

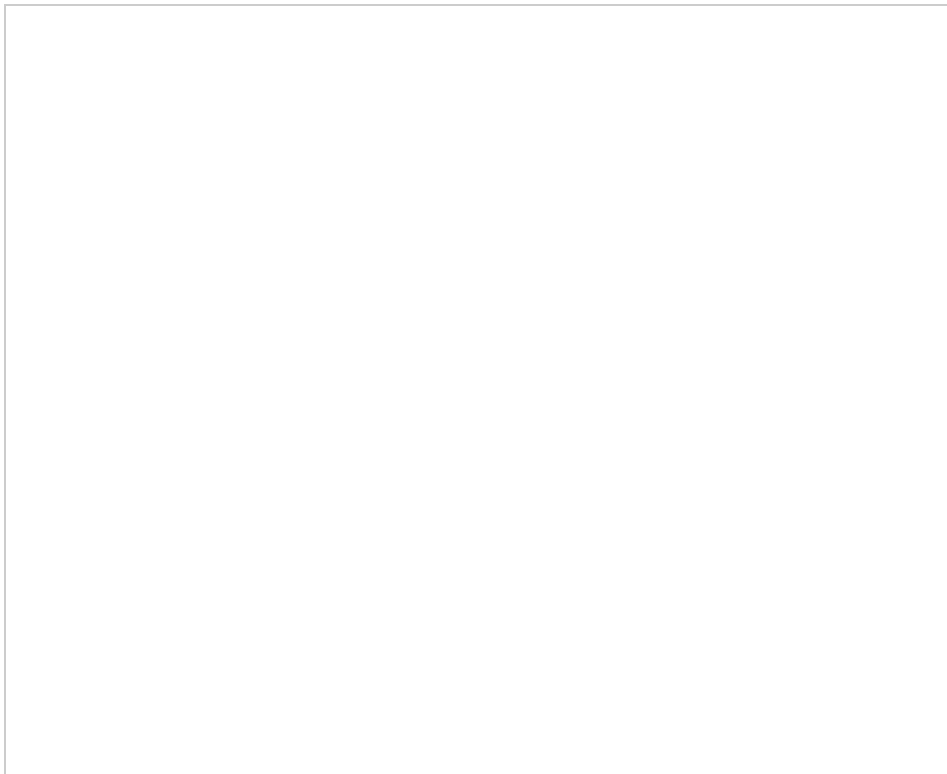
Anxious South Africans to cut spending as impact of Covid-19 unfolds

According to a new survey from McKinsey & Company, 81% of South Africans said they were either uncertain or pessimistic about the country's economic recovery after Covid-19, compared to 72% in March. This is a trend that began pre-Covid-19, which mirrored the grim economy landscape that has deteriorated with the pandemic.



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The McKinsey & Company research looked at South African consumer sentiment during the Covid-19 crisis, based on data collected from 21 to 24 April 2020. This is the second McKinsey survey that measured consumers' behaviour, spending and expectations for the future as the economic impact of the pandemic continues to unfold.



Top concerns for South Africans

According to the survey results, the state of the economy, public health and uncertainty about the duration of the situation are top concerns for consumers at 83, 80 and 80% respectively, whilst Covid-19's impact on future events was of least concern at 50%.

The vast majority of South Africans, at 89%, said they believed their personal and financial implications of Covid-19 would last beyond two months whilst 22% believe it will last beyond a year.



#Covid-19: Top concerns for South African consumers

Borderless Access 21 Apr 2020



More than 60% of South Africans said they have experienced a loss of income during the crisis and expect to cut back aggressively on spending in all categories except groceries and home entertainment, with 65% refraining from making purchases they would otherwise make, due to uncertainty about the economy.

However, these concerns also existed pre-Covid-19 based on the 2019 McKinsey's Global Consumer Sentiment Survey, an annual survey taken by more than 20,000 people across 19 markets, where almost half of all respondents in South Africa (48%) said that they were living pay cheque to pay cheque, the highest value of all countries surveyed.

Though South Africa is at an earlier stage in the Covid-19 crisis than many other markets, it has exacerbated the consumers' concerns. South African consumers are some of the most anxious in the world, notes McKinsey & Company.



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8 May 2020



New appreciation for digital and low-touch activities

South Africans are not shifting to online channels as rapidly as other markets due to the shutdown in e-commerce, but they are trying new stores and new brands. An increase in online shopping is only expected for online entertainment such as Netflix.

Consumers expect to spend more time cooking, watching movies, and using social media and have started new digital and low-touch activities, including remote learning, online fitness and grocery delivery. Online streaming has seen the greatest increase in existing users at 42% whilst remote learning for children has seen the greatest increase in first-time adopters at 14%.

Looking beyond Covid-19, consumers expect to decrease their in-person activities such as travel, going to malls, movies and concerts by around 20%. Consumers say they expect their online shopping behavior to increase only by 7%. Consumers' online grocery shopping behaviour is only expected to increase by 7% relative to pre-crisis levels, but non-grocery online shopping and working from home are expected to increase by around 20%.

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