

Absa's Merchant Spend Analytics | September 2024

Briefly: Month-to-month (MTM) performance
Year-to-date (YTD) performance

Consumer Goods and Services

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At a glance | September 2024

1 MTM: In September 2024, both card spending and transaction volumes declined by 3%.

2 YTD: Non-core categories, particularly gambling, have shown significant growth, albeit from a low base.

3 YTD: Consumers are still relying on credit to maintain their essential purchases.

4 YTD: Unconventional categories are emerging as top-performing categories in both in-store and online spending.

Note: This report leverages Absa's MSA and offers valuable insights into consumer behaviour trends and emerging patterns. This is a monthly report with a two-month lag.

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 introduce some level of error. The findings presented in this report are based on our interpretation of the data and 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 this report's users to carefully consider these limitations and to consult other information sources before making any decisions based on the information presented here.

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Spotlight: Two-pot retirement reform

September 2024

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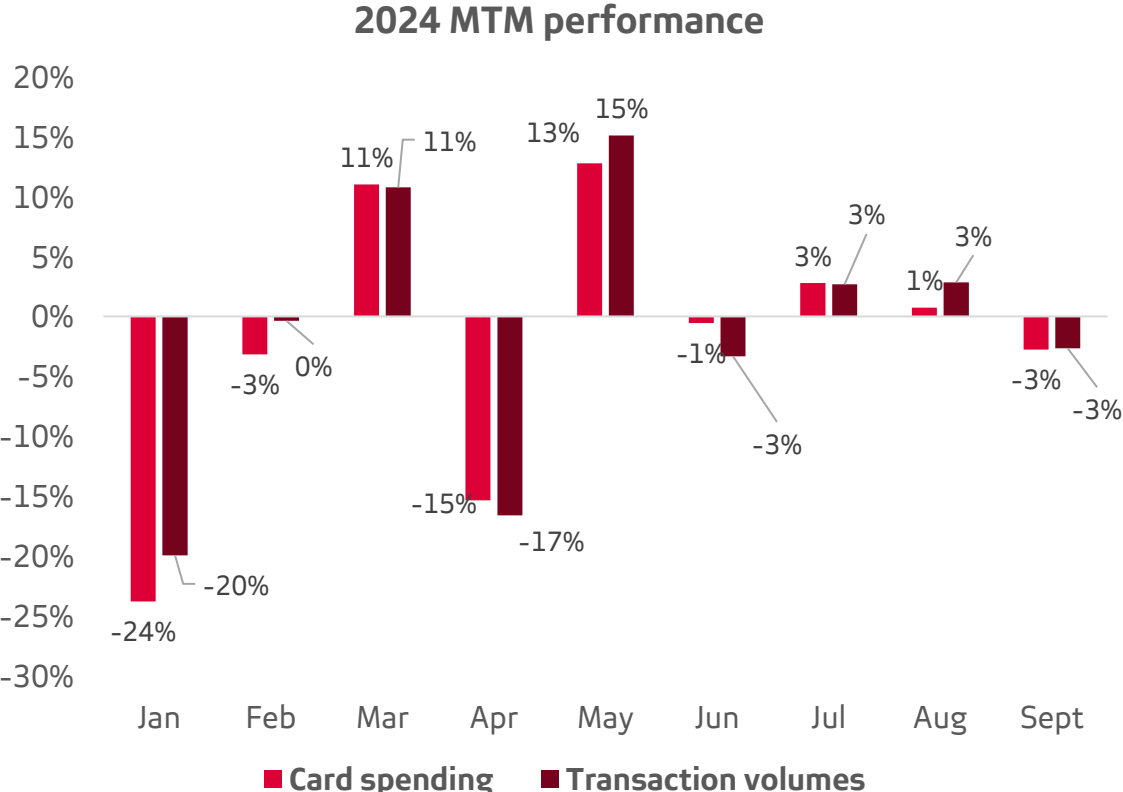
Briefly | September 2024

Two-pot retirement: A waiting game?

