

Absa's Merchant Spend Analytics: April 2024

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

Consumer Goods and Services

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At a glance

- 1** Consumer spending slowed down to 4% YTD April 2024, compared to 9% growth in the same period in 2023.
- 2** Spending slumped in April after reaching a high in March.
- 3** Surge recorded in credit card use for non-essential categories like home and garden, and specialty shops.
- 4** In-store spending stagnated or even shrunk across the top 10 categories that own the most market share.
- 5** Is fast-fashion alternatives cannibalising market share in the clothing category?

This report leverages Absa's Merchant Spend Analytics and offers valuable insights into consumer behaviour trends and emerging patterns.

The analysis presented in this report is based on the data available at the time of writing and is subject to change. Consumer spending data are 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.

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Year-to-date (YTD) performance

April 2024 vs April 2023

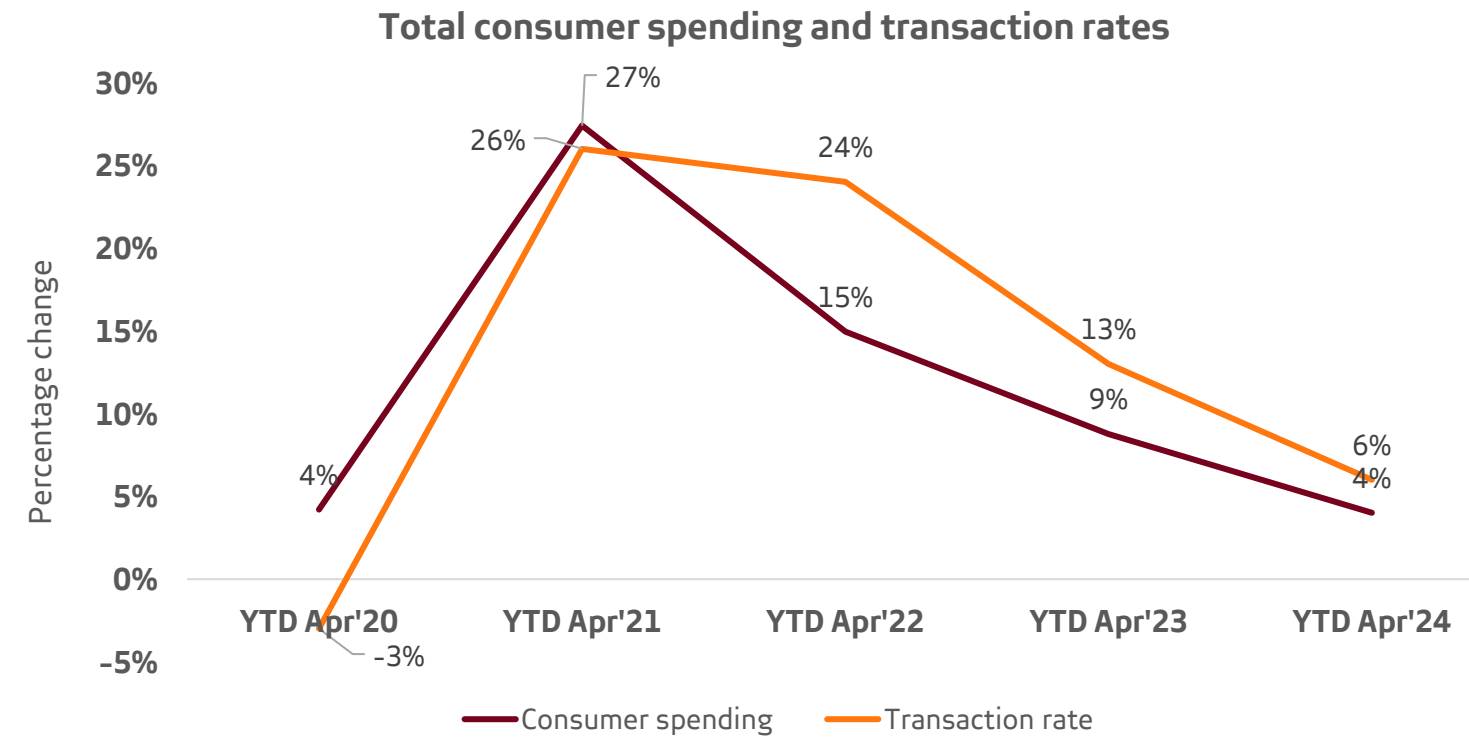
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YTD | Total consumer spending

