

Absa's Merchant Spend Analytics: February 2024

Year-to-date performance
Briefly: Month-to-month performance

Consumer Goods and Services

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Your story matters



At a glance

- 1** Total consumer spending growth slowed down for the two months ended February 2024
- 2** Most consumer spending per category showed growth despite overall slowdown
- 3** Spending with credit cards was more than with debit cards for the two months ended February 2024
- 4** Online shopping trends diverged from in-store patterns
- 5** Total consumer spending dipped 3% during February 2024 compared to January 2024

The information presented on this report is based on data obtained from Absa's Merchant Spend Analytics. The analysis presented in this report is based on the data available at the time of writing and subject to change. Consumer spending data is inherently subject to limitations. Sampling methods and reporting lags can all introduce some level of error. The findings presented in this report are based on our interpretation of the data. Different interpretations are possible. This report may contain forward-looking statements about consumer spending trends. These statements are based on assumptions and are subject to risks and uncertainties. We encourage users of this report to carefully consider these limitations and to consult with other sources of information before making any decisions based on the information presented here.

1

Year-to-date (YTD) performance

February 2024

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YTD | Total consumer spending

Consumer spending growth slowed down for the two months ended February 2024

1

Internal data revealed a moderation in consumer spending growth for the two months ended February 2024. Spending rose by 7.1%, but fell short of the 9.6% increase observed for the same period in 2023. Notably, 2024 growth outpaced the current consumer price index (CPI) of 5.6%.

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The 7.1% growth was driven by business and professional services, which grew by 28%. Home and garden, and health and beauty were up by 19% and 10%, respectively.

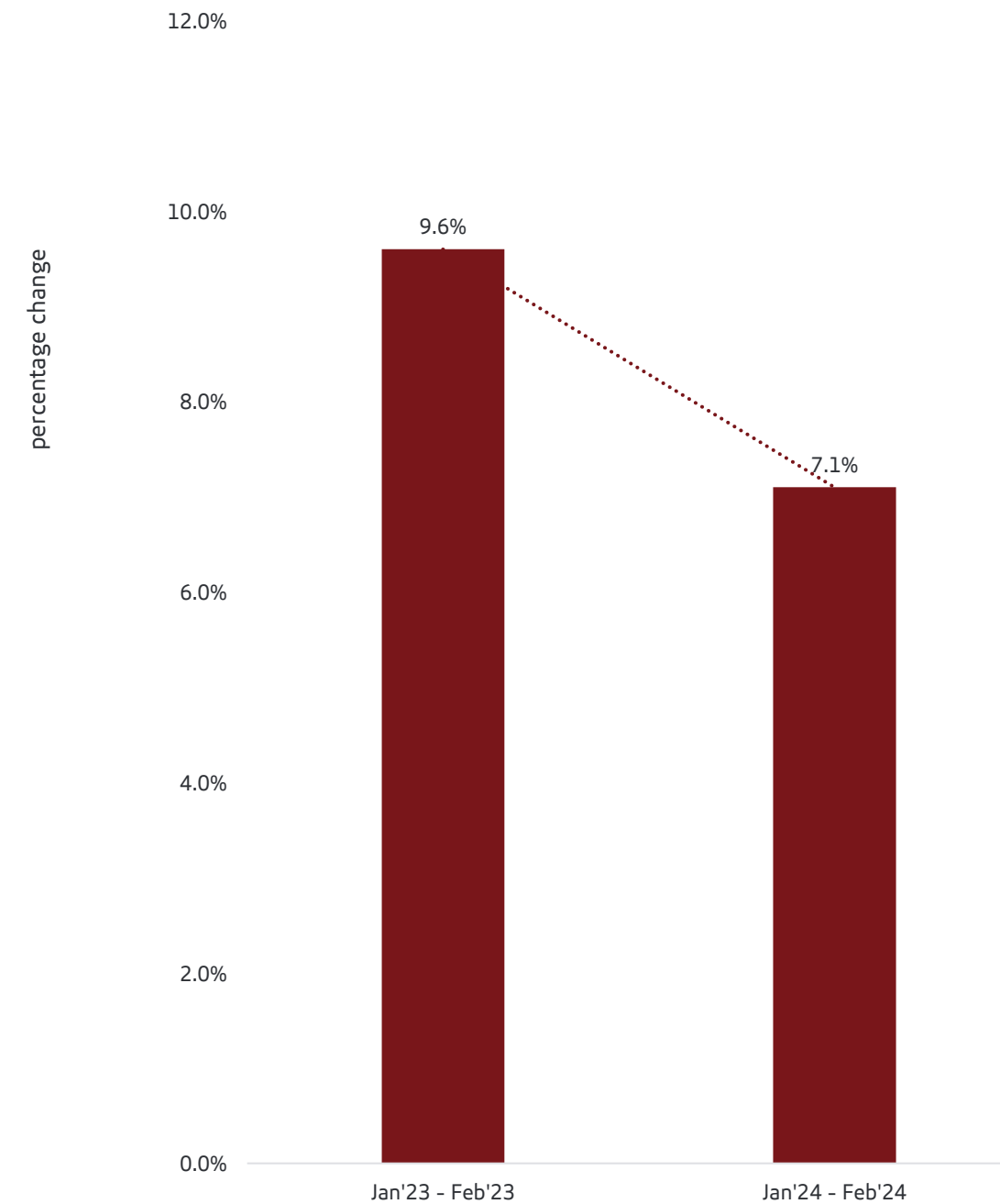
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Statistics South Africa released the latest retail sales data for January 2024. Retail sales declined by 3.2% month-to-month (MTM) and 2.2% year-on-year (YoY). The decline was driven by the 14.4% decline in the following categories; clothing, footwear, textiles and leather goods.