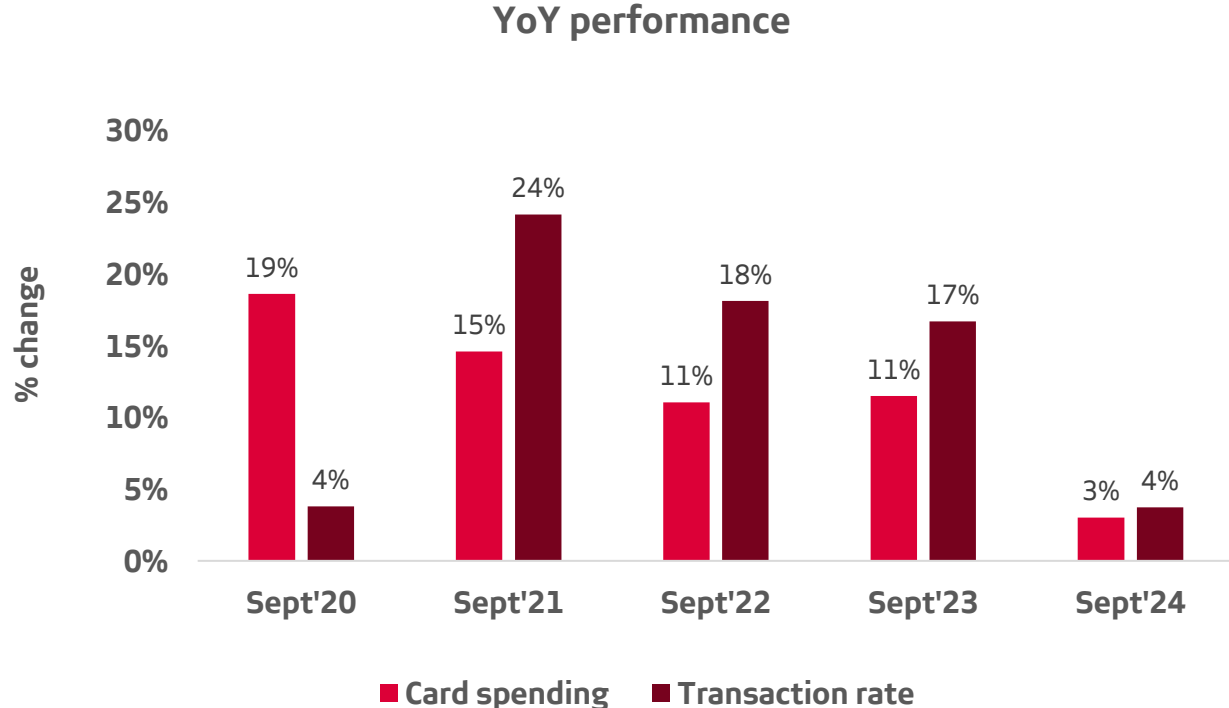
September 2024 marked the introduction of the highly awaited two-pot retirement system in South Africa. It was widely expected for a portion of the funds to go towards settling short-term debt and stimulate household consumption. Internal data indicate a muted activity in card spending and transaction volumes for September 2024. This suggests that factors such as delayed payouts, the processing of tax directives, consumers channeling funds towards reducing debt and consumer uncertainty about withdrawing retirement funds may have contributed to the muted activity in consumer spending.

In September 2024, both card spending and transaction volumes declined by 3% compared to August 2024 (graph 1). However, on a year-on-year (YoY) basis, these metrics exhibited growth of 3% and 4% respectively, compared to September 2023 (graph 2). The decline in card spending was caused by the dismal performance in core categories such as food and clothing, which saw decreases of 4% and 1% respectively (table 1). These categories typically play a significant role in shaping the overall card spending landscape. The top five performing categories did not have sufficient market share to significantly influence card spending for September. Out of the 29 tracked categories, only six showed positive MTM growth.

While the current performance in card spending may seem bleak, it's important to remember that the financial health of the consumer has been under strain for a prolonged period, leading to adjusted expenditure patterns. A rebound in consumer spending may depend on the improvement of economic conditions, such as interest rates, inflation and employment levels. For the time being, we will observe whether the two-pot retirement reform, combined with the current improving economic conditions, will bring about an increase in consumer spending.



Graph 1
Source: Absa's Merchant Spend Analytics



Graph 2
Source: Absa's Merchant Spend Analytics

Tracked card spending categories	MTM % change
Digital print media	66%
NGO – social & religious services	39%
Gambling	24%
Tourism	8%
Stationery & office furniture	3%
Books & newspapers	2%
Games & gaming	2%
Clothing*	-1%
Building & hardware*	-1%
Government	-1%
Home & garden*	-1%
Domestic & cleaning services	-1%
Electronics & computers	-3%
Business & professional services*	-3%
Care services	-3%
Health & beauty*	-4%
Warehousing & storage	-4%
Speciality*	-4%
Food*	-4%
Sports, outdoors & travel	-4%
Telecommunication*	-5%
Garages*	-6%
Medical services	-6%
Automotive*	-6%
Health practitioner	-8%
Commercial & industrial services	-10%
Funeral services	-11%
Education	-12%
Transportation	-13%

