped by regulatory and depositor dynamics.

5 Public NFCs include public corporations and municipalities.

## Non-financial corporate sector deposit holdings

	Change (R billions)							Percentage of total M3 deposit holdings <sup>1</sup>
	2019	2020	2021	2022	2023	2024	2025 <sup>4</sup>	
<b>Total corporate sector<sup>2</sup></b>	109.5	203.0	105.0	278.4	230.8	212.5	36.8	63.0
<b>Of which: Non-financial companies (NFCs)</b>	65.0	166.9	63.0	129.3	95.9	186.1	-1.1	31.6
<i>Rand deposits:</i>								
<i>Public NFCs</i>	12.4	18.5	9.0	-6.0	-6.2	24.4	-23.8	2.7
<i>Private NFCs</i>	40.4	130.0	45.6	125.4	104.7	145.5	14.7	26.3
<i>Foreign currency deposits<sup>3</sup></i>	12.2	18.3	8.5	9.8	-2.6	16.2	7.9	2.6
<b>Total M3 deposits</b>	<b>218.0</b>	<b>354.9</b>	<b>234.4</b>	<b>374.5</b>	<b>361.6</b>	<b>341.6</b>	<b>97.0</b>	

1 As at 30 June 2025

2 Includes non-financial and financial companies

3 Includes foreign currency-denominated deposits of both private and public NFCs

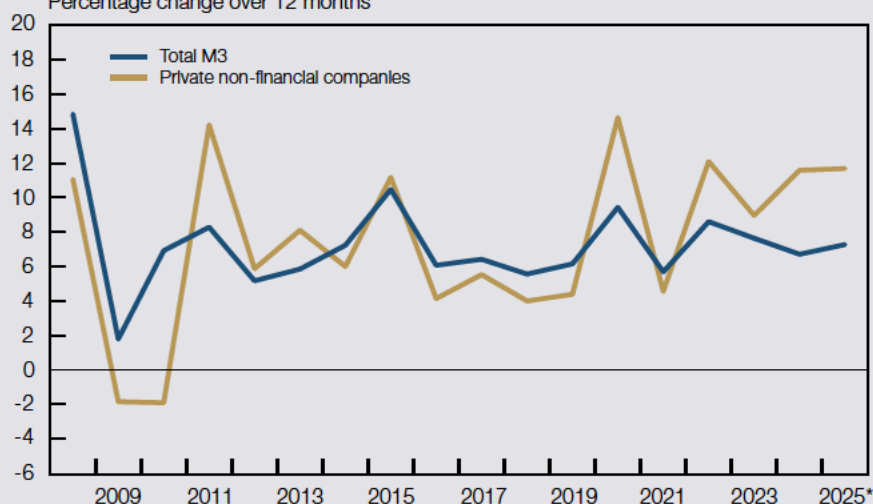
4 Change from January to June 2025

Source: SARB

With the onset of the coronavirus disease 2019 (COVID-19) pandemic, NFCs increased their deposit holdings by R166.9 billion in 2020, representing 82.2% of the increase in total corporate sector deposits. Private NFCs contributed R130.0 billion to this increase, reflecting liquidity strategies amid heightened domestic and global uncertainty at the time. Although the deposit holdings of NFCs increased further in 2022 and 2023, their contribution to the increase in total corporate sector deposit growth declined significantly to 46.4% and 41.6% in these two years respectively as the contribution of financial companies increased sharply. Thereafter, NFC deposit holdings increased by an all-time high of R186.1 billion (87.6% of the increase in total corporate sector deposits) in 2024, primarily due to a substantial increase in private NFC deposit balances, with public NFC deposits also expanding notably relative to their historical pattern. Private NFC deposits then increased by R14.7 billion in the first six months of 2025, compared with increases of R10.9 billion and R1.6 billion over the same period in 2024 and 2023 respectively.

## Nominal deposit holdings

Percentage change over 12 months



\* Percentage change from June 2024 to June 2025

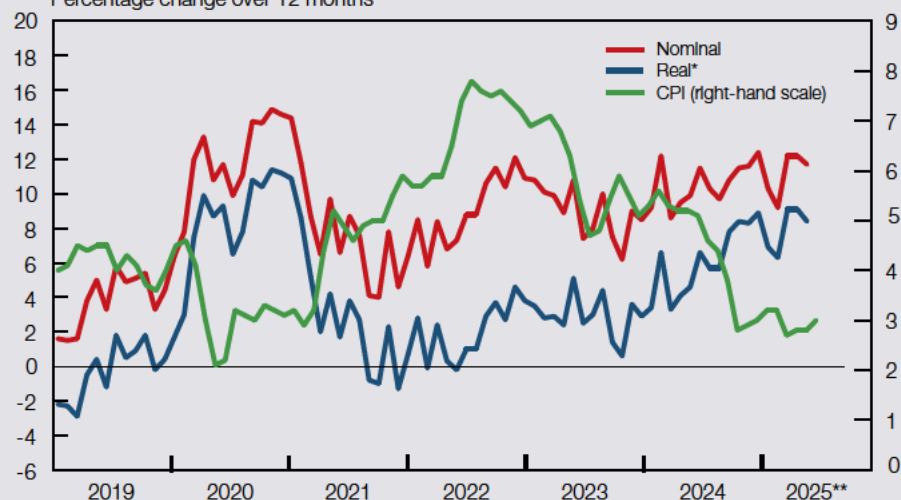
Source: SARB

Annual average growth in the nominal deposit holdings of NFCs shows notable fluctuations, with the pronounced peaks recorded in 2011, 2015 and 2020 reflecting sector-specific responses to macroeconomic shocks and uncertainty.



