

Absa's Merchant Spend Analytics | December 2024

Festive season edition

Consumer Goods and Services

cib.absa.africa

Your story matters



At a glance | December 2024

- 1** MTM: December 2024 showed a significant MTM increase in both card spending and transaction volumes compared to the rest of the year.
- 2** MTM: Tourism entered the top 10 core categories in December 2024.
- 3** MTM: Food and clothing were the primary growth drivers in December 2024.
- 4** YTD: A slower growth in card spending in the YTD period ending December 2024 compared to the same period in 2023.
- 5** The financial health of the consumer remains in the spotlight.

Important: This month marks a significant change in our reporting. We have expanded our data sources to include both consumer issuing data and merchant transaction data. Previously, the report was solely based on merchant transaction data. This change may result in slight variations in the observed trends compared to previous reports.

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.

1

Month-to-month (MTM) performance

December 2024

Your story matters



MTM | December 2024

Card spending peaks during the festive season

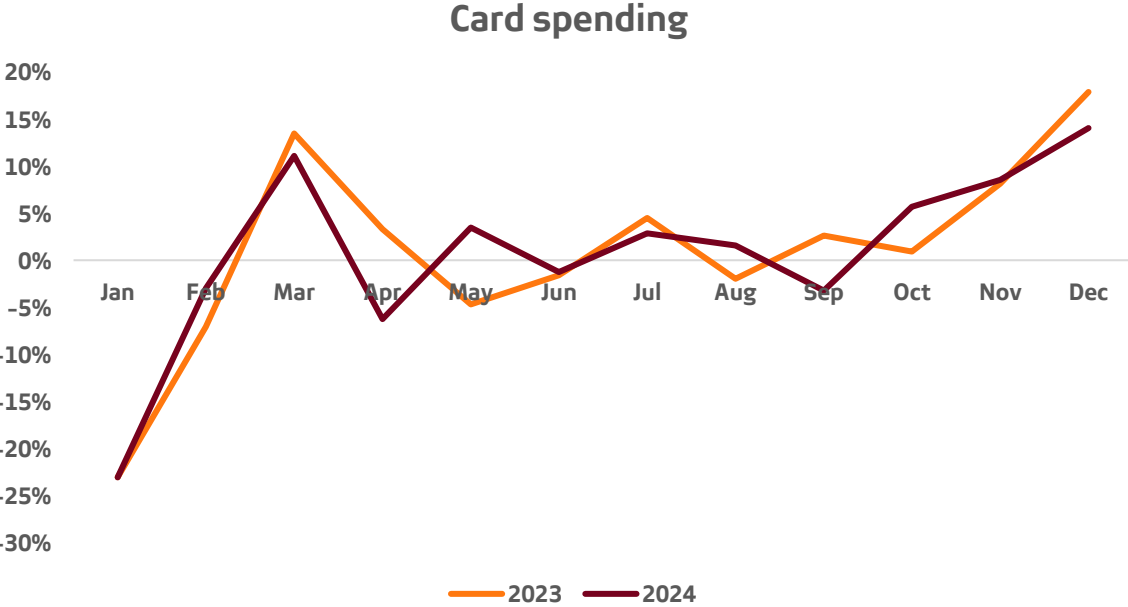
December proved to be a pivotal month for retail, showing a significant MTM surge in both card spending and transaction volumes. This growth not only marked the highest point for the entire year but also solidified a positive trajectory, with three consecutive months of increased card spending. While this trend aligns with the typical seasonal uptick in retail activity, it underscores the critical role of the fourth quarter in driving retail performance.

According to Absa’s internal data, MTM card spending experienced a notable increase in December 2024, reaching 14% compared to the previous month’s 9%. While year-over-year growth slightly moderated to 5% from 6% in December 2023, the overall upward trend in card spending remains evident. Key drivers behind the MTM growth include a significant increase in spending across the **top 10 core categories*** (table 1), particularly clothing (37%) and food (14%). These two sectors combined accounted for a substantial 58% of total card spending (table 2).

