

Consumer sentiment up in Q3 2021

A level of resilience amongst consumers and consumer spending has meant a quicker than anticipated recovery in consumer sentiment during the third quarter of 2021. This bodes well for consumer spending in the second half of the year.



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This is despite the extended level 4 lockdown and the social unrest and violence in KwaZulu-Natal (KZN) and Gauteng during July according to the FNB/BER Consumer Confidence Index released on Monday morning.

The report combines the results of three questions posed to adults in South Africa and the surveys are designed to explore why changes in consumer expectations occur and how these changes influence consumer spending and saving decisions.

Below average

Having slipped from -9 to -13 index points during the second quarter of 2021, the FNB/BER CCI recovered some lost ground to -10 in the third quarter of 2021.

While the latest CCI reading of -10 remains well below the average CCI reading (of +2 since 1994) and therefore denotes depressed consumer confidence levels, it is nevertheless quite close to the reading of -9 recorded just prior to the onset of the Covid-19 epidemic in South Africa (in the first quarter of 2020).

Upticks in household finances

The increase in the CCI during the third quarter of 2021 can be ascribed to upticks in the household financial position and time-to-buy durable goods sub-indices of the CCI.

Consumers turned notably less pessimistic about the appropriateness of the present time to buy durable goods (such as vehicles, furniture, household appliances and electronic goods), with this index recovering by seven points to the best reading since the first quarter of 2020 - albeit still quite negative at -29 index points.

The household finances index improved by two index points to +12, indicating that the majority of consumers anticipate an improvement in their household finances over the next 12 months. However, the economic outlook sub-index of the CCI remained rather depressed at -14 index points.

SRD grant brings relief

The report found that the KZN and Gauteng protests, looting and property destruction would undoubtedly have knocked both business and consumer confidence during July.

However, it says that it appears as though the subsequent announcements of substantial further fiscal support in the form of the reintroduction of the Social Relief of Distress (SRD) grant and cash allowances for government employees to a large extent have countered the adverse impacts of the civil unrest on consumer confidence during the third quarter.

The reinstatement of the R350 per month SRD grant between August 2021 and March 2022 would have been a major relief to millions of low-income households.

"Given soaring food and fuel prices and the fact that South Africa's unemployment rate climbed to a record high during the second quarter, the expiration of these grants at the end of April left gaping holes in the budgets of low-income households," says FNB Senior Economist, Siphamandla Mkhwanazi.

The rollout of Covid-19 vaccinations to the 35-49 age group from 15 July and subsequently to the 18-35 age group from 20 August probably also bolstered the confidence levels of these age groups.

Job creation

Yet, since total employment remains nearly 1.5-million below pre-Covid levels, much of this resilience appears to be tied to government support as well as special factors such as retrenchment packages and life insurance payouts.

"We remain hopeful that job creation will start to recover next year once heavily hit industries such as tourism, liquor and restaurants and hotels are able to reopen fully, and that this will sustain the consumer spending recovery," says Mkhwanazi.

"However, there is certainly downside risk to the outlook should the current sizeable levels of fiscal support and other special factors propping up household income start to fade," he adds.