## Deposit holdings of private non-financial companies and the consumer price index

Percentage change over 12 months



\* Deflated with the consumer price index

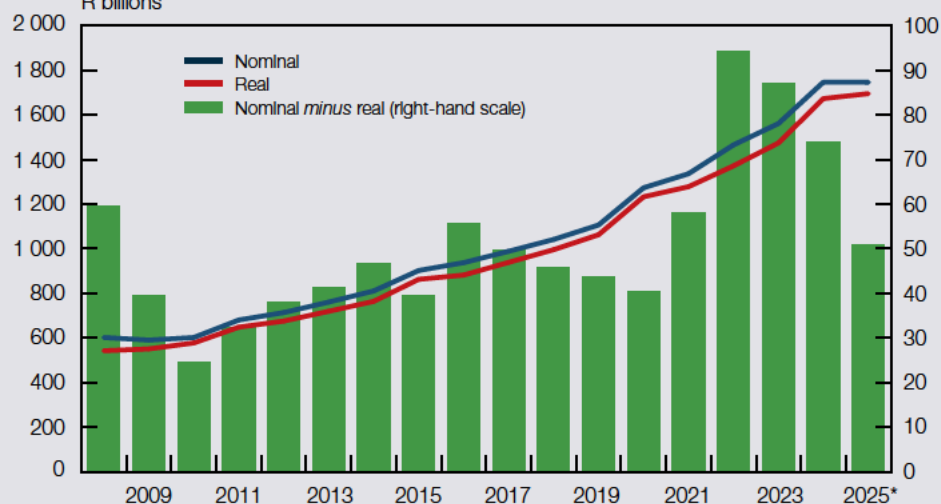
\*\* As at June 2025

Source: SARB

While growth in the nominal deposit holdings of NFCs may indicate changes in their liquidity and/or savings behaviour, these changes may also reflect rising consumer price inflation and/or structural changes in the economy. Growth in the nominal value of deposit holdings significantly outpaced growth in real deposit holdings between 2021 and 2023 when consumer price inflation was elevated, suggesting that much of the increase in nominal deposits may have been driven by higher inflation rather than increased liquidity or savings preference during that period. Subsequently, from 2024 to mid-2025, the gap between nominal and real deposit growth narrowed as consumer price inflation slowed.

## Private non-financial company deposits

R billions

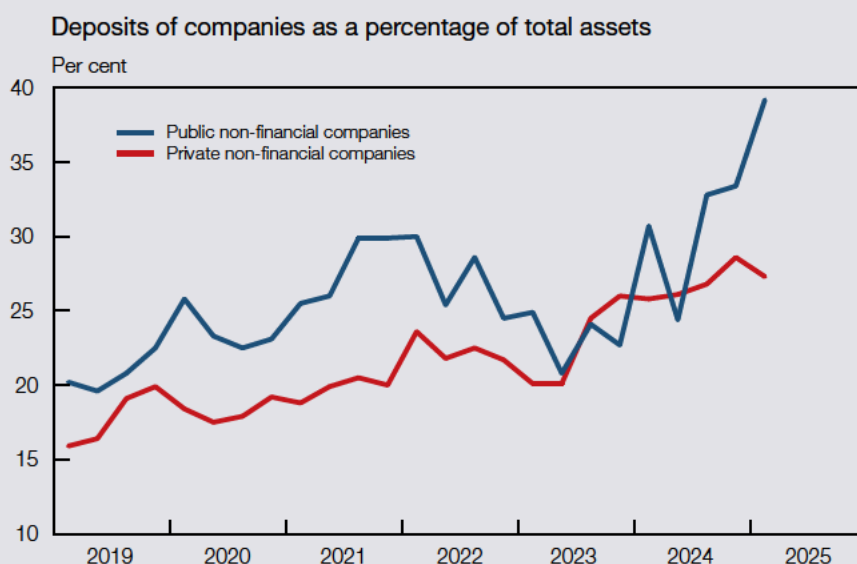


\* As at June 2025

Source: SARB

Viewed in isolation, deposit accumulation may suggest rising liquidity, without knowing whether it reflects precautionary savings, deferred investment or structural shifts in financial management. However, comparing the deposit holdings of NFCs relative to their total assets helps to determine whether companies are becoming more liquid relative to their size.