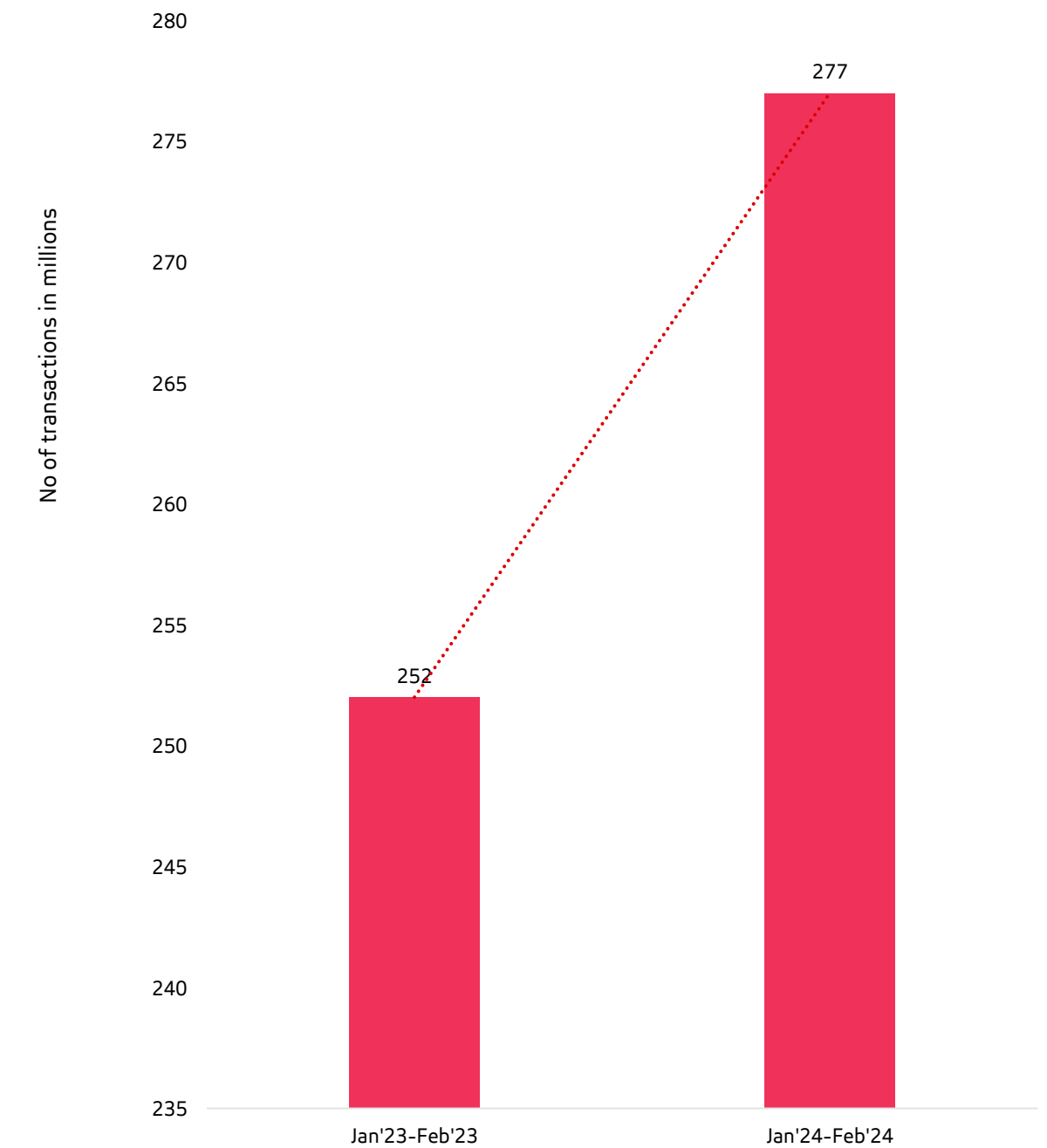
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The number of transactions increased by 9.9% to 277 million transactions during the period. The surge in the number of transactions is driven mainly by the increase in spending in the business and professional services category, where the number of transactions increased by 14 million.