Table 1
Source: Absa's Merchant Spend Analytics
*Core category

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YTD performance

September 2024 vs September 2023

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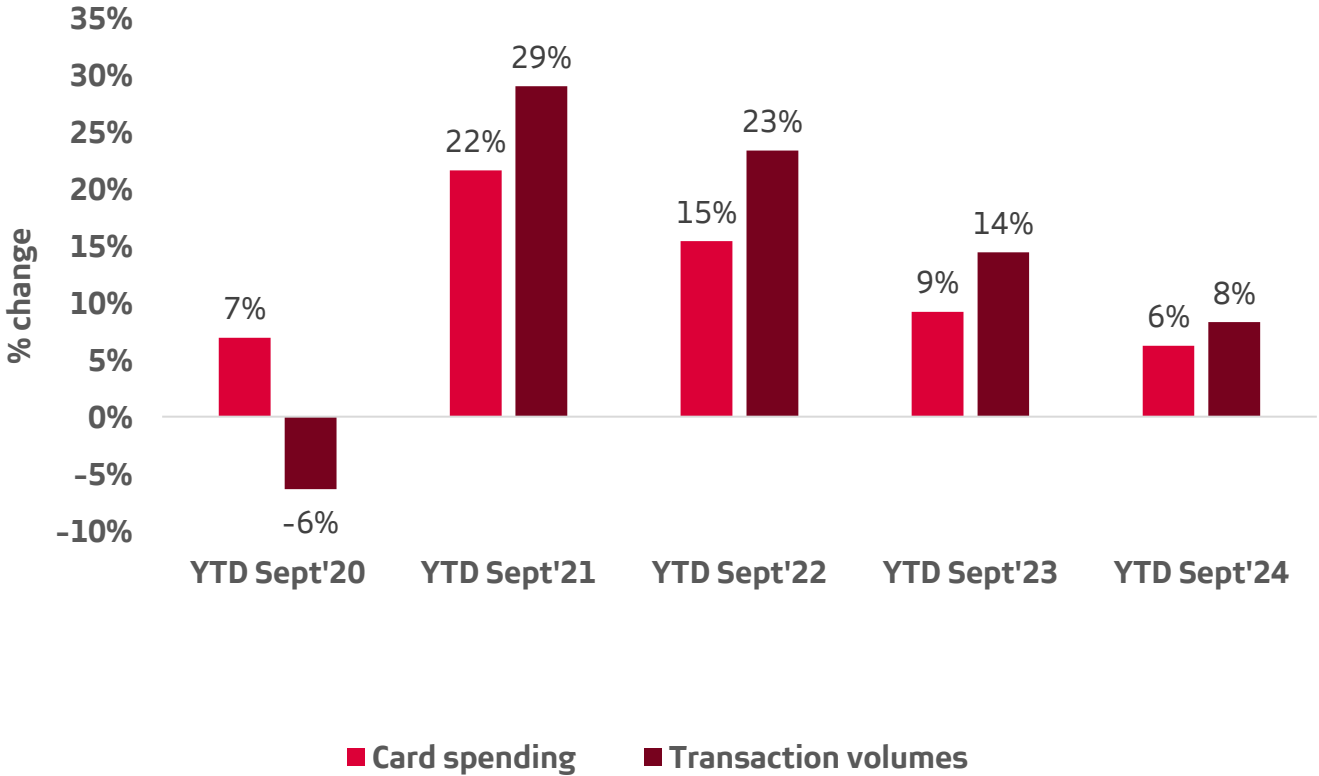
YTD | Total consumer spending

Core categories continue to lag

Our merchant data show card spending growth to have decelerated to 6% YTD in September 2024, compared to 8% in the same period last year (graph 3). This growth tracks above the current CPI of 3.8%. While the overall card spending growth has slowed, transaction volumes have experienced a more significant contraction. YTD growth in transaction volumes have grown by a mere 8%, a sharp decline from the 14% growth recorded in the previous year. This pronounced slowdown underscores the deteriorating financial health of consumers.

Core categories like food and clothing have exhibited muted growth, contributing to the overall slowdown in card spending (table 2). Conversely, non-core categories, particularly gambling, have shown significant growth, albeit from a low base. This trend is concerning, as it suggests consumers are seeking alternative income sources, potentially through risky methods.

Among the top five underperforming categories (table 4), clothing and garages stand out. The slow growth in clothing spending can be attributed to factors such as that consumers are delaying purchases in anticipation of the Black November sales and increased competition from online international retailers. The decline in book and newspaper spending reflects the ongoing shift towards digital media consumption.



