

Pawn is king in a crunch

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Rolexes, large diamonds, brass saxophones and art works by William Kentridge and Walter Battiss are popping up in pawn shops as the middle-class and even the rich feel the pinch.



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Business has picked up in the last seven months, says David Swanepoel, director of Perfect Pawn.

"The run-of-the-mill daily stuff is not as common anymore. We see more luxury items coming in," he says.

Jenny Dinham, owner of Executive Traders, has been in the pawn shop business for 27 years.

"I can't really remember a time before this where we saw this sort of behaviour," she says.

Consumers are tightening their belts as fuel and electricity costs have been rising faster than their incomes. And credit is more expensive. The Reserve Bank raised interest rates in January and again in July. Most economists in a Bloomberg poll last week said that rates will rise again in January.

A survey by Unisa and debt management agency MBD also released last week showed that nearly three-quarters of South Africans don't feel financially secure. And some of the higher income earners are in even worse shape than the average. Four out of five people earning R360,000 to R480,000 a year feel either financially vulnerable or financially exposed.

"I see that people are often pawning items more from necessity. They are more willing to part with goods to make sure there is food on the table, rather than to facilitate their lifestyles," says Swanepoel.

South African consumers went on a credit spending binge over the past decade. But rising interest rates and stricter lending criteria is now forcing many to scale down to service their debt.

Marketing Manager for Cash Crusaders, Alaine Rossouw, said that in general the second hand market will always do well in

"economically turbulent times".

As more people are pawning items, more people are also buying second hand.

The items sold by the middle and upper class (their downgrades) are being bought by the lower income class (as an upgrade), Rossouw says.

Cash Crusaders, which already has 172 stores, is opening more, she says.

Dinham says that most of her clients used to be lower-income earners, but now more middle-income and higher-income clients are coming to pawn items.

"We are getting better quality stock. We have had paintings from Walter Battiss and William Kentridge, so we are beginning to get higher end products."

Besides the paintings, Dinham has also seen large diamonds, more antiques, collectable coins and prized musical instruments such as saxophones, double basses, Stratocasters and B.C. Rich custom guitars.

Source: The Times

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