TOTAL CONSUMER SPENDING VALUE CHANGE



TOTAL NO OF TRANSACTIONS



SOURCE: Absa's Merchant Spend Analytics

YTD | Consumer spending per category

Positive signs despite moderation

Despite the slower growth compared to 2023, most consumer spending categories still registered spending increases. Even though some categories did not quite keep pace with inflation, this indicates a continued willingness of consumers to spend.

Business and professional services lead the charge

The most significant spending increase occurred within the business and professional services category. This category encompasses legal services, insurance sales, payment processors frequently used by small businesses, and others. This upward trend likely reflects a rise in small business adoption of merchant machines to facilitate electronic payments.

Gambling sees a sharp decline

In contrast to the positive trends in most sectors, gambling spending witnessed the steepest decline at 31%. This gambling spend data for the period under review only shows for onsite activities only, there was no activity for online spend. The decrease in gambling spend could be attributable to various factors, such as consumers channelling their money towards necessities.



Source: Absa's Merchant Spend Analytics

YTD | Top 10 categories

Market share

The largest categories in which consumer spending took place during the period

- Comparatively, there has not been any major shifts in consumer spending across the top 10 categories. However, in the 2024 period, the food category witnessed a market share contraction declining by 2.29% to 49.90%. This traditionally strong category is regressing in the formal sector possibly signalling a move towards the informal market or cheaper alternatives. These behaviours are collectively telling a story of a consumer whose financial health is at risk.
- To understand this trend, it is important to examine the subcategories within the food category, such as grocery stores and supermarkets, restaurants, convenience stores, alcohol retailers and others. During the period under review, the decrease in the food category was mainly driven by reduced spending in grocery stores & supermarkets and restaurants, which were down 0.68% and 0.02%, respectively. Although these are minor decreases, a reduction in market share has become a common theme in the food category.



