

# SA consumers gain glimmer of confidence - MasterCard survey

Following a year of slowing economic growth at home and in the face of an imminent global recession, South Africans remain optimistic about the immediate future of their national economy. This is according to the latest MasterCard Worldwide Index of Consumer Confidence.

Now in its 5th year in South Africa, the biannual Index is based on a survey that measures consumer confidence on prevailing expectations in the market for the next six months. A total of 3,200 consumers were surveyed across the region, between 14 October and 11 November 2008. It is calculated based upon percentage response figures, with zero as the most pessimistic, 100 as most optimistic and 50 as neutral. The scores are based on answers to questions relating to five key economic indicators: Employment, Economy, Regular Income, Stock Market, and Quality of Life.

In addition to South Africa, the other markets included in this survey are Egypt, Kuwait, Lebanon, Qatar, Saudi Arabia, and the United Arab Emirates.

## Growing confidence

With 100 being the highest possible level of consumer confidence, South Africa's current score is 78.7. Although this represents an increase in confidence from six months ago, it is five points below South Africa's score for the first half of 2008 and is also just shy of South Africa's historical average of 79.4. Still, South Africa reported the Middle East and Africa (MEA) region's second highest score—currently only consumers in Kuwait are more optimistic about their market's economy.

## MasterCard Worldwide Index of Consumer Confidence - South Africa 1H 2009

South Africa												
ECONOMIC VARIABLES RATED BY RESPONDENTS	OPTIMISTIC (% OF RESPONSE)	NEUTRAL (% OF RESPONSE)	PESSIMISTIC (% OF RESPONSE)	1H 2009 INDEX SCORE	PREVIOUS INDEX SCORES							
					2H 2008	1H 2008	2H 2007	1H 2007	2H 2006	1H 2006	2H 2005	1H 2005
EMPLOYMENT	61.5	18.8	19.7	75.7	72.9	81.9	81.2	83.3	85.3	56.8	76.6	68.4
ECONOMY	56.5	28.8	14.7	79.4	70.5	81.9	88.2	86.3	91.7	69.1	85.4	82.5
REGULAR INCOME	66.2	26.7	7.2	90.2	87.0	89.0	89.3	96.8	98.0	91.4	94.3	93.6
STOCK MARKET	48.7	32.2	19.2	71.7	69.8	83.0	66.8	83.4	90.9	70.9	86.6	80.7
QUALITY OF LIFE	58.7	23.2	18.2	76.3	71.2	82.9	77.9	82.8	89.8	67.6	74.4	72.9
INDEX OF CONSUMER CONFIDENCE				78.7	74.3	83.7	80.7	86.5	91.1	71.2	83.5	79.6
SAMPLE SIZE				600	601	600	400	400	400	400	400	400

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## Economic faith

When asked whether they expected the economy in South Africa to be better, remain the same, or become worse over the next six months, only 14.7% of the respondents said that they expected it to become worse. When combined with the 56.5% who expect South Africa's economic performance to improve and the 28.8% who expect it to remain the same, the resulting Index score for the Economy came to 75.7. This is up nearly three points from six months ago but still two and a half points short of South Africa's score a year ago.

“One gets the sense that South African consumers feel relatively optimistic about the next six months,” said Jeni Webber, country manager, South Africa, MasterCard Worldwide. “Government leaders, bankers, and analysts have, in general, been saying that the South African economy will not see a major downturn, as will likely be the case in other markets. South

Africans appear to share this optimism.”

## Regional rundown

The South African survey focuses on the market's three main urban centres: Johannesburg, Cape Town, and Durban. With a score of 89.6, Durban is South Africa's most optimistic city. Johannesburg and Cape Town had scores of 83.3 and 57.3, respectively.

## Incoming optimism

As has been the case since MasterCard began conducting the survey, the indicator that South Africans feel most optimistic about is Regular Income.

When asked whether they expected their regular income, including bonuses and fringe benefits, to either increase, remain the same, or decrease over the next six months, 66.2% of respondents said that they expected it to increase, whereas just 7.2% of them said that they expected it to decrease. This resulted in a score of 90.2.

“This is the only indicator that increased over the last year,” said Mike Schüssler, Chief Economist at T-Sec. “This demonstrates once again that social welfare payments, as well as other forms of income, are seen by South Africans as a major stability factor in their lives.”

“The government has continued rolling out social welfare benefits, which now reach just over 26.1% of the population. Moreover, expectations are that with the increase to 18 years, from the current 15 years, for the child benefits, as well as the lowering of the age of men for old age pensions to 60, South Africa could see another 3.5 million people receive welfare benefits in the coming years. This will leave fully a third of the population receiving a regular income from sources other than employment.”

## Employment looking grim

Indeed, the South African employment index has had the lowest average over the past 10 surveys. In the current survey, 61.5% said that they expected the employment situation in South Africa to be better over the next six months. 18.8% said that they expected to remain the same, and 19.7% said that they expected it be worse. This resulted in a score of 75.7.