Graph 3
Source: Absa's Merchant Spend Analytics

Tracked card spending categories	% change
Gambling	96%
Digital print media	54%
Warehousing & storage	36%
Stationery & office furniture	31%
Government	21%
Education	18%
Sports, outdoors & travel	17%
Commercial & industrial services	16%
Business & professional services	15%
Home & garden	15%
Care services	13%
Funeral services	13%
Health practitioners	11%
Medical services	10%
Automotive	8%
Speciality	8%
Health & beauty	7%
Tourism	7%
Electronics & computers	5%
NGO – social & religious services	5%
Food	4%
Games & gaming	4%
Building & hardware	2%
Clothing	2%
Telecommunication	2%
Garages	0%
Books & newspapers	-3%
Domestic & cleaning services	-9%
Transportation	-10%

Table 2
Source: Absa's Merchant Spend Analytics
*Core category

Top five performing	
Tracked card spending categories	% change
Gambling	96%
Digital print media	54%
Warehousing & storage	36%
Stationery & office furniture	31%
Government	21%

Table 3
Source: Absa's Merchant Spend Analytics

Top five underperforming	
Tracked card spending categories	% change
Telecommunication*	2%
Garages*	0%
Books & newspapers	-3%
Domestic & cleaning services	-9%
Transportation	-10%

Table 4
Source: Absa's Merchant Spend Analytics

YTD | Credit cards versus debit cards

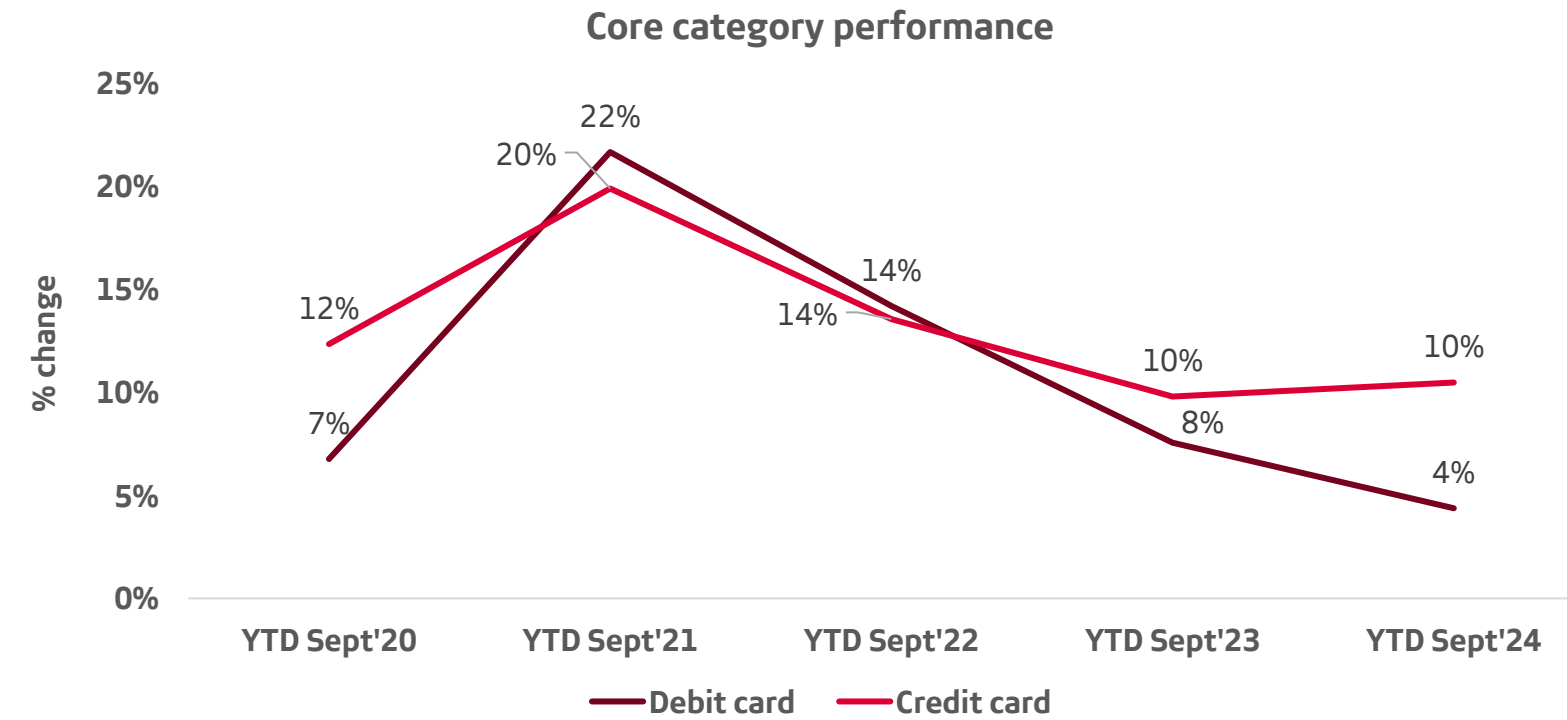
A tale of two payment methods

Despite a positive economic outlook, credit card usage has remained remarkably stable, growing by a consistent 10% YoY (graph 4). This suggests that while interest rate and inflation reductions are positive developments, consumers are yet to experience significant relief, leading them to continue to rely heavily on credit. Consumers are still relying on credit to maintain their spending habits, particularly in essential categories like food. In table 5 and 6, the food category maintained a 9% growth YoY on credit cards, while on debit cards it declined from 11% to 2% growth YoY.