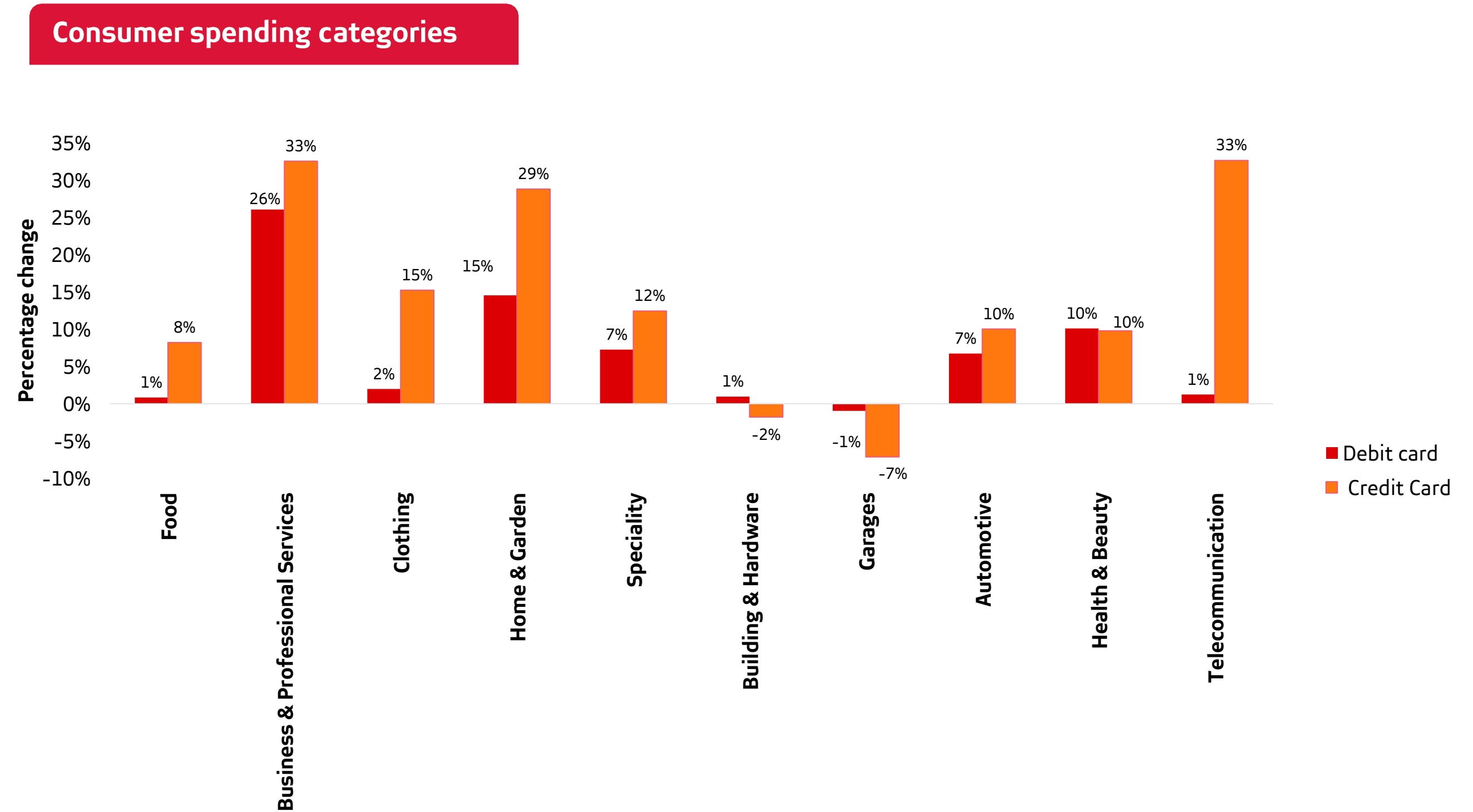
Categories (YTD)	2023	Change	2024
Food	52.19%	↓ -2.29%	49.90%
Business and professional services	11.58%	↑ 2.26%	13.84%
Clothing	8.13%	→ -0.25%	7.88%
Home and garden	5.44%	→ 0.59%	6.03%
Speciality	4.54%	→ 0.05%	4.59%
Building and hardware	3.91%	→ -0.25%	3.67%
Garages	2.55%	→ -0.24%	2.31%
Automotive	2.03%	→ 0.01%	2.04%
Health and beauty	1.49%	→ 0.04%	1.54%
Telecommunication	1.40%	→ -0.04%	1.36%

Source: Absa's Merchant Spend Analytics

YTD | Credit cards vs debit cards

Spending with credit cards was more than with debit cards for the two months ended February 2024, compared to the same period in 2023. The percentage increase in credit card spending was seen across most categories, the only exceptions being building and hardware, and garages, where credit card spending dipped.

This could indicate ongoing caution in discretionary home improvement projects or a shift towards debit cards for such purchases.

