

SOUTH AFRICAN CONSUMER SPEND:

AUGUST 2019



HALF OF MIDDLE-INCOME SOUTH AFRICANS SPEND THEIR MONTHLY SALARY WITHIN 5 DAYS



New data from FNB shows that middle-income South Africans rely heavily on debt with some using as much as a quarter of their monthly income to pay interest on debt.

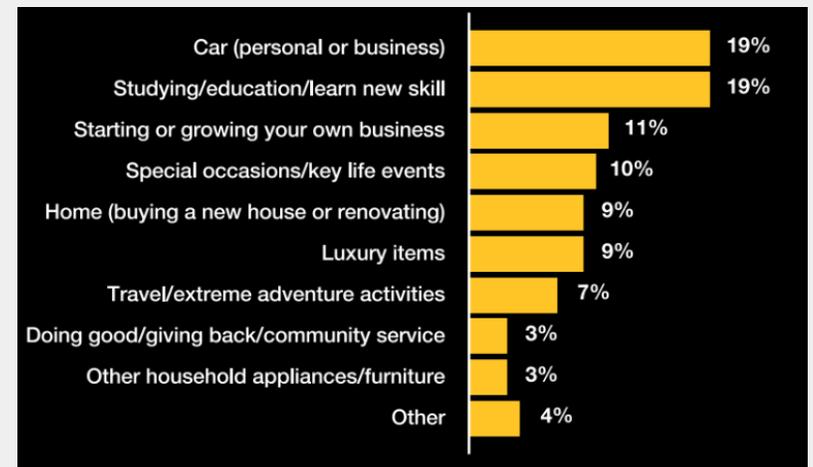
Doret Jooste, CEO of FNB's Money Management unit said: "Over the last year, our stats showed that more than half of middle income consumers spend their income in less than five days after receiving it. If you're not intentionally saving for something special, chances are that money will be spent.

"These customers are also heavily reliant on debt with some using as much as 25% of their income monthly income to pay interest on debt. This further limits families' capacity to save."

A survey published by World Wide Worx, and commissioned by TymeBank, showed that while many South Africans have a monthly budget, 76% still run out of money before the end of the month.

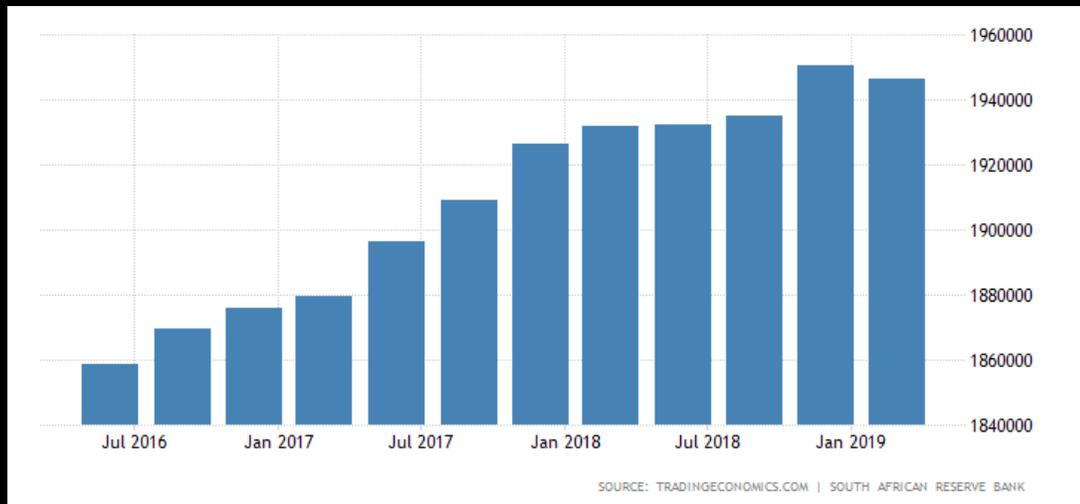
The survey found that 43% of people borrow money to get through the rest of the month after they run out. Only 9% of those surveyed turn to banks to help them make it through the month, 20% use credit cards and 59% resort to borrowing money from family and friends.

The most common goal, especially for those under 35, is to save up for a car (19%) and to study or learn a new skill (19%). One in 10 intend to start or grow a business and 9% want to buy or renovate a home, the survey found



SOUTH AFRICAN CONSUMER SPENDING

Consumer Spending in South Africa decreased to 1946237 ZAR Million in the first quarter of 2019 from 1950359 ZAR Million in the fourth quarter of 2018. Consumer Spending in South Africa averaged 943055.10 ZAR Million from 1960 until 2019, reaching an all time high of 1950359 ZAR Million in the fourth quarter of 2018 and a record low of 260612 ZAR Million in the first quarter of 1960.