Overall, debit card usage has exhibited more subdued growth, expanding by only 4% YoY. This slowdown is primarily attributed to a decline in spending on food and business and professional services, which possess a large market share in card spending and were previously high-growth categories.

The divergence in credit and debit card usage patterns offers a nuanced perspective on consumer financial behaviour. The uptick in credit card usage indicates a reliance on borrowed funds to maintain spending levels, whereas debit card usage reflects a more conservative approach, likely driven by lower associated costs. As consumers continue to navigate the economic landscape, the balance between credit and debit card usage will likely evolve, offering insights into shifts in consumer sentiment and spending priorities.

In the long term, as economic conditions improve and consumer confidence grows, we anticipate a gradual increase in spending across various categories. However, in the short term, a more cautious approach may prevail as consumers prioritise financial stability and debt reduction.



Graph 4
Source: Absa's Merchant Spend Analytics

Credit card					
Tracked card spending categories	YTD Sept'20	YTD Sept'21	YTD Sept'22	YTD Sept'23	YTD Sept'24
Automotive	-16%	32%	21%	10%	10%
Building & hardware	3%	23%	3%	6%	0%
Business & professional services	57%	89%	56%	36%	18%
Clothing	-18%	27%	27%	-1%	8%
Food	13%	10%	6%	9%	9%
Garages	-24%	21%	22%	-5%	-4%
Health & beauty	-7%	7%	42%	-25%	8%
Home & garden	126%	33%	-5%	0%	17%
Speciality	-7%	15%	31%	11%	13%
Telecommunication	4%	-17%	1%	15%	13%

Table 5
Source: Absa's Merchant Spend Analytics

Debit card					
Tracked card spending categories	YTD Sept'20	YTD Sept'21	YTD Sept'22	YTD Sept'23	YTD Sept'24
Automotive	-1%	34%	17%	10%	7%
Building & hardware	8%	32%	9%	3%	1%
Business & professional services	74%	128%	72%	44%	13%
Clothing	-6%	25%	7%	-18%	0%
Food	9%	12%	10%	11%	2%
Garages	-14%	35%	23%	-2%	1%
Health & beauty	18%	21%	20%	-5%	6%
Home & garden	24%	37%	3%	-3%	14%
Speciality	-6%	26%	25%	5%	7%
Telecommunication	0%	24%	20%	-3%	1%

Table 6
Source: Absa's Merchant Spend Analytics

YTD | Online and in-store spending

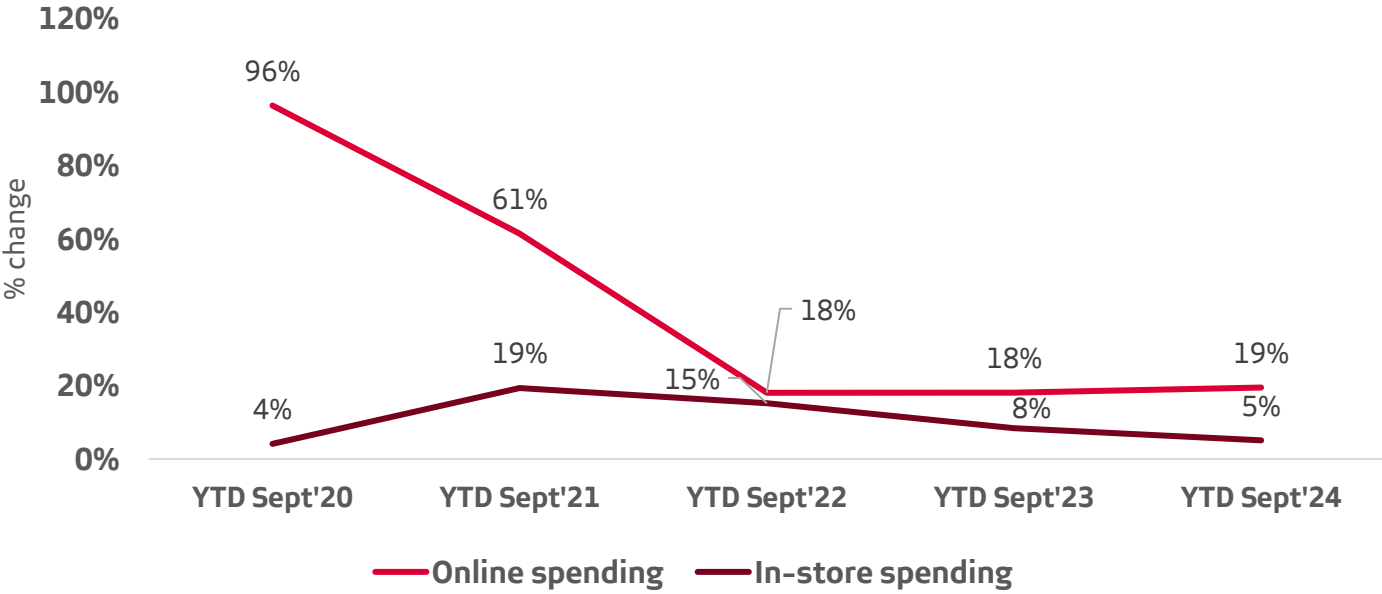
Top performers versus top contributors: A mismatch