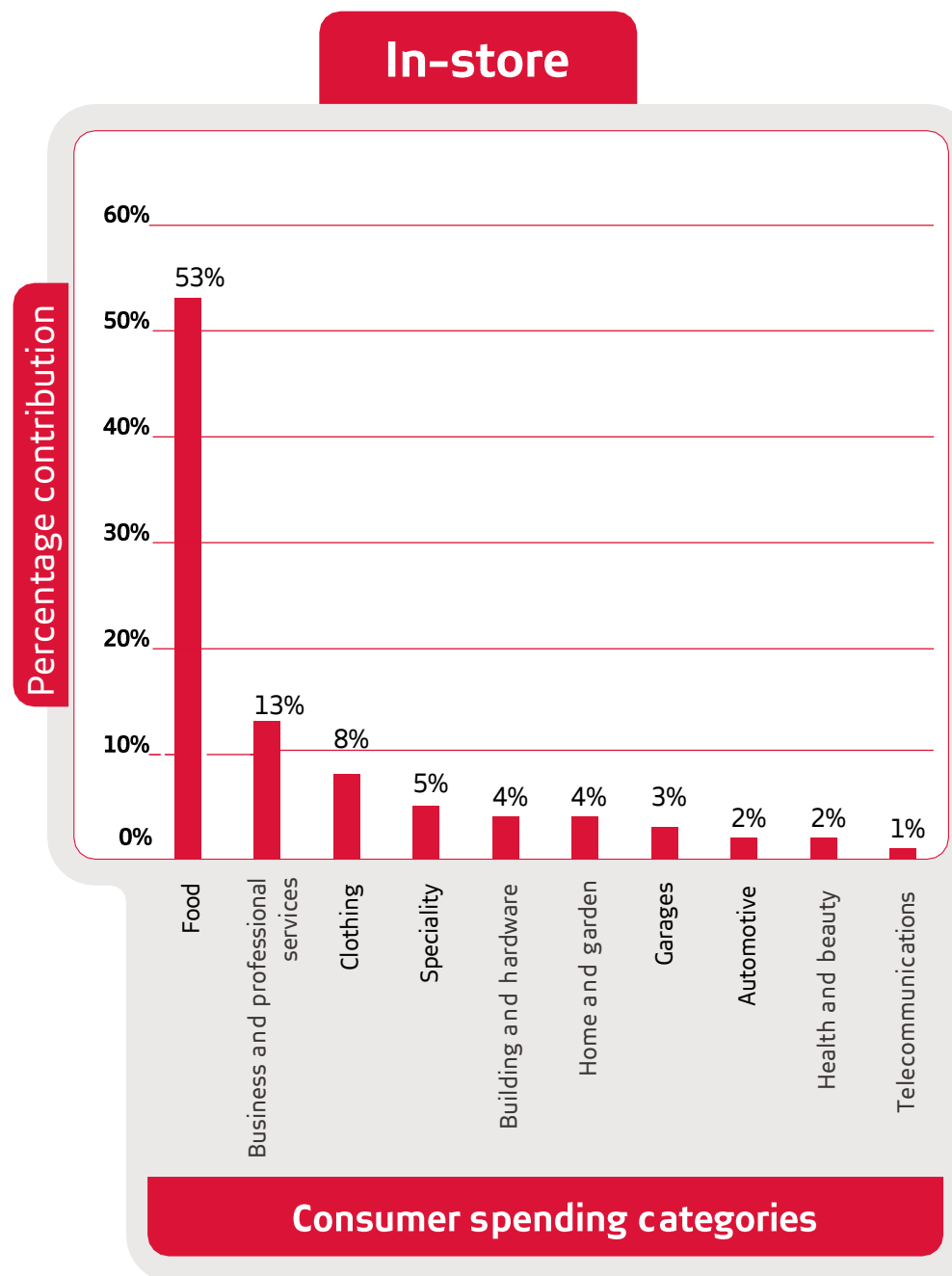


Consumer spending change per category between YTD February 2023 and YTD February 2024
SOURCE: Absa's Merchant Spend Analytics

