No jingling coins this festive season

SureSwipe, which primarily serves small and medium businesses with its partner, Mercantile Bank as a credit and debit card machine distributor, is predicting a tough festive season for retailers.

"Although some economists have suggested that the economy is on the mend, our figures show that consumers are hurting and if they hurt, retailers bleed," says MD Paul Kent.

The company's figures, going back to 2009 the year after the economic crisis began, show that while last year there was some cause for slight optimism with increased spending across most sectors - except jewellery, which has been in the doldrums throughout the recession - this year has been punishing for retailers and wholesalers. Consumer spending is down by more than 10% for wholesalers, motor vehicle retailers and spares shops, as well as butchers (which bucked trends throughout the recession to stay healthy, but are now showing signs of weakening trade) and florists and nurseries.

It has produced figures that show that year on year:

- earnings for butchers fell by just over half
- cycling outlets saw a 6% rise as the middle class stay at home, stop gym memberships and cycle to stay in shape
- Sales at fashion stores remain weak with no improvement between 2011 and 2012
- food and beverage outlets have seen a 4% drop in sales year-on-year
- hairdressers have seen consistent turnover (which in effect means profits are narrowing)
- there has been a 3% improvement in health care spending
- a 7% improvement in jewellery (off a low base with four years of poor sales)
- liquor has seen a 3% improvement in sales
- spending on pets is down 1%
- there has been a 4% drop in spending at spas and beauty salons
- wholesalers have added only 1% to their earnings

Seasonal lift not enough

Although there is a seasonal lift in spending at food and beverage stores, jewellery, liquor, butchers, spas and beauty (probably the only recession proof sector), this will not be enough to cover losses throughout the year for most retailers. The retail sector as a whole shows a 3% dip this year and motor vehicle sales and parts are down by 4%.

"Those lucky enough to get bonuses will probably use them to pay off debt, more families will stay at home this holiday, or if they usually travel abroad they will travel in South Africa and there will be less extravagance at Christmas for all but the super-wealthy. The figures we are seeing show an economy that is stalling," he continued.

"Our export markets in Europe and the US are battling huge deficits, unemployment and consumer anxiety and that in turn impacts on us. At home, the economy has not been managed well and so while the rest of the continent is seeing average growth rates of 8%, we are struggling to achieve 2%. High unemployment is ironically fuelling worker unrest and that has seen the rest of the world become wary of investing in South Africa with a damaging fall in foreign direct investment and ratings downgrading this year.

"What our figures are telling us is that the gap between the rich and the poor is widening. The food and beverage, wholesaler and butcher sectors have been on a rollercoaster with strong dips and weak rises that suggest consumers are struggling to make ends meet. They are not regularly stocking up the pantry; they have lean months and then buy when they get extra money.

"Wholesalers also give us an insight into how well spazas are faring - we can see that wholesalers are not doing well and so that means the small business person in townships and rural areas is struggling to make ends meet. Erratic consumer spending also makes it hard for stores to project earnings and adequately stock their shelves."

Time for government reflection

"This is a sobering set of figures for the African National Congress leadership to reflect on at Mangaung. It shows that the middleclass is under stress, the poor are not coping but an affluent elite are unaffected by the recession. Hopefully more balance and even growth can be created in the year ahead," he concluded.