YTD September 2024, online spending increased by 19%, a slight uptick from the 18% growth in the same period in 2023 (graph 5). This performance is largely attributed to the continued popularity of online platforms and the convenience they offer. Online spending's performance was dampened by the 23% decline in spending in the transportation category as shown in table 9. However, it is important to note that despite this decline, this category still ranks among the top five contributors towards online spending (table 7).

In contrast, in-store shopping has experienced a more tempered growth trajectory. YTD September 2024, in-store spending increased by 5%, a significant slowdown compared to the 8% growth observed in the same period last year. This deceleration can be linked to muted performance in key categories, particularly food, which accounts for a substantial 53% of in-store spending but only grew by 4% during this period (table 10).

The rise of unconventional categories

Funeral services, gambling and digital print media have emerged as top-performing categories in both in-store and online spending. This shift can be attributed to innovation within these industries, which has led to new products, services and business models that have attracted consumers. While these categories may not be traditional retail powerhouses, their growth underscores the evolving nature of consumer behaviour, spending patterns and the business environment. As industries continue to innovate and economic conditions fluctuate, it is likely that we will witness further shifts in the top-performing categories across various retail channels.



Graph 5
Source: Absa's Merchant Spend Analytics

Top five contributors: Online	
Tracked card spending categories	Contribution (%)
Home & garden	29%
Business & professional services	24%
Food	20%
Clothing	9%
Transportation	6%

Table 7
Source: Absa's Merchant Spend Analytics

Top five contributors: In store	
Tracked card spending categories	Contribution (%)
Food	53%
Business & professional services	13%
Clothing	9%
Speciality	4%
Building & hardware	4%

Table 8
Source: Absa's Merchant Spend Analytics

Online	
Tracked card spending categories	YTD Sept'24
Funeral services	9870%
Automotive	747%
Warehousing & storage	121%
Digital print media	60%
Health practitioners	58%
Home & garden	36%
Education	34%
Clothing	25%
Speciality	23%
Sports, outdoors & travel	23%
Electronics & computers	23%
Business & professional services	21%
Medical services	21%
Stationery & office furniture	20%
Food	16%
Government	16%
Games & gaming	13%
Books & newspapers	11%
NGO – social & religious services	5%
Tourism	3%
Building & hardware	-5%
Health & beauty	-5%
Garages	-12%
Transportation	-23%
Commercial & industrial services	-27%
Domestic & cleaning services	-39%
Telecommunication	-43%
Care services	n/a
Gambling	n/a

Table 9
Source: Absa's Merchant Spend Analytics

In store	
Tracked card spending categories	YTD Sept'24
Gambling	96%
Warehousing & storage	36%
Stationery & office furniture	31%
Digital print media	31%
Government	22%
Commercial & industrial services	16%
Sports, outdoors & travel	16%
Business & professional services	14%
Education	13%
Care services	13%
Funeral services	12%
Health practitioners	11%
Medical services	9%
Tourism	9%
Transportation	8%
Speciality	8%
Telecommunication	7%
Health & beauty	7%
Automotive	7%
NGO – social & religious services	5%
Food	4%
Home & garden	2%
Electronics & computers	2%
Building & hardware	2%
Clothing	0%
Garages	0%
Games & gaming	-6%
Domestic & cleaning services	-9%
Books & newspapers	-13%

