

Consumer spending growth in SA steadied in 2023, report shows

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Consumer spending growth in South Africa steadied in 2023 after the previous year's post-pandemic surge, but expected interest rate cuts will encourage more purchases in 2024, executives from Visa and Discovery Bank said on Thursday, 4 April 2024.



Source: Reuters

Recent retail results show that consumers are under financial pressure as high interest rates increase the cost of debt and inflation pushes food prices higher.

Releasing their latest SpendTrend24 report, Discovery's banking unit and Visa said that while consumer spending in South Africa outpaced inflation by 19 percentage points in 2022, the two measures were closely matched last year.

Spending on food, including groceries, takeout and dining out, increased in most South African cities, by an average of 8% in 2023 compared to a 16% increase the year before, the report said.

More broadly, in South Africa and four other emerging market countries that were part of the survey - Nigeria, Ghana, Brazil and Vietnam - a larger part of household budgets went on essentials like groceries and fuel, with less spent on non-essentials like travel.

The report also showed that spending is rising among affluent and high net worth consumers, with a slight decrease in the mass segment due to rising living costs.

"Our latest research highlights that throughout 2023, global economies navigated a complex path of post-pandemic revival, framed by persistent inflation and high interest rates," Discovery Bank's chief executive officer Hylton Kallner said.

"These challenges pushed up the cost of living, prompting consumers to adjust their spending habits."

South Africans are increasingly using their mobile phones to pay for goods instead of physical cards, according to the report, with adoption rates matching or surpassing those of international cities.

The country's central bank paused its tightening cycle in July for the first time since November 2021 and economists expect rates to fall from the second half of this year.

Kallner said the expected interest rate reductions would result in higher disposable income for consumers, although they will continue to prioritise getting the most value for their money.

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