

SURVEY PUBLICATION | FIRST QUARTER 2024

Consumer Confidence

Quarterly analysis of consumer expectations

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EDITOR:

Linette Ellis

✉ linetteellis@mweb.co.za
☎ +27 (21) 808 9772

TECHNICAL ASSISTANCE:

Nicolaas van der Wath

Please refer to the glossary on the BER's **website** for explanations of technical terms.

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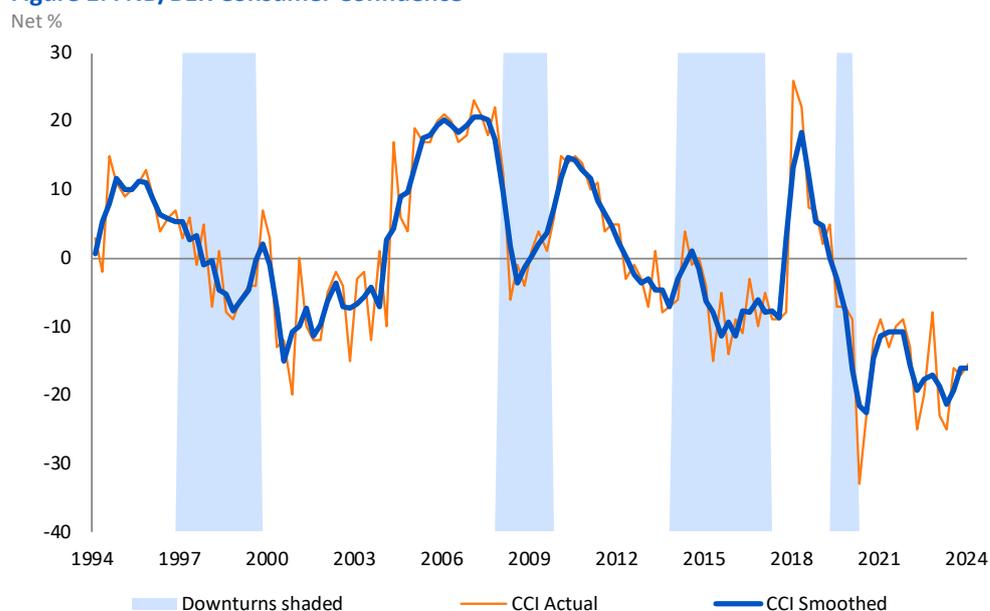
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Confidence levels of high-income consumers edged up during the first quarter

After slipping from -16 to -17 index points in the fourth quarter of 2023, the FNB/BER Consumer Confidence Index (CCI) improved to -15 in the first quarter of 2024.¹

Given a long-term average CCI reading of zero (since 1994), the latest reading of -15 points to a consumer still under pressure. However, heading into 2024, consumer sentiment is significantly higher than the -23 reading recorded during the first quarter of 2023 when stage-6 load-shedding, surging food prices, and successive interest rate hikes rocked consumer confidence. This suggests that retail sales volumes could gradually start to recover from the dismal performance during 2023.

Figure 1: FNB/BER Consumer Confidence



Source: BER, SARB

¹ The first quarter CCI survey was conducted by means of a telephone call survey between 26 February and 8 March 2024.

DETAILS

The uptick in the CCI during the first quarter of 2024 can be ascribed to a recovery in the economic outlook sub-index of the CCI (following a slump in the fourth quarter) and a (further) improvement in the household financial outlook sub-index. Having declined from -22 to -28 in the fourth quarter, the economic outlook sub-index bounced back to -22 in the first quarter. The household finances sub-index, in turn, posted a third consecutive increase, rising from +3 to +8 in the first quarter. However, the sub-index measuring the appropriateness of the present time to buy durable goods (e.g., vehicles, furniture, household appliances and electronic goods) retreated from -25 to -30, paring the gains on the overall CCI.