Consumers feeling the pinch amid rising costs

According to our internal merchant data, consumer spending slowed down to 4% in April 2024 on a YTD basis, compared to an increase of 9% in 2023. Looking back to 2021, consumer spending exhibited a staggering 27% growth following a decline in 2020 during the COVID-19 lockdown, however, this recovery was reversed in both consumer spending and number of transactions, as depicted on graph 1. This shift in spending habits appears to be closely linked to movements in interest rates and inflation. When the South African Reserve Bank (SARB) started raising the interest rate in September 2021 to combat high inflation, it led to a notable shift in spending according to our internal data. Although inflation has since cooled down in 2024, the data shows its long-term lingering effects in addition to a prolonged period of high interest rates.

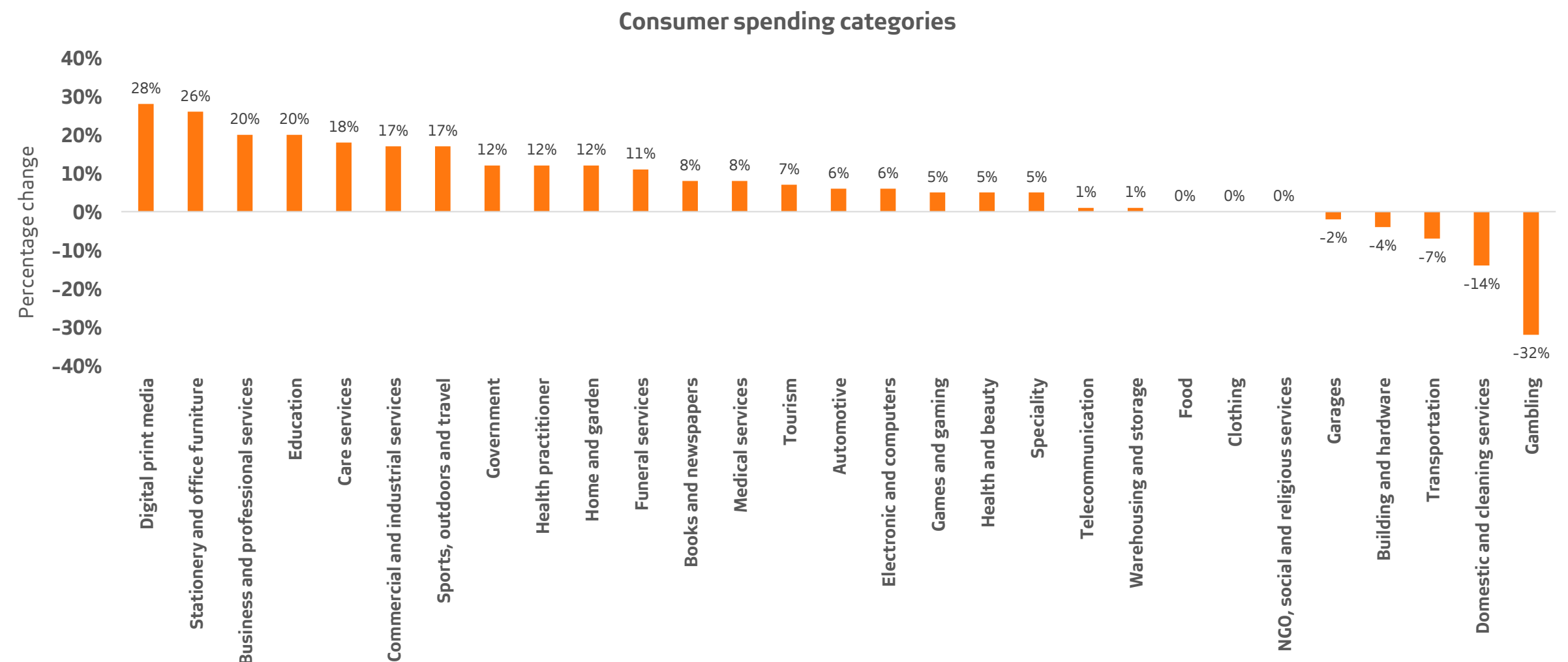


Graph 1
SOURCE: Absa's Merchant Spend Analytics

Consumers have tightened their belts amidst rising costs, with 99% of South African consumers having changed their fast-moving consumer goods shopping habits to save money (according to NielsenIQ's *Consumer Outlook 2024*). The report states that 48% of consumers switched to lower-priced products to survive, 39% purchased whichever brands were on promotion, and 45% concentrated only on essentials. These adopted strategies show in our internal data as overall spending slows down.

Food and clothing deliver marginal growth

Graph 2 shows changes in consumer spending per category between YTD April 2023 and YTD April 2024. We note that the majority of the categories have experienced good growth. However, food and clothing delivered marginal growth rates. These two categories combined contributed more than 60% towards overall consumer spending. This would explain the muted growth in overall consumer spending.



Graph 2: Changes in consumer spending per category
Source: Absa's Merchant Spend Analytics

