

Consumer confidence drops

Results of the MasterIndex survey of Consumer Confidence for the second half of 2005 have revealed a decrease of nearly 15% in six months in overall South African consumer confidence. The South African MasterIndex declined from 83.5 in February to 71.2 in August this year out of a possible index of 100. This is the first drop in South African consumer confidence since the MasterIndex survey began in early 2004.

Eddie Grobler, senior vice president and general manager, MasterCard Southern Africa, says: "This survey result indicates that South African consumers are still confident about their prospects for the next six months - however, the level of optimism has dropped significantly since February this year and August 2004."

Commissioned by MasterCard International and conducted bi-annually in selected markets in the South Asia, Middle East and Africa (SAMEA) region, the survey analyses consumers' perceptions of economic conditions over the next six months.

The countries surveyed include South Africa, Egypt, Kuwait, Lebanon, Saudi Arabia, United Arab Emirates (UAE) and India. The scores are based on respondents' answers to questions relating to five variables: Employment, Economy, Regular Income, Stock Market and Quality of Life.

South Africa showed a decline in confidence in all five categories surveyed compared to the previous period. The biggest contributors to the overall decline were expectations for Employment, Economy and Stock Market, with these indicators decreasing 26%, 19% and 18% respectively. The remaining confidence indicators of Quality of Life and Regular Income decreased by 9% and 3% respectively.

Of the seven countries researched in the region, South Africa dropped from the fourth to the fifth most optimistic country overall, with Kuwaiti, Saudi, United Arab Emirates and Indian consumers being more optimistic. Only Egyptian and Lebanese consumers were less optimistic than South Africans.

Mike Schussler, chief economist at T-Sec, says: "This can be compared to a marathon runner who is still in the race for top honours but who must pause to tighten his shoelaces. Unfortunately in the process, one of the other runners - India - has passed ahead."

Schussler explained that one of the main reasons for the drop in consumer confidence was the record high oil price and the resulting petrol price increases. Between the two survey periods the price of petrol increased by 142 cents per litre or 33.8%. In September, at the end of the survey, petrol increased in price by another 29 cents per litre.

Although most consumers (45.8%) expected the South African economy to perform better over the next six months, there was a significant decline in this category, with a drop in the index from 85.4 in February to 69.1.

"These latest figures show that consumers feel less confident about the future. I believe that this will slow GDP growth from the current 5% level to around 3.5% in the next quarter or so," says Schussler. "This 3.5% growth would still be healthy and positive, but one certainly feels that the pace is beginning to slack off."

Schussler points towards the latest retail figures showing that real sales growth has already slowed from 5.8% year-on-year in June to 3.2% in August as evidence of this slowdown.

Interestingly, of all the countries surveyed, the survey found that South Africa had the highest number of people who were pessimistic about employment prospects. While 40% of South Africans remained positive when asked "do you expect the employment situation in South Africa to get better, remain the same, or get worse over the next 6 months", just over 30% said they expect it to get worse.

Schussler attributes this to recent news headlines about job losses and food queues, as well as the strike action at Pick'n Pay, SAA and the goldmines. In contrast, only 4.5% of all South Africans feel pessimistic about their regular income. This category showed the smallest decline of only 3% over the past six months.

Strangely, while most consumers are still confident about the overall performance of the stock market, there was a marked decline (18%) in the outlook of the JSE. Grobler attributes this to consumers worrying about the JSE maintaining the record highs it has set recently. He also attributes the 9% decrease in optimism in the Quality of Life indicator to increased housing and transport costs.

"Any confidence index over 50 is positive. While this MasterIndex does show a decline, we have to remember that earlier this year the survey found that local consumer confidence was incredibly high at 83.5. It was unlikely that an improvement on that index could have been achieved," Grobler concludes.

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