Austere times as SA, African consumers cut luxury goods spend

By Issa Sikiti da Silva

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As the global economic recovery gets off to a slow, uneven start, 45% of South African consumers say they will be restricting their purchases on 'essential' expenses, and in the process cutting down on luxury goods in the next six months, according to a MasterCard Worldwide survey released today, 15 July 2010. The number of Nigerian and Moroccan consumers planning to increase spending on luxury goods has also decreased, according to the survey.

MasterCard Worldwide

"South African consumers have had a rough ride over the past couple of years, even before the recession hit our shores," Rodger George, Deloitte South Africa consumer business industry leader, said this morning at the Radisson Blu in Sandton, Johannesburg.

George said that the situation has been exacerbated by falling incomes and job losses incurred during the recession, which, coupled with the rising debt levels in the latter part of 2007, rising inflation and interest rates, have pushed their discretionary income to collapse.

Discretionary needs include luxury goods such as holidays, dining out, jewellery, state-of-the-art consumer electronics and much more.

Diverse spending priorities

While there has been a decline in the number of North African consumers (Morocco) who plan to increase their expenses on luxury goods compared to six months ago (13% to 4%), on the contrary 27% of Kenyans plan to increase their spend on luxury goods in the next six months.

The survey notes an interesting trend in Africa in the sense that each of the African markets surveyed have a different top spending priority for the next six months - Kenya (tuition, 58%), Morocco (dining and entertainment, 77%), Nigeria (fitness and wellness, 53%) and SA (fashion and accessories, 44%).

"This reflects that fact that Africa as a continent is full of diverse markets and reinforces the importance of ensuring that companies which do business in Africa, must recognise and understand these differences and adapt and customise their approaches to each market appropriately," Kay Walsh, senior economist at Deloitte SA, said.

Saving less

The survey also found that 36% of people (up 13% since the previous survey) across these markets are planning to save less.

SA, which historically lacks a saving culture, tops the four African countries surveyed, with 76% of consumers saying that they do not earn enough to save, compared to 69% of Moroccans, 67% of Nigerians and 23% in Kenya.

However, 60% of Kenyans instead attribute their lack of saving to high inflation.

In terms of savings priorities, consumers from Kenya (63%), Morocco (33%) and Nigeria (84%) said they plan to save more in the next six months.

Household expenses

Furthermore, the survey reveals that 58% of South Africans spend over half of their income on household expenses on items such as food, clothing, shelter, transportation, utilities, medical bills, insurance, support of children/ parents and so forth.

The MasterCard Survey of Consumer Purchasing Priorities, conducted this year in 24 countries and released twice yearly, provides valuable insights into consumers' discretionary spending priorities for the six months ahead in 10 main categories.

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ABOUT ISSA SIKITI DA SILVA

Issa Sikiti da Silva is a winner of the 2010 SADC Media Awards (print category). He freelances for various media outlets, local and foreign, and has travelled extensively across Africa. His work has been published both in French and English. He used to contribute to Bizcommunity.com as a senior news writer.
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