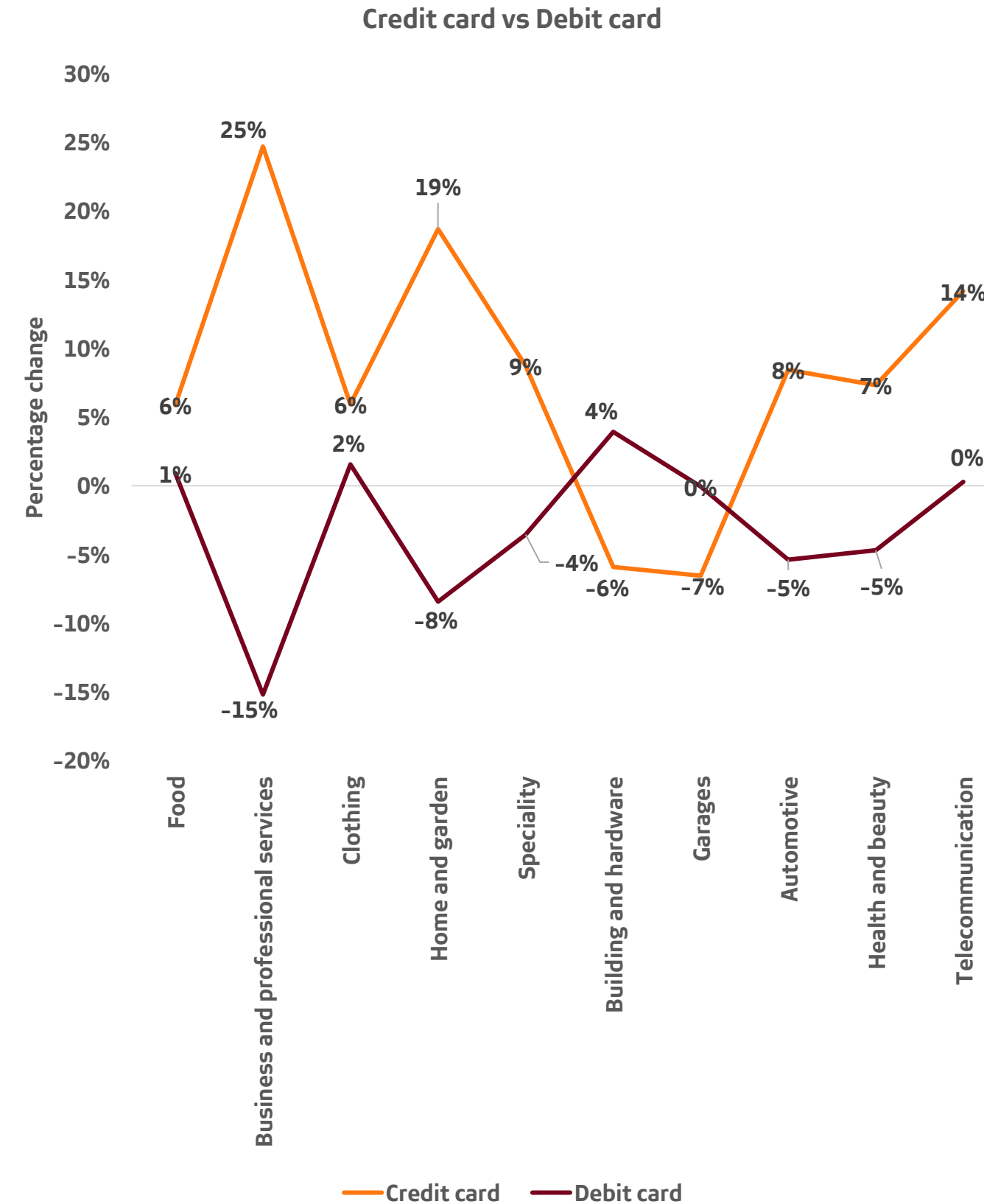
YTD | Credit cards versus debit cards

Credit card surge: coping mechanism or a cause for concern?

Consumers are increasingly turning to credit cards to manage their finances, with credit card use outpacing debit card use YTD. This trend suggests that consumers are relying on unsecured debt to make ends meet amidst a tough economic climate. Overall credit card use increased by 9% across the top 10 consumer spending categories, while debit card usage had a slight decline of 2%.

The decline in debit card spending, as shown on graph 3, is across most categories and underscores the financial pressure experienced by consumers. However, there are a few exceptions in categories like building and hardware, food and clothing, which witnessed growth, albeit minor.

The surprising element lies in the surge of credit card use for non-essential categories like home and garden as well as business and professional services. The health and beauty category also reported a material growth in credit card transactions. This unexpected pattern could point towards a coping mechanism, with consumers possibly seeking solace in creating more aesthetically pleasing homes and prioritising mental wellbeing through health and beauty purchases in the midst of hardship. While this trend might be driven by a desire for comfort and self-care, it raises concerns about potential debt traps.



Graph 3
SOURCE: Absa's Merchant Spend Analytics

YTD | Online and in-store spending

Online shopping continues to soar

YTD figures for April 2024 reveal a staggering 22% increase in online spending compared to the same period in 2023. In stark contrast, in-store spending saw a meager 2% growth.

Food remains the dominant category for in-store purchases, but this essential sector witnessed minimal growth, as depicted on table 1. This sluggishness contributed to the overall slow growth of in-store spending. The in-store sector is being impacted by the rise of eCommerce, with consumers increasingly being comfortable and confident shopping online. Additionally, a portion of spending might be moving towards informal retail sectors that are not captured in traditional data.