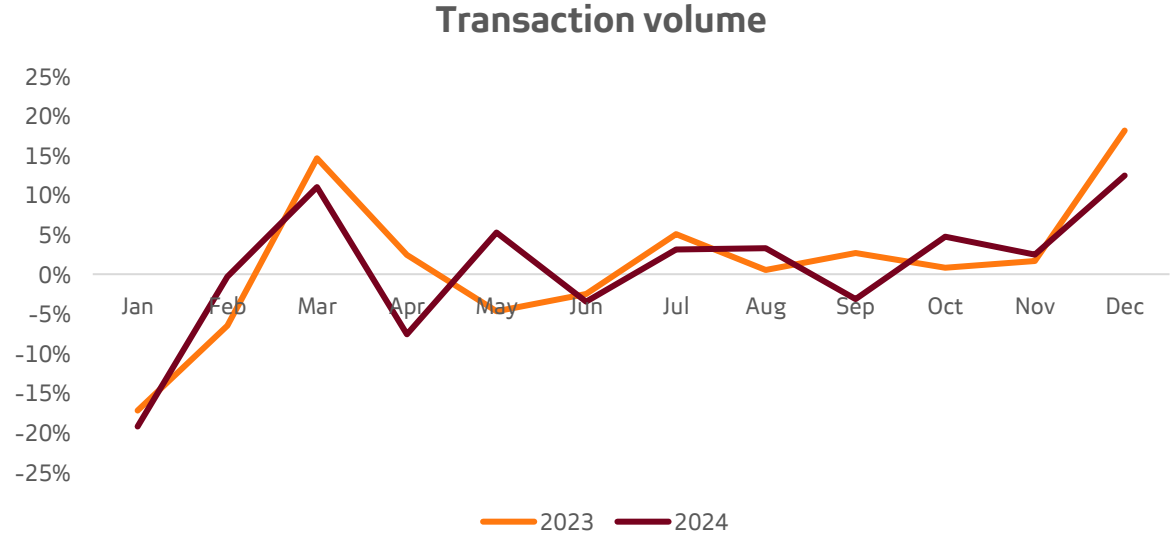
The top-performing categories for the month reflected the typical characteristics of the festive season, including increased spending on gifts, preparations for the new school year, and leisure activities. Categories such as games and gaming, clothing, and stationery and office furniture saw significant growth and formed part of the top five performing categories (table 1). The tourism category’s entering the **top 10 core categories*** in December underscores the positive impact of the festive season on consumer activity in this sector. The speciality category experienced a 33% growth, primarily driven by a surge in sales within its alcoholic beverages sub-category.

Growth in online shopping decelerated 14% compared to the 19% growth in November 2024. This downturn in online shopping was accompanied by a surge in in-store spending, rising from 7% in November 2024 to 17% in December 2024. The pronounced shift towards in-store spending underscores the enduring appeal of the traditional retail experience during festive periods.

Debit card use increased by 13% while credit card spending declined by 2%. This may indicate a preference for personal funds, potentially influenced by year-end bonuses, the two-pot retirement reform and the interest rate cuts. These findings highlight the dynamic nature of consumer behaviour, which is influenced by various factors, including seasonal trends and consumer sentiment.



Graph 1
Source: Absa’s Merchant Spend Analytics



Graph 2
Source: Absa’s Merchant Spend Analytics

| Card spending categories | MTM % change |
|--|--------------|
| Games and gaming | 76% |
| NGO, social and religious services | 69% |
| Stationery and office furniture | 58% |
| Warehousing and storage | 46% |
| Clothing* | 37% |
| Speciality* | 33% |
| Telecommunication | 17% |
| Food* | 14% |
| Business and professional services* | 12% |
| Gambling | 11% |
| Health and beauty* | 11% |
| Electronics and computers | 10% |
| Sports, outdoors and travel | 10% |
| Digital print media | 8% |
| Funeral services | 7% |
| Transportation | 6% |
| Books and newspapers | 5% |
| Tourism* | 5% |
| Home and garden* | 5% |
| Garages* | 5% |
| Building and hardware* | 0% |
| Automotive* | -1% |
| Care services | -3% |
| Domestic and cleaning services | -3% |
| Medical services | -10% |
| Commercial and industrial services | -13% |
| Government | -14% |
| Health practitioners | -24% |
| Education | -29% |

Table 1
Source: Absa’s Merchant Spend Analytics
*Core categories

| Core categories | Market share: December 2024 |
|------------------------------------|-----------------------------|
| Food | 45% |
| Clothing | 13% |
| Business and professional services | 12% |
| Home and garden | 6% |
| Speciality | 5% |
| Building and hardware | 4% |
| Garages | 4% |
| Automotive | 2% |
| Health and beauty | 2% |
| Tourism | 1% |
| Total market share | 93% |