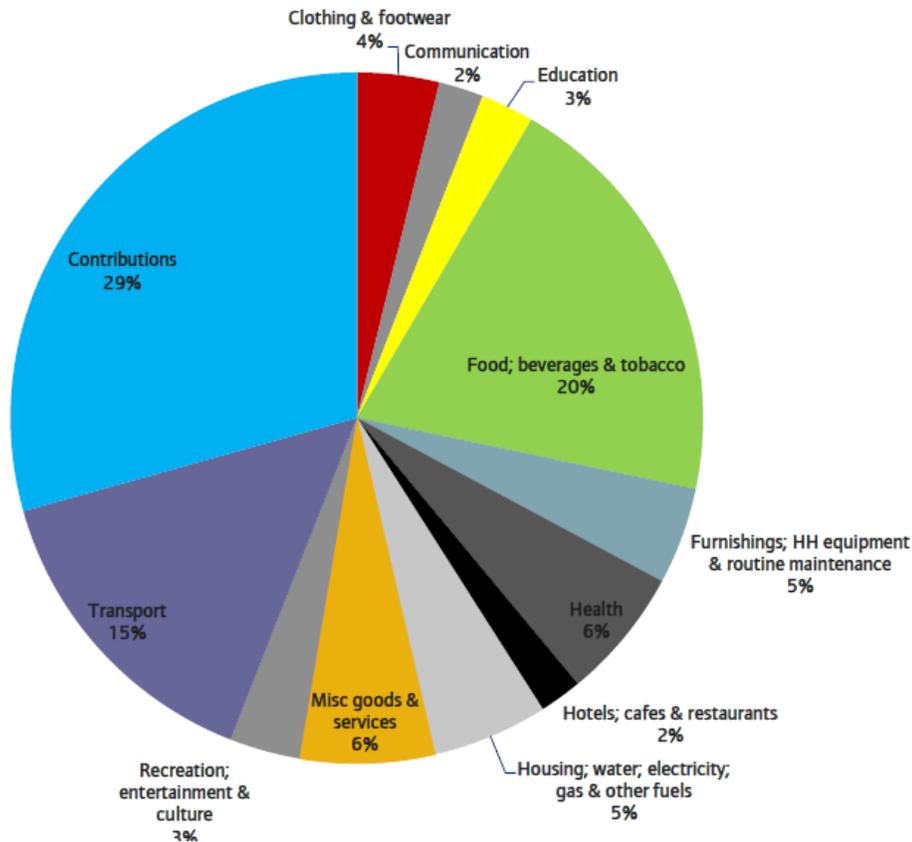


South Africa Consumer	Last	Previous	Highest	Lowest	Unit
Consumer Confidence	5.00	2.00	26.00	-33.00	Index Points
Retail Sales MoM	0.30	0.10	4.60	-5.10	percent
Retail Sales YoY	2.40	2.30	15.50	-6.30	percent
Consumer Spending	1946237.00	1950359.00	1950359.00	260612.00	ZAR Million
Disposable Personal Income	2994423.00	2978037.00	2994423.00	3520.00	ZAR Million

HOW SOUTH AFRICANS SPEND THEIR MONEY EACH MONTH

Household expenditure patterns 2015

Source all charts: BMR, (2015), Standard Bank Research



- A new report by Standard Bank reveals the monthly spending habits of households in South Africa. The bank notes that **62.3% of households fall within the poorest income bracket – below R86,000 per annum**, while middle income groups (R86,001- R1.48 million per annum) comprise a combined 26.4% of South African households.
- The largest components of household expenditure are **food, beverages and tobacco (20%) and contributions**, which refers to instalment type payments and includes medical aid, insurance and pension fund contributions (29%).
- **Transport comprises 15% of aggregate household expenditure.** This includes petrol and purchases of new vehicles.
- **Health accounts for 6% and housing, electricity, gas and fuels for 5% of aggregate household spending.**
- **Education is only 3% of spending.** This includes primary, secondary and tertiary education.
- Up to **60% of household spending is on essential items and 40% on non-essential items.**
- The bank found that **59% of expenditure by low income households is on non-durable goods, primarily food, making these households more susceptible to food inflation.**

SOUTH AFRICANS ARE SPENDING LESS ON THEIR WEEKLY SHOPPING TRIP...