In-store spending across the top 10 categories that own the most market share stagnated or even shrunk, with the notable exception of business and professional services. This stands in stark contrast to online shopping, where spending across the same categories are experiencing double-digit increases with the food, and building and hardware categories lagging behind. The building and hardware category will most likely not see the same growth as other categories as consumers may see the benefit to go to the store for expert advice.

The online space is thriving and becoming competitive as businesses prioritise creating user-friendly and secure online shopping experiences. Consumers are responding with increased spending across various categories, as seen in table 1. This trend is likely to continue as eCommerce platforms fight for market share and with the rise of online gambling.

No	Consumer spending categories	In-store	Online
1	Food	0%	4%
2	Business and professional services	17%	40%
3	Clothing	-2%	22%
4	Home and garden	-4%	40%
5	Speciality	4%	35%
6	Building and hardware	-4%	-11%
7	Garages	-2%	38%
8	Automotive	5%	1202%
9	Health and beauty	5%	-3%
10	Telecommunication	5%	-34%
11	Transportation	12%	-20%
12	Government	11%	17%
13	Electronic and computers	4%	18%
14	Tourism	10%	-1%
15	Health practitioner	12%	63%
16	Education	17%	29%
17	Medical Services	5%	22%
18	Stationery and office furniture	26%	-2%
19	Digital print media	26%	28%
20	Sports, outdoors and travel	16%	24%
21	Games and gaming	-5%	15%
22	Commercial and industrial services	16%	119%
23	Books and newspapers	2%	17%
24	Funeral services	11%	-62%
25	Social and religious services	1%	-6%
26	Warehousing and storage	1%	100%
27	Domestic and cleaning services	-14%	-55%
28	Care services	18%	100%
29	Gambling	-32%	100%