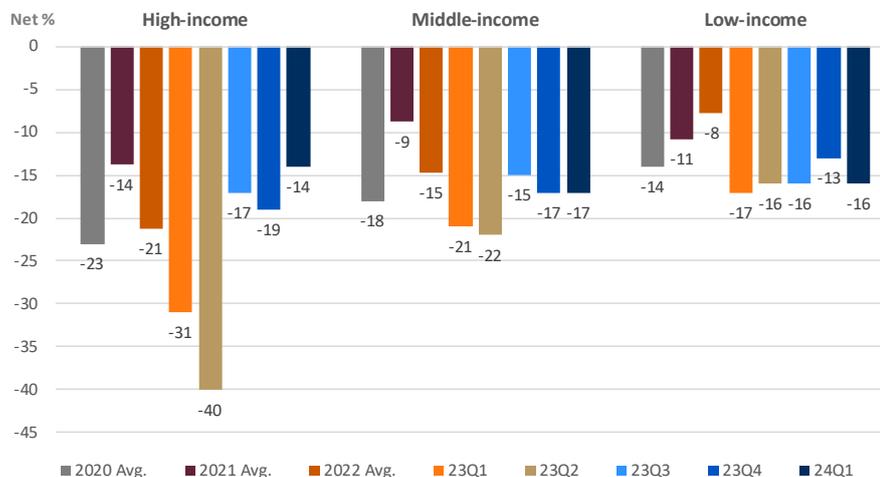
	20Q1	20Q2	20Q3	20Q4	23Q1	23Q2	23Q3	23Q4	24Q1
Overall FNB/BER CCI	-13	-25	-20	-8	-23	-25	-16	-17	-15
Economic outlook	-18	-39	-31	-19	-34	-37	-22	-28	-22
Household financial outlook	8	-5	-2	13	-1	-2	-1	3	8
Suitability of the present time to buy durable goods	-28	-32	-28	-17	-34	-35	-26	-25	-30

Source: BER

A breakdown of the CCI per household income group shows that the slight improvement in overall confidence was driven by an uptick in the confidence levels of high-income households (earning more than R20 000 per month). High-income confidence rose from -19 to -14 index points on the back of significant improvements in high-income consumers' ratings of the outlook for the national economy and their own household finances.

In contrast, the confidence levels of middle-income households (earning between R5 000 and R20 000 per month) remained unchanged at -17 index points, while the confidence of low-income households (earning less than R5 000 per month) slipped back from -13 to -16. All three income groups still consider the present time as highly inappropriate to purchase durable goods (even more so than during the previous quarter), but high-income households turned noticeably more optimistic about their financial prospects (+13) compared to middle- (+6) and low-income (+5) households.

Figure 2: Consumer confidence per income group



Source: BER

Significantly lower levels of load-shedding and a deceleration in inflation - particularly on the food price front - likely supported consumer confidence during the first quarter. However, job losses² in the fourth quarter and renewed fuel price hikes in February and March probably countered some of these positive developments, particularly for low-income households. The tightening in fiscal policy announced in the February Budget Review probably also clipped consumer confidence. No inflationary adjustments were made to personal income tax brackets in the February budget, implying that bracket creep through inflation-linked salary increases will erode the real disposable income of taxpayers (i.e., mainly middle- and high-income households). Furthermore, the Budget Review did not contain any increase in the R350 per month Social Relief of Distress (SRD) grant, which would have translated into reduced purchasing power for the 9 million SRD grant recipients (i.e. low-income earners). However, on 13 March (after the fieldwork for the first quarter CCI had been completed), Finance Minister Enoch Gondwana announced that the SRD grant would indeed be increased by R20 (5.7%) from 1 April, adding approximately R2.2 billion per year to the spending power of poor households.

Interestingly, in contrast to the other two sub-indices of the CCI, consumers' rating of the present time to buy durable goods deteriorated further in the first quarter. Above-inflation increases in vehicle prices, a very weak rand exchange rate at the time of the CCI fieldwork and the realisation that interest rates are unlikely to be cut during the first half of 2024 probably prompted consumers to postpone their durable goods purchases. According to Statistics South Africa, vehicle prices increased 7.2% year-on-year in January (well above the CPI inflation rate of 5.3%). Furthermore, when the fieldwork for the CCI commenced, the rand traded at a very weak level, around R 19.30/\$, likely triggering expectations of further price hikes for imported durable goods.

BOTTOM LINE

The uptick in the confidence of high-income consumers is good news for the retail sector, as affluent consumers have greater spending power than low- and middle-income consumers. Coupled with a deceleration in inflation, improved consumer sentiment should bolster retail sales volumes somewhat in coming months. The muted recovery in the FNB/CCI corresponds with the marginal increase in retail sales volumes reported in the BER's Retail Survey during the first quarter of 2024. However, across the board, consumers remain wary about splurging on big-ticket items, suggesting that durable goods sales will underperform relative to the other consumption categories during the first half of 2024.