“South African shoppers are spending less, but are still stretching their wallets”

South Africans spend around R11,650 on groceries annually – a 10% decline compared to July 2018.

This spend is spread out across 60 shopping trips a year, with the average basket value being R194 – R15 less than in July 2018.

South Africans are spending more on: Toilet paper, Soya-based substitutes, Canned pilchards, Soap, Personal care, Baby, Ready-to-eat cereals

In comparison, they are spending less on: Maize meal, Fresh/Frozen chicken, Chilled processed meats, Flour, Cooking oil

South Africans are increasingly shopping on promotion, with 40% of respondents stating that they read newspaper broadsheets for specials, while 65% said that they actively compare prices across brands.

EVEN THE RICH ARE FEELING THE PINCH

- Nearly half of households that earn R40,000 per month or more are now shopping at cheaper supermarkets, and **40% say they're looking at cheaper grocery brands**
- **49% of South African households that earn R40,000 per month or more are shopping at cheaper supermarkets now**
 - up from 41% a year ago – and just 31% in 2016
- Among the R40,000 plus households, **87% said they are on the lookout for discounts and specials** as a way to save money.
- **Meanwhile rich and poor alike are trying to cut down on clothing and shoe spending**
 - 42% said they were cutting back on that kind of spending – and the number was slightly higher for R40,000 plus households.
- **43% of younger people**, the so-called Generation Z group, said they were **cutting back on the expenses of having people around to entertain** at their homes
- Those who buy cellphone data and airtime said they were looking at cutting down on those expenses in 34% of [the interviews] and again the number was slightly higher for R40,000 plus households.



...& ARE SKILLED BARGAIN HUNTERS

South African households have been hard-hit by recent price increases – to the point where consumers remove up to three grocery categories from their repertoire and reduce shopping frequency.

Spiralling petrol and electricity costs, the implementation of sugar tax and a VAT increase to 15% has seen shoppers bombarded by a storm of rising prices and shrinking shopping baskets.

While more South Africans participated in the Black Friday shopping event in 2018 compared to the preceding year, the average spend per consumer dropped noticeably.

SOUTH AFRICANS ARE BUYING LESS...

Last year, almost a third of all consumer products were sold at discounted prices - which is one of the highest rates in the world



A survey by the research agency Nielsen shows that more promotions are "training" consumers to only buy on sale.



This is making them resistant to "normal" prices - and backfiring on retailers and producers.

South African shoppers are "obsessed" with discounts, and that this is starting to hurt shops and producers.

75% of South Africans now know the prices of the grocery items they buy and notice changes in price, from 69% in 2017. Financial strain has led to consumers seeking financial relief and the first casualty of their desire to ease their financial strain is discretionary spending, which has taken a toll on their grocery baskets. Unfortunately, this 'money's too tight to mention' scenario has also seen South African shoppers prone to severe cases of Promo FOMO (fear of missing out)

Almost a third of consumer now search for promotions and 16% go so far as changing stores for a brand they prefer, based on the best promotions on offer. Some 22% of South Africans state that they change stores based on the best discounts on offer.

BLACK FRIDAY DISAPPOINTMENT

Income levels and access to credit must be considered as primary influencers of sale participation

EXCESSIVE EXPECTATION BUILD-UP BACKFIRING

The local hype and build-up towards Black Friday was rampant.

However, the build-up towards the day turned out to be larger than life. With discounts averaging 20% in stores and online, many consumers were left disappointed

The framing and expectation build-up surrounding Black Friday were disproportional to the sales discounts actually on offer on the day. Consumers were primed by the promise of massive discounts: in the US, discounts of 80% are commonplace on the day.

In reality, South Africans were left frustrated, holding off on further shopping after realising the promise of significant sales discounts was exaggerated.

MISSING OUT ON SCARCITY & URGENCY IN SALES PROMOTIONS

Discounts were on offer during the entire month, thereby diminishing the once-off special and never-before-seen appeal of Black Friday

Consumers tend to react to the idea of scarcity and urgency: When an item is in short supply, we tend to view it as more valuable.

In this case, however, South African consumers were becoming familiar with the idea of seeing sales in stores; diminishing the rush and urgency of buying a specific product before the sale concludes

The familiarity associated with discounting in stores and online meant consumers would not buy a product unless its price dropped even further.