Table 1
SOURCE: Absa's Merchant Spend Analytics

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Spotlight on the clothing category

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Spotlight | Clothing category

Clothing category feels the squeeze

Seasonality drives purchase patterns

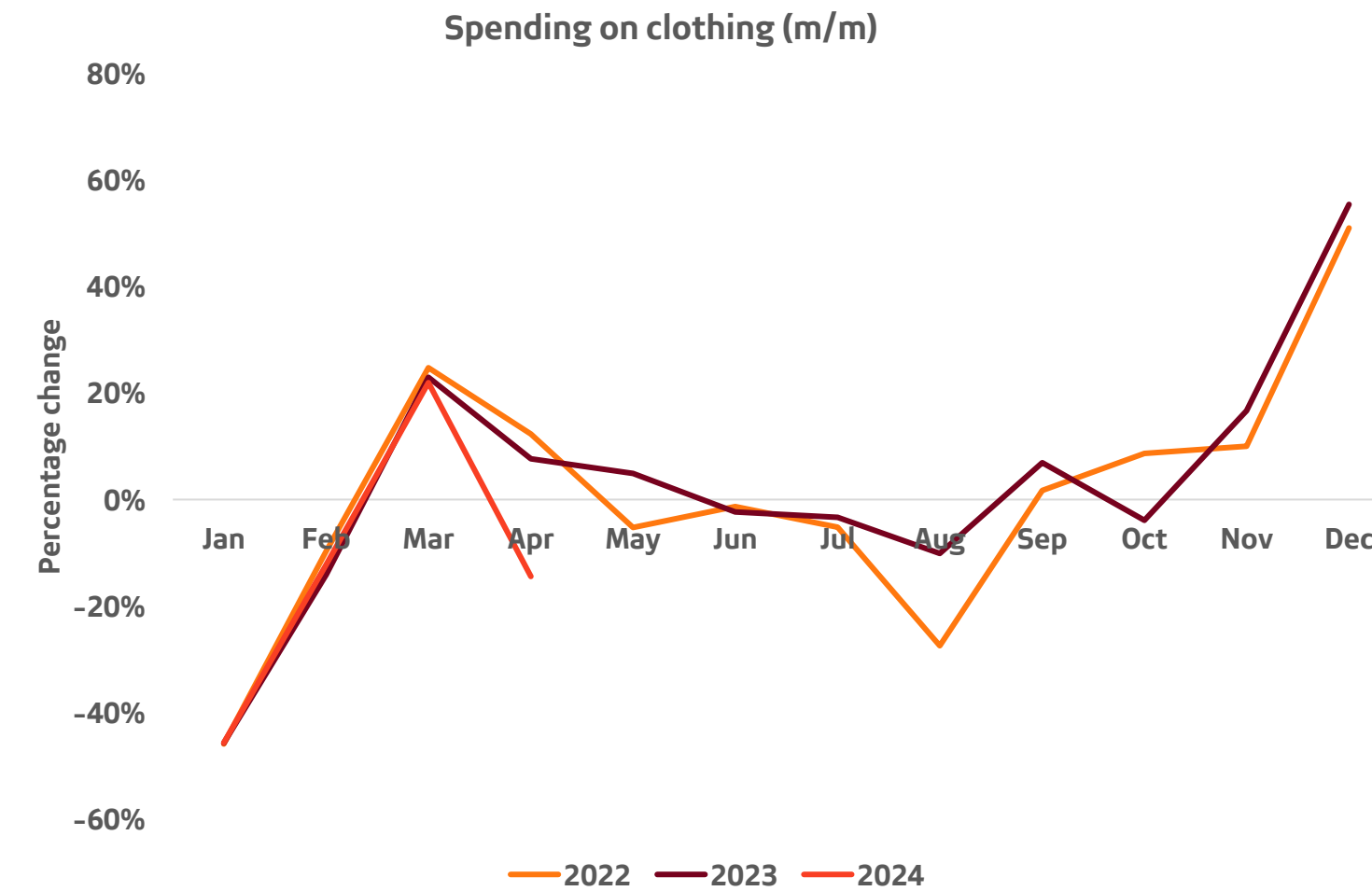
Graph 4 exhibits month-to-month (MTM) spending in the clothing category. Spikes in March 2022, 2023 and 2024 were driven by consumers taking advantage of end-of-season sales and buying clothes for the winter season, in our view. Similarly, September 2022 and 2023 show an upward spending trend, reflecting purchases for the upcoming spring/summer season. These seasonal peaks are further amplified by major retail events such as Black Friday and the festive season, in which consumer spending showed double digits increase.