The ratio of public NFC deposits to their total assets increased from 20.2% in the first quarter of 2019 to 30.0% in the first quarter of 2022 before declining to 20.8% in the second quarter of 2023. Subsequently, the ratio increased sharply to 39.2% in the first quarter of 2025. This upward trajectory likely reflects elevated risk aversion, the deferral of capital expenditure and structural realignment aimed at strengthening balance sheet resilience. For private NFCs, the ratio exhibited less volatility but nonetheless rose steadily from 15.9% to 27.3% over the same period, suggesting a gradual augmentation of liquidity buffers, potentially in response to tightening credit conditions. The strong upward trend in the ratios of both subsectors since mid-2023, coupled with declining price pressures, implies a broader recalibration of corporate liquidity requirements, with implications for investment, credit intermediation and monetary transmission. Sustained high deposits-to-assets ratios may signal deferred investment but also provide a buffer against future shocks.



Source: SARB

The relationship between NFC deposit holdings and nominal gross domestic product (GDP) is critical in this analysis as it encapsulates both precautionary liquidity behaviour and cyclical economic dynamics. In 2020, deposit holdings expanded notably while nominal GDP contracted sharply – a pattern consistent with precautionary balance sheet strengthening in response to the acute uncertainty triggered by the COVID-19 pandemic. By contrast, 2021 saw a pronounced rebound in nominal GDP growth, temporarily exceeding deposit growth as companies resumed investment and operational activities. From mid-2022 onwards, however, deposit growth has persistently and substantially been outstripping nominal GDP growth, indicative of a renewed shift towards conservative liquidity management in a context of moderating economic growth. This divergence likely reflects the interplay of sustained uncertainty, weak business confidence and the postponement of capital expenditure.

The deposit holdings of NFCs can also be influenced by investment decisions, as reflected in the trends in gross fixed capital formation (GFCF). From 2019 to early 2025, private and public NFCs displayed divergent investment and liquidity patterns. Private NFC investment was stable before COVID-19 but plunged in early 2020 while deposits surged, likely reflecting a significant liquidity focus amid heightened uncertainty as most economic activity, including construction, was forbidden by the national lockdown restrictions. From 2021 to 2023, private investment rebounded while deposits increased further, suggesting a post-pandemic shift towards maintaining precautionary deposit buffers alongside renewed capital investment. However, from the fourth quarter of 2023, the deposit holdings of private NFCs and their GFCF diverged sharply, reflecting increased global and domestic uncertainty as well as the slowdown in South Africa's nominal GDP growth.

By contrast, fixed investment by public NFCs declined even before the pandemic while their deposits increased sharply, likely reflecting large funding inflows and delayed project execution. The recovery in public investment has been slow and protracted, with deposits generally drawn down before rising sharply again in 2024.

These differences highlight the contrast between market-driven private NFC behaviour and policy-driven public NFC behaviour.





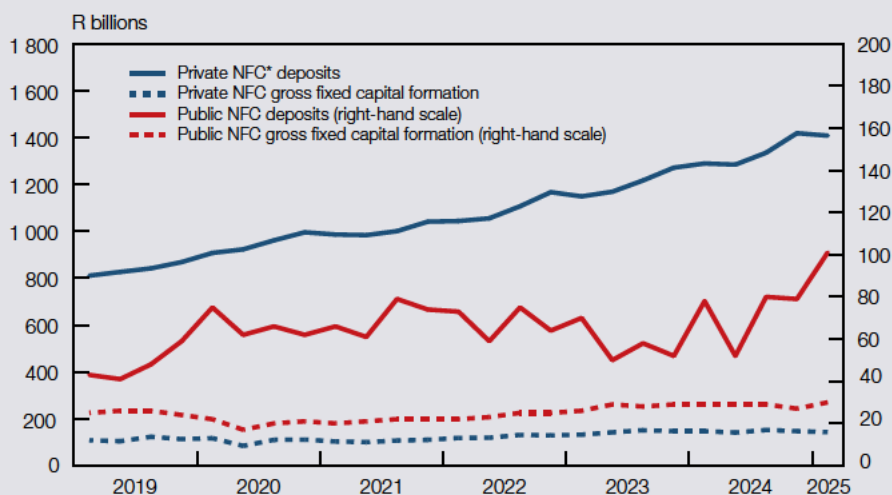


## Nominal deposits of private non-financial companies and gross domestic product



Sources: Stats SA and SARB

## Nominal deposits and gross fixed capital formation of non-financial companies



\* Non-financial company  
Source: SARB

The analysis indicates that changes in the deposit holdings of South African NFCs are largely shaped by macroeconomic conditions, business cycle dynamics and nuanced sector-specific operational strategies. While it may seem at times that companies are hoarding deposits or accumulating excess cash, they are generally responding rationally to prevailing macroeconomic conditions and balance sheet risks. Immediately after COVID-19, companies increased their liquidity against a backdrop of higher interest rates and inflation, leading to higher deposits-to-assets ratios. Subsequently, with lower inflation and subdued nominal GDP growth, the divergent trend between the deposit growth of especially private NFCs and nominal GDP as well as GFCF reflected not only precautionary measures in an environment of heightened uncertainty and subdued business confidence, but also a rational response to cautiously assessing fixed investment decisions in light of weak domestic economic activity and structural constraints.