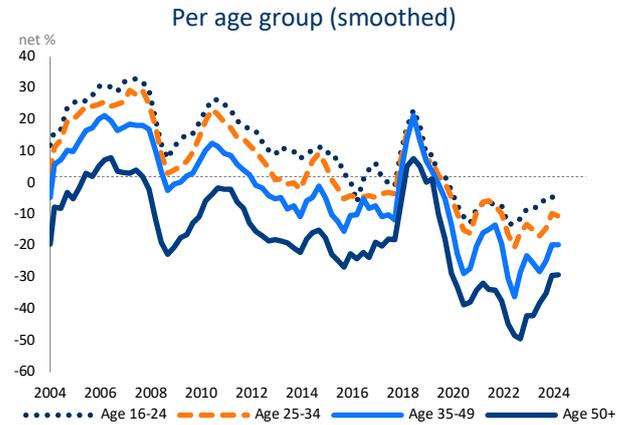
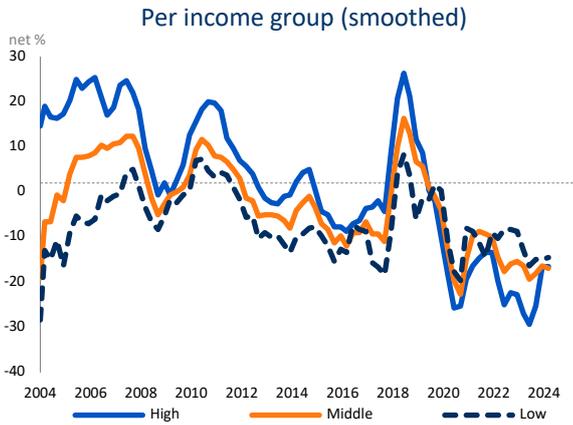
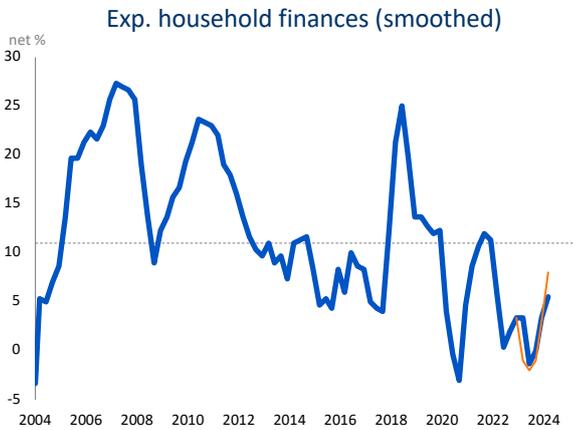
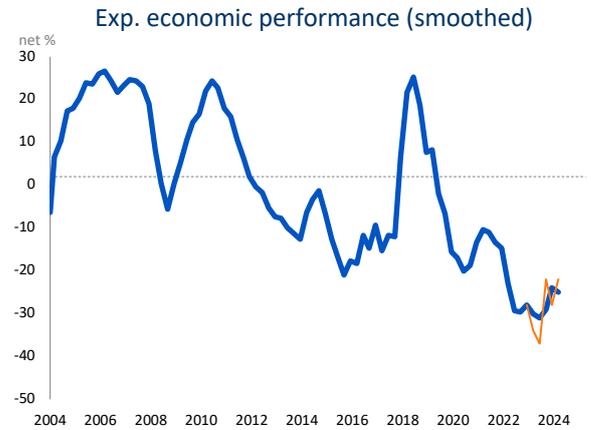
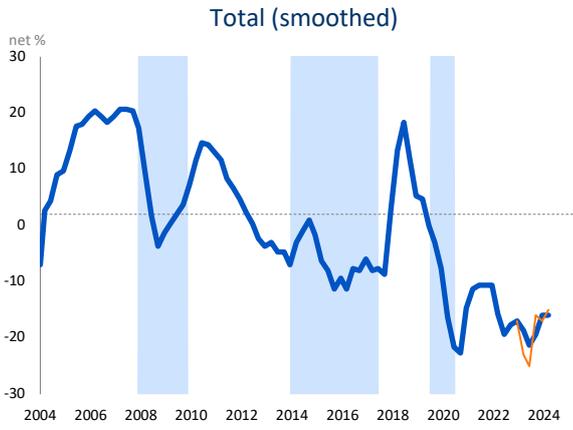
² The Quarterly Labour Force Survey shows that 809 000 jobs were created during the first three quarters of 2023, but 22 000 jobs were subsequently lost in the fourth quarter.