“At the time of the survey, employment in South Africa, as measured by the Labour Force Survey, was in decline,” said Schüssler. “Consumers were rightfully less optimistic about employment prospects in the next six months, as the major newspapers headlines were already screaming about new job losses being announced.”

## Stocks and quality

On the other two indicators, Stock Market and Quality of Life, South Africa's scores were 71.7 and 76.3, respectively. Both

scores represent increases from six months ago, but both remain well below South Africa's scores a year ago.

## **CT's confidence drops**

Cape Town residents had particularly grim expectations for the South African stock market over the next six months: just 25% of those surveyed expected it to go up, whereas 42.5% expected it to remain the same, and 32.5% expected it to go down. This resulted in a score of 43.5.

This, according to Schüssler, was a primary factor in Cape Town's lowest ever consumer confidence score.

“The decline in Cape Town perhaps has a lot to do with the fall in the financial market, as many big asset managers are based in Cape Town,” he said. “The area has also been hit by a decline in tourism — both domestic and international — which is obviously one of its core industries.”

## **Durbs still smiling**

Durban residents, by contrast, remain extraordinarily upbeat, reporting an overall consumer confidence of 89.6. Scores on all five individual indicators were up from both six months and a year ago, which, according to Schüssler, is incredible, given the present economic climate.

## **The in-betweeners**

Johannesburg, with its residents posting an overall consumer confidence score of 83.3, falls neatly between South Africa's other two major population centres. Residents were particularly optimistic about the performance of the South African economy, as well as the prospect of increases in their regular income.

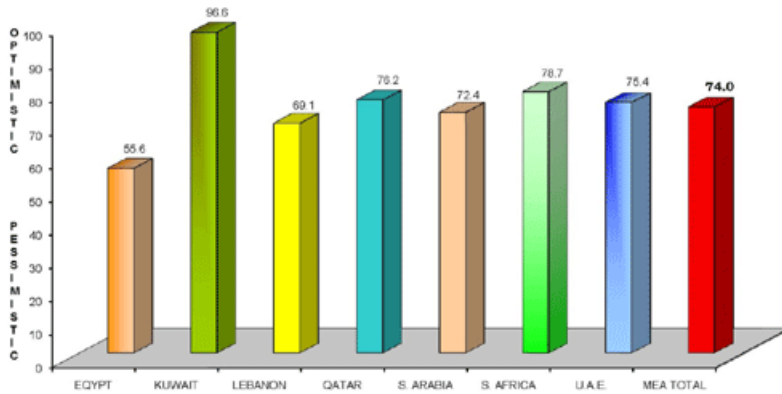
“The Joburg consumer outlook, though still very high and up from six months ago, remains short of where it was a year ago,” said Schüssler. “My impression is that people simply haven't taken notice yet of South Africa's weakening economic position.”

## **SA high in optimism stakes**

While South African consumer confidence is still shy of its historical average, as well as its score a year ago, it is nevertheless on the rise again. Of the eight markets surveyed in the MEA region, South Africa climbed from the 6th most optimistic market to the 2nd most optimistic in just six months. Lebanese, Egyptian, Qatari, UAE and Saudi Arabian consumers are all less optimistic than their South African counterparts. On a greater scale, looking at the APMEA (Asia Pacific, Middle East and Africa) region, South Africa is the 3rd most optimistic market, with Kuwait leading the region and Vietnam close on its heels.

## **MasterCard Worldwide Index of Consumer Confidence - Rest of MEA 1H 2009**

**CHART 1**  
**MASTERCARD WORLDWIDE INDEX OF CONSUMER CONFIDENCE IN MEA MARKETS**  
**1H 2009**



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Amidst the global financial and stock market turbulence of the past six months, consumer confidence in the Middle East as a whole, remains unscathed and continues to be fairly optimistic. The Index in the Middle East, which currently stands at 72.7 shows that consumers have in fact become a little more optimistic than period ago (66.4) and slightly less so with the optimism of year ago (73.6) and the Middle East historical average (76.0).

- Consumer confidence in Saudi Arabia [72.4], Qatar [76.2] remains fairly to very optimistic. However, current consumer sentiments are lower than period ago, year ago. (Qatar only has one previous study). The overall decline in the Index in Qatar and Saudi Arabia is due largely to erosion of confidence in the stock market, which as it stands now, is slightly pessimistic.
- Lebanon [69.1] and Egypt [55.6] have both made a remarkable recovery from their rather pessimistic outlook from the previous Index to an optimistic position in the case of the former and a slightly optimistic one in the case of the latter, which was actually boosted by the surge of consumer confidence in Alexandria [72.8]. While consumer sentiments in Cairo [47.3] have improved significantly, consumers still remain cautiously pessimistic.
- Kuwait [96.6] hits a new high surpassing all previous records. In fact, the current Index of 96.6 surpasses all others, be it a period ago 89.4, a year ago 93.3 or the market's historical average of 92.1.

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