

Q2 consumer confidence slumps as inflation bites

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South Africa's consumer confidence fell further in the second quarter, according to a survey released on Thursday, as the country struggled with soaring fuel and food prices and higher interest rates.



Source: www.unsplash.com

The consumer confidence index, sponsored by the First National Bank (FNB) and compiled by the Bureau for Economic Research, fell to a reading of minus 25 points, from minus 23 points in the first quarter of 2023.

Inflation

South Africa has been battling high inflationary pressures and local power cuts that have led to a rise in diesel consumption by households relying on back-up generators.



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The June-quarter reading is the second-lowest on record since 1994 and indicative of concerns among consumers about economic prospects in South Africa and household finances, according to the survey.

"Further interest rate hikes, rand depreciation and concerns about South Africa's diplomatic relations with the rest of the world in all likelihood compounded the negative impact of the electricity crisis on high-income confidence," said FNB chief economist Mamello Matikinca-Ngweny.

Deterioration

A vast majority of consumers expects a deterioration in South Africa's economic growth over the next 12 months, and considers present time as highly inappropriate to purchase durable goods such as furniture, vehicles and household appliances.

The confidence levels of high-income households fell to a record low of minus 40 in the quarter, and they were far lower compared to low- and middle-income confidence, and even below the extraordinarily depressed levels attained during the height of the COVID-19 pandemic.

"The further deterioration in the confidence levels of high-income consumers does not bode well for the retail sector, as affluent consumers have the greatest spending power among the different income groups," the survey added.

The South African central bank in May revised its headline inflation estimate for 2023 up to 6.2% from 6%, and raised its bank rates by 50 basis points to a 14-year high, as domestic food price inflation remains elevated.

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