Survey results

CONSUMER CONFIDENCE

Indicator	Unit	$\mu-\sigma$	μ	$\mu+\sigma$	22Q2	22Q3	22Q4	23Q1	23Q2	23Q3	23Q4	24Q1	Δ	σ_{Δ}
Composite														
Total	Net %	-13	0	14	-25	-20	-8	-23	-25	-16	-17	-15	2	9
Expected economic performance	Net %	-19	0	19	-39	-31	-19	-34	-37	-22	-28	-22	6	12
Expected household finances	Net %	3	12	22	-5	-2	13	-1	-2	-1	3	8	5	9
Time to buy durables	Net %	-27	-12	4	-32	-28	-17	-34	-35	-26	-25	-30	-5	9
Per income group														
High	Net %	-15	2	19	-30	-27	-10	-31	-40	-17	-19	-14	5	10
Middle	Net %	-13	-2	9	-23	-19	-6	-21	-22	-15	-17	-17	0	9
Low	Net %	-16	-6	3	-16	-3	-6	-17	-16	-16	-13	-16	-3	12
Per age group														
Age 16-24	Net %	-4	10	25	-23	-7	-4	-14	-6	-2	-6	-5	1	9
Age 25-34	Net %	-9	6	20	-27	-17	-3	-19	-23	-8	-12	-9	3	9
Age 35-49	Net %	-18	-2	14	-47	-26	-12	-31	-33	-20	-21	-18	3	10
Age 50+	Net %	-32	-16	0	-62	-44	-42	-40	-44	-30	-31	-27	4	10

CONSUMER CONFIDENCE



Technical note

THE CONSUMER CONFIDENCE SURVEY METHOD

Consumer opinion surveys (COS) provide regular assessments of consumer attitudes and expectations and are used to evaluate economic trends and prospects. The surveys are designed to explore why changes in consumer expectations occur and how these changes influence consumer spending and saving decisions.

The FNB/BER consumer confidence index (CCI) combines the results of three questions posed to adults in South Africa, namely the expected performance of the economy, the expected financial position of households and the rating of the suitability of the present time to buy durable goods, such as furniture, appliances and electronic equipment.

Until the second quarter of 2019, the FNB/BER CCI was based on face-to-face interviews of between 2 000 and 2 500 urban adults. The BER switched to telephone call surveys in the third quarter of 2019. The 500 respondents are representative of the racial and household income composition of the urban adult population of South Africa. Internationally, the majority of CCIs is based on telephone call surveys. The results per home language, LSM group and province are no longer produced.

Consumer confidence is expressed as a net balance. The net balance is derived as the weighted percentage of respondents expecting a considerable or slight improvement / good time to buy durable goods less the percentage expecting a considerable or slight deterioration / bad time to buy durable goods. The percentage replying “remain the same” or “neither a good nor a bad time” is ignored.

A low level of confidence indicates that consumers are concerned about the future. They may be worried about job security, pay raises and bonuses. With such a frame of mind, consumers tend to cut spending to basic necessities (e.g. food and services) to free up income for debt repayment. If confidence is high, consumers tend to incur debt (or reduce savings) and increase spending on discretionary items, such as furniture, household equipment, motor vehicles, clothing and footwear. Some of these items are often financed on credit. Spending on these items declines when confidence is low, as households can generally delay their purchase without experiencing an immediate deterioration in living conditions.

A rise in consumer confidence reflects an increased willingness of consumers to spend. However, this willingness only translates into actual sales if consumers’ ability to spend improves. Their ability to spend depends on their inflation adjusted after-tax income and the availability of credit. A rise in consumer confidence could therefore result in an upturn in household consumption spending in general and retail and motor vehicle sales in particular if their ability to spend improve and/or credit extension rise in step. The opposite applies when the level of consumer confidence declines.

Consult the BER web page (www.ber.ac.za) for more information about the consumer opinion survey method.