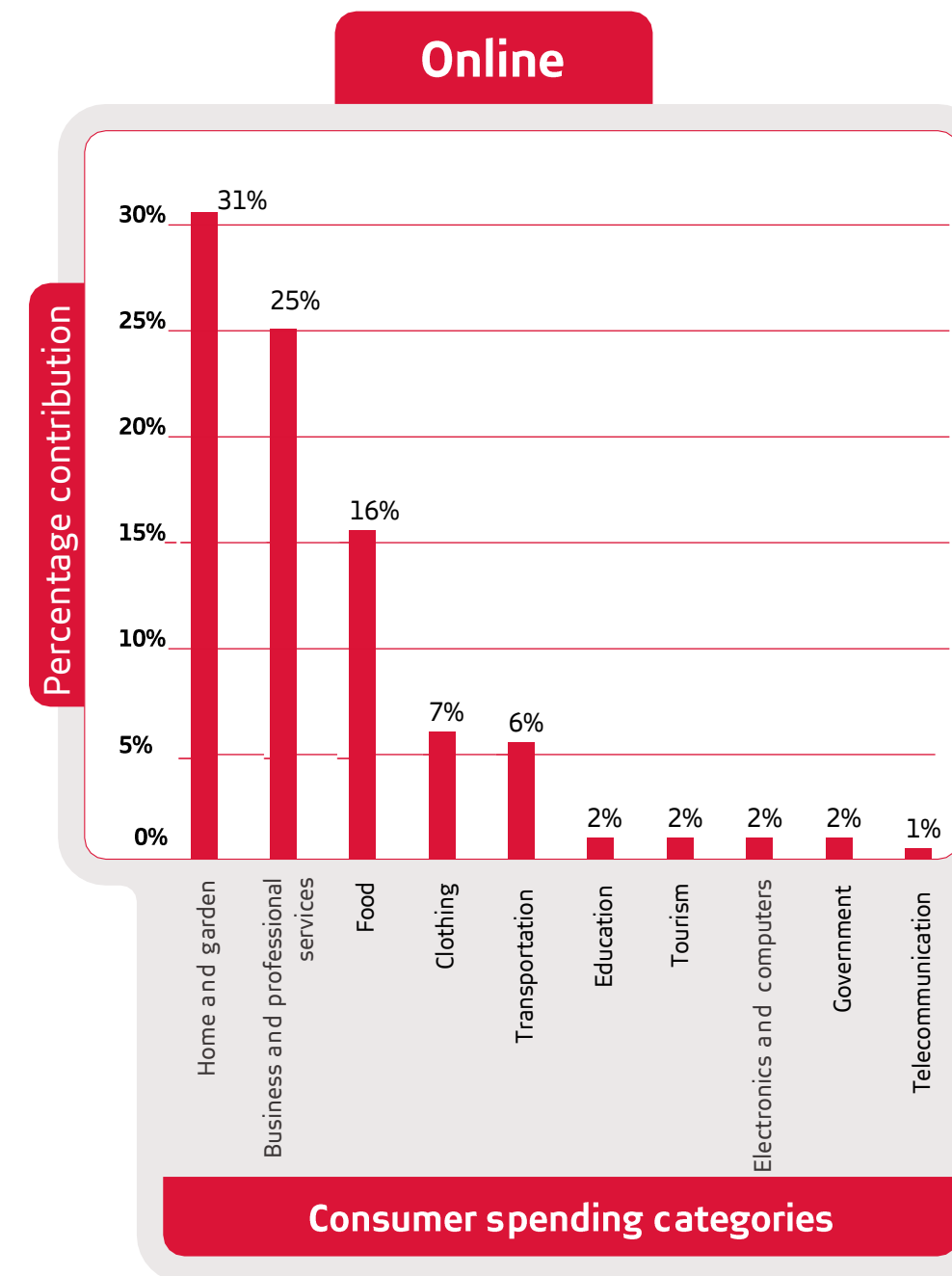
YTD | Online and in-store spending

In-store spending data reflects similar patterns to overall consumer spending. The food category contributed 53% to overall in-store spending, but saw modest growth of 2% YoY. In contrast, clothing, which represented 8% of in-store spending, surged by 26%.

Online shopping trends diverged from in-store patterns. The home and garden category dominated online purchases at 31%, with a significant 55% growth YoY. The food category contributed 16% to online spending but showed minimal growth of just 3%. This muted growth suggests a potential normalisation in the online food market.



SOURCE: Absa's Merchant Spend Analytics



SOURCE: Absa's Merchant Spend Analytics

2

Month-to-month (MTM) performance

February 2024

Your story matters



MTM | February 2024

MTD

This section compares performance of January 2024 to February 2024.

Looking at MTM performance, a 3% dip in total consumer spending during February 2024 compared to January 2024. The minor decrease is mainly driven by February being a shorter month. This natural fluctuation due to the calendar is further supported by the minimal changes observed within the top 10 spending categories in the table. In other words, the decrease is likely a consequence of the fewer shopping days in February, rather than a sign of a broader shift in consumer habits.



Categories	Jan'24	Change	Feb'24
Food	49.85%	→ 0.09%	49.90%
Business and professional services	13.58%	↑ 0.53%	14.11%
Clothing	8.25%	↓ -0.75%	7.50%
Home and garden	6.04%	↓ 0.03%	6.01%
Speciality	4.48%	↑ 0.22%	4.70%
Building and hardware	3.66%	→ 0.01%	3.67%
Garages	2.26%	→ 0.10%	2.36%
Automotive	2.01%	→ 0.06%	2.07%
Health and beauty	1.52%	→ 0.04%	1.56%
Telecommunication	1.35%	→ 0.02%	1.37%

SOURCE: Absa's Merchant Spend Analytics

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