Table 10
Source: Absa's Merchant Spend Analytics

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Heatmaps

Your story matters



Heatmap

Consumer spending changes per category

Tracked card spending categories	2020	2021	2022	2023
Automotive	2%	26%	15%	9%
Books and newspapers	10%	22%	20%	4%
Building and hardware	12%	21%	7%	3%
Business and professional services	98%	85%	65%	38%
Care services	6%	35%	29%	23%
Clothing	-1%	21%	1%	-13%
Commercial and industrial services	21%	34%	28%	15%
Digital print media	24%	94%	310%	40%
Domestic and cleaning services	58%	84%	44%	-4%
Education	-14%	6%	32%	17%
Electronic equipment and computers	20%	23%	9%	5%
Food	11%	10%	9%	9%
Funeral services	39%	37%	2%	40%
Gambling	-31%	47%	20%	-10%
Games and gaming	74%	470%	73%	15%
Garages	-15%	29%	21%	-3%
Government	-2%	20%	17%	5%
Health and beauty	14%	15%	18%	-5%
Health practitioners	-2%	24%	6%	6%
Home and garden	42%	25%	0%	1%
Medical services	5%	39%	19%	10%
NGOs: Social and religious services	-25%	35%	24%	9%
Speciality stores	-2%	14%	16%	6%
Sports, outdoors and travel	4%	42%	81%	29%
Stationery and office furniture	9%	33%	25%	23%
Telecommunications	6%	11%	22%	-5%
Tourism	-43%	46%	84%	20%
Transport	-22%	-2%	104%	11%
Warehousing and storage	75%	-8%	17%	-4%
Overall	11%	18%	14%	8%

Tracking year-on-year changes per category
Source: Absa's Merchant Spend Analytics

Tracked card spending categories	Jan'24	Feb'24	Mar'24	Apr'24	May '24	Jun'24	Jul'24	Aug'24	Sept'24
Automotive	-10%	0%	2%	-4%	9%	-6%	12%	-8%	-6%
Books and newspapers	4%	-35%	-11%	-10%	9%	-16%	3%	-10%	2%
Building and hardware	-19%	-3%	2%	-9%	11%	-3%	6%	-1%	-1%
Business and professional services	-23%	0%	14%	-22%	13%	-3%	5%	6%	-3%
Care services	26%	-13%	-4%	3%	7%	-7%	15%	-1%	-3%
Clothing	-46%	-12%	22%	-9%	13%	10%	-10%	6%	-1%
Commercial and industrial services	-2%	-4%	-4%	11%	0%	-3%	21%	-11%	-10%
Digital print media	-9%	-6%	177%	-36%	45%	-22%	-49%	22%	66%
Domestic and cleaning services	13%	-9%	13%	-3%	2%	-1%	6%	6%	-1%
Education	373%	-13%	-64%	-14%	-3%	-36%	71%	-20%	-12%
Electronics and computers	-17%	-5%	9%	-21%	4%	5%	3%	-3%	-3%
Food	-21%	-3%	13%	-15%	14%	-1%	2%	2%	-4%
Funeral services	8%	-8%	3%	1%	13%	6%	1%	-1%	-11%
Gambling	3%	-16%	13%	-31%	58%	5%	17%	22%	24%
Games and gaming	-54%	2%	14%	-9%	2%	7%	-8%	1%	2%
Garages	-10%	1%	6%	-10%	10%	-7%	4%	-2%	-6%
Government	21%	-6%	-4%	4%	9%	-6%	23%	2%	-1%
Health and beauty	-23%	0%	9%	-13%	22%	-6%	6%	4%	-4%
Health practitioners	18%	9%	-9%	5%	5%	-14%	21%	-4%	-8%
Home and garden	-24%	-4%	3%	-12%	17%	-5%	7%	-4%	-1%
Medical services	6%	14%	20%	-18%	-3%	-11%	11%	1%	-6%
NGOs: Social and religious services	-51%	-13%	41%	-39%	22%	13%	-17%	9%	39%
Speciality	-43%	2%	17%	-22%	19%	0%	-5%	-14%	-4%
Sports, outdoors and travel	-8%	-14%	14%	-22%	10%	-2%	6%	8%	-4%
Stationery and office furniture	41%	-55%	-5%	-15%	16%	-8%	12%	2%	3%
Telecommunication	-21%	-1%	10%	-15%	12%	-1%	0%	4%	-5%
Tourism	-8%	-3%	2%	-19%	0%	0%	4%	9%	8%
Transportation	-7%	2%	-1%	-13%	11%	-4%	13%	-3%	-13%
Warehousing and storage	-19%	3%	-3%	-5%	20%	10%	29%	15%	-4%