Overall clothing category performance

During the 12-month period ending in April 2024, total consumer spending on clothing decreased by 5% and transactions were down 3%, according to our merchant data. The clothing category was the third-largest category in consumer spending during the period, after food, and business and professional services. The market share for clothing reduced from 10.1% to 9.04% in the last 12 months.

The decline in market share was driven by the challenging macro-economic environment coupled with a shift in consumer preferences and growing fast-fashion trends. Fast-fashion eCommerce platforms such as Temu and Shein continued to cannibalise market share as consumers are seeking trendy but low-cost fashion. This resulted in an increasingly competitive landscape for traditional brands, placing them in a precarious position to protect profit margins while holding firm on quality.

This category also appeared to benefit from growth in online shopping. Our internal data exhibit an increase of 31% in online clothing shopping for the 12-month period ending in April 2024. In contrast, in-store shopping declined by 8% during the same period.



Graph 4:
SOURCE: Absa's Clothing Merchant Spend Analytics

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Month-to-month (MTM) performance

April 2024

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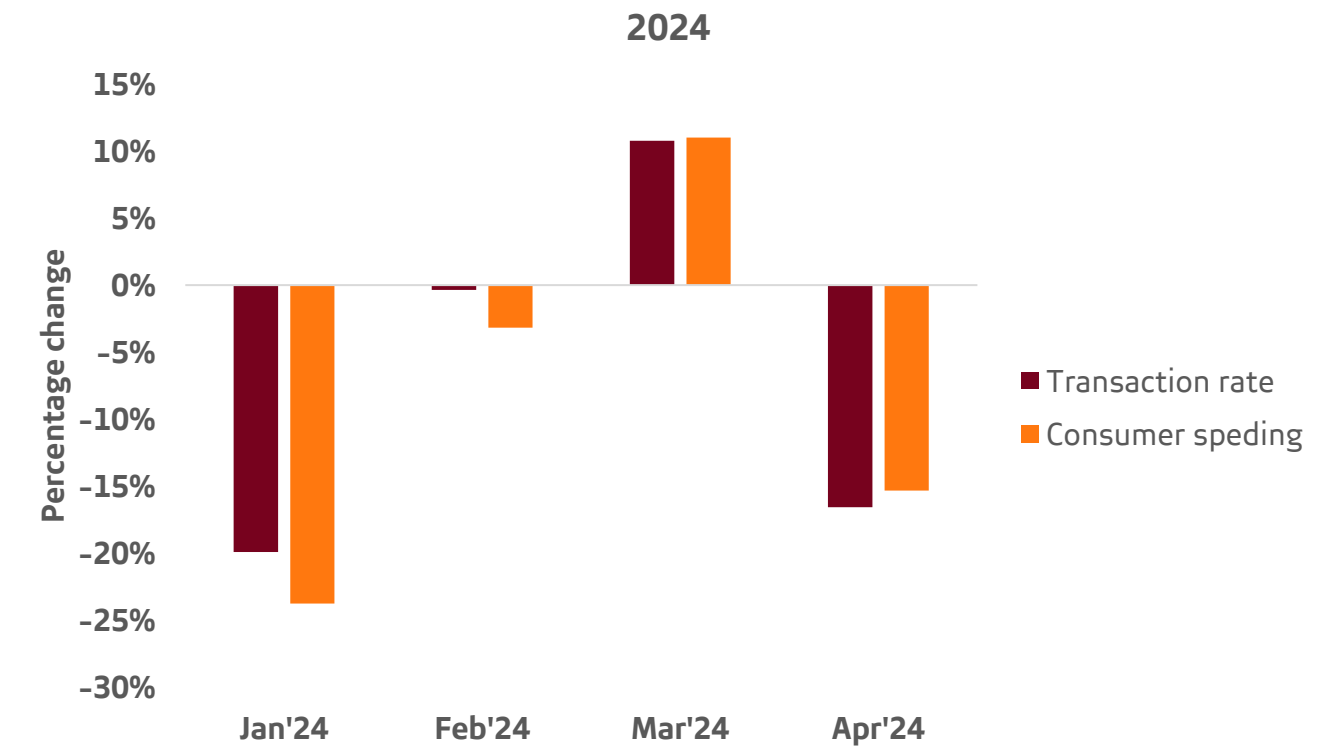