Tracking MTM changes per category
Source: Absa's Merchant Spend Analytics

Heatmap

Online and in-store spending changes per category

Tracked card spending categories	Online				
	YTD Sept'20	YTD Sept'21	YTD Sept'22	YTD Sept'23	YTD Sept'24
Automotive	-32%	4%	43%	36%	747%
Books & newspapers	29%	31%	0%	-12%	11%
Building & hardware	75%	42%	20%	18%	-5%
Business & professional services	59%	51%	15%	28%	21%
Care services	-7%	-15%	-44%	-100%	n/a
Clothing	136%	61%	86%	39%	25%
Commercial & industrial services	293%	-72%	81%	71%	-27%
Digital print media	-51%	-17%	4122%	81%	60%
Domestic & cleaning services	34%	14%	73%	-20%	-39%
Education	47%	72%	17%	16%	34%
Electronics & computers	27%	70%	84%	31%	23%
Food	540%	209%	18%	2%	16%
Funeral services	n/a	n/a	1671%	-40%	9870%
Gambling	n/a	n/a	n/a	n/a	n/a
Games & gaming	60%	7697%	49%	29%	13%
Garages	381%	-60%	19%	961%	-12%
Government	51%	35%	-44%	21%	16%
Health & beauty	-54%	-20%	-1%	16%	-5%
Health practitioners	-31%	80%	19%	98%	58%
Home & garden	2077%	50%	-1%	20%	36%
Medical services	494%	192%	15%	13%	21%
NGO – social & religious services	17%	21%	11%	-16%	5%
Speciality	80%	18%	39%	26%	23%
Sports, outdoors & travel	-1%	65%	91%	23%	23%
Stationery & office furniture	-22%	-23%	-33%	-36%	20%
Telecommunication	16%	-13%	-10%	13%	-43%
Tourism	-41%	62%	148%	22%	3%
Transportation	-33%	-3%	57%	8%	-23%
Warehousing & storage	7%	1%	19%	-86%	121%
Overall performance	96%	61%	18%	18%	19%

Tracking YTD changes per category
Source: Absa's Merchant Spend Analytics

Tracked card spending categories	In store				
	YTD Sept'20	YTD Sept'21	YTD Sept'22	YTD Sept'23	YTD Sept'24
Automotive	-5%	34%	18%	10%	7%
Books & newspapers	-16%	27%	55%	12%	-13%
Building & hardware	6%	29%	7%	4%	2%
Business & professional services	73%	147%	84%	46%	14%
Care services	7%	30%	37%	22%	13%
Clothing	-8%	25%	7%	-17%	0%
Commercial & industrial services	14%	44%	31%	9%	16%
Digital print media	55%	43%	68%	26%	31%
Domestic & cleaning services	33%	122%	55%	-1%	-9%
Education	-19%	-7%	43%	17%	13%
Electronic & computers	11%	28%	3%	2%	2%
Food	8%	9%	9%	12%	4%
Funeral services	37%	51%	-8%	49%	12%
Gambling	-45%	53%	47%	-19%	96%
Games & gaming	-24%	255%	222%	12%	-6%
Garages	-18%	30%	23%	-2%	0%
Government	-16%	26%	33%	4%	22%
Health & beauty	12%	18%	25%	-9%	7%
Health practitioners	-6%	30%	8%	5%	11%
Home & garden	5%	30%	1%	-11%	2%
Medical services	1%	37%	19%	13%	9%
NGO – social & religious services	-46%	53%	35%	22%	5%
Speciality	-7%	24%	26%	6%	8%
Sports, outdoors & travel	-8%	48%	76%	36%	16%
Stationery & office furniture	8%	38%	22%	24%	31%
Telecommunication	-3%	25%	22%	-2%	7%
Tourism	-47%	32%	90%	32%	9%
Transportation	32%	38%	4015%	27%	8%
Warehousing & storage	32%	26%	19%	-8%	36%
Overall performance	4%	19%	15%	8%	5%

Tracking YTD changes per category
Source: Absa's Merchant Spend Analytics

Heatmap

Credit and debit card spending changes per category

Tracked card spending categories	Debit card				
	YTD Sept'20	YTD Sept'21	YTD Sept'22	YTD Sept'23	YTD Sept'24
Automotive	-1%	34%	17%	10%	7%
Building & hardware	8%	32%	9%	3%	1%
Business & professional services	74%	128%	72%	44%	13%
Clothing	-6%	25%	7%	-18%	0%
Food	9%	12%	10%	11%	2%
Garages	-14%	35%	23%	-2%	1%
Health & beauty	18%	21%	20%	-5%	6%
Home & garden	24%	37%	3%	-3%	14%
Speciality	-6%	26%	25%	5%	7%
Telecommunication	0%	24%	20%	-3%	1%
Overall performance	7%	22%	14%	8%	4%

Tracking YTD changes per category
 Source: Absa's Merchant Spend Analytics

Tracked card spending categories	Credit card				
	YTD Sept'20	YTD Sept'21	YTD Sept'22	YTD Sept'23	YTD Sept'24
Automotive	-16%	32%	21%	10%	10%
Building & hardware	3%	23%	3%	6%	0%
Business & professional services	57%	89%	56%	36%	18%
Clothing	-18%	27%	27%	-1%	8%
Food	13%	10%	6%	9%	9%
Garages	-24%	21%	22%	-5%	-4%
Health & beauty	-7%	7%	42%	-25%	8%
Home & garden	126%	33%	-5%	0%	17%
Speciality	-7%	15%	31%	11%	13%
Telecommunication	4%	-17%	1%	15%	13%
Overall performance	12%	20%	14%	10%	10%

Tracking YTD changes per category
 Source: Absa's Merchant Spend Analytics

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