Briefly | April 2024

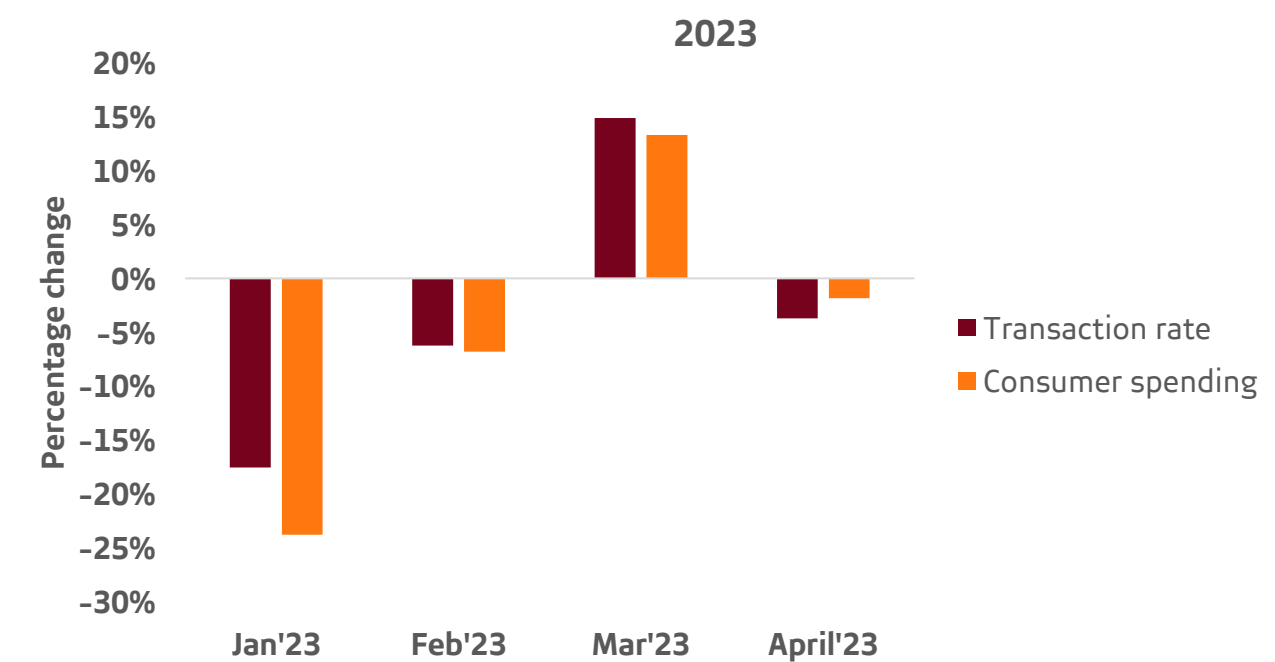
Spending slumps in April after reaching a high in March

Consumer spending took a significant dip in April 2024, falling by 15% compared to the previous month. This follows a strong rebound in March, which was the only month in 2024 to show positive growth in consumer spending and transaction rates, according to our internal merchant data, as depicted in graph 7.

Interestingly, a similar trend was observed in 2023 in graph 8, with April 2023's spending decline being milder at only 2% compared to the steeper decline in April 2024. This difference could be partly due to Easter weekend's timing, which fell in April in 2023 but occurred in March this year.



Graph 6
SOURCE: Absa's Merchant Spend Analytics



Graph 7
SOURCE: Absa's Merchant Spend Analytics

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