Table 2
Source: Absa’s Merchant Spend Analytics

Heat Map | December 2024

| Card spending categories | Jan'24 | Feb'24 | Mar'24 | Apr'24 | May'24 | Jun'24 | Jul'24 | Aug'24 | Sept'24 | Oct'24 | Nov'24 | Dec'24 |
|----------------------------------|-------------|------------|------------|------------|-----------|------------|-----------|-----------|------------|-----------|-----------|------------|
| Automotive | -7% | -1% | 2% | 2% | 3% | -6% | 14% | -4% | -6% | 15% | 0% | -1% |
| Books & newspaper | -7% | -26% | -13% | -8% | 0% | -13% | 8% | -7% | 1% | 14% | 29% | 5% |
| Building & hardware | -16% | -1% | 2% | 2% | 4% | -2% | 8% | 0% | -2% | 13% | 5% | 0% |
| Business & professional services | -22% | 0% | 14% | -14% | 3% | -4% | 4% | 6% | -3% | 7% | 9% | 12% |
| Care services | 21% | -13% | -5% | 11% | 0% | -7% | 13% | -1% | -4% | 10% | -1% | -3% |
| Commercial & industrial services | 3% | 0% | 0% | 13% | -3% | -3% | 16% | -9% | -7% | 9% | 3% | -13% |
| Digital print media | -25% | 9% | 88% | -33% | 20% | -11% | -35% | 30% | 40% | 66% | -39% | 8% |
| Domestic & cleaning services | 7% | -8% | 7% | 7% | -1% | 0% | 10% | 0% | -2% | 7% | -2% | -3% |
| Education | 348% | -15% | -59% | -4% | -11% | -35% | 73% | -23% | -13% | 43% | 7% | -29% |
| Electronic & computers | -17% | -4% | 5% | -13% | -4% | 4% | 3% | -4% | -4% | 3% | 31% | 10% |
| Food | -21% | -3% | 13% | -7% | 4% | -1% | 2% | 2% | -4% | 4% | 7% | 14% |
| Clothing | -44% | -10% | 20% | -2% | 3% | 8% | -8% | -2% | 0% | 5% | 22% | 37% |
| Funeral services | 8% | -6% | 3% | 5% | 7% | 4% | 4% | -2% | -10% | 12% | -8% | 7% |
| Gambling | -17% | -8% | 17% | 3% | 5% | -3% | 5% | 6% | -7% | 7% | 6% | 11% |
| Games & gaming | -58% | -2% | 17% | -6% | -3% | 8% | -5% | 1% | 2% | -3% | 21% | 76% |
| Garages | -10% | 2% | 7% | -2% | -2% | -6% | 4% | -2% | -6% | 2% | -2% | 5% |
| Government | 17% | -4% | -4% | 6% | 6% | -5% | 24% | 3% | 2% | 8% | -11% | -14% |
| Health & beauty | -24% | -1% | 9% | -2% | 10% | -7% | 7% | 4% | -5% | 5% | 3% | 11% |
| Health practitioner | 16% | 7% | -8% | 10% | 2% | -13% | 22% | -4% | -7% | 19% | -1% | -24% |
| Home & garden | -23% | -4% | 4% | -5% | 7% | -4% | 7% | -3% | -2% | 11% | 27% | 5% |
| Medical services | 5% | 8% | 12% | -8% | -3% | -10% | 13% | 0% | -6% | 15% | 1% | -10% |
| NGO_ social & religious services | -47% | -9% | 42% | -22% | -2% | 10% | -12% | 7% | 25% | -12% | 17% | 69% |
| Speciality | -43% | 1% | 20% | -13% | 6% | 0% | 0% | 7% | -3% | 4% | 15% | 33% |
| Sports; outdoors & travel | -23% | -6% | 15% | -15% | 2% | 1% | 6% | 6% | -9% | 6% | 27% | 10% |
| Stationery & office furniture | 54% | -59% | -18% | 5% | 4% | -19% | 24% | -1% | -10% | 20% | 9% | 58% |
| Telecommunication | -23% | 0% | 10% | -7% | 2% | 0% | 5% | 1% | -4% | 8% | -1% | 17% |
| Tourism | -7% | -1% | 6% | -9% | -5% | 0% | 1% | 9% | 6% | 3% | -1% | 5% |
| Transportation | -9% | 2% | -7% | -6% | 4% | -3% | 13% | -5% | -16% | -66% | -28% | 6% |
| Warehousing & storage | -17% | 3% | -3% | -1% | 20% | 7% | 27% | 13% | -5% | 20% | 11% | 46% |
| Overall performance | -23% | -3% | 11% | -6% | 3% | -1% | 3% | 2% | -3% | 6% | 9% | 14% |

Table 2
Source: Absa's Merchant Spend Analytics

| Card spending categories | Jan'23 | Feb'23 | Mar'23 | Apr'23 | May'23 | Jun'23 | July'23 | Aug'23 | Sept'23 | Oct'23 | Nov'23 | Dec'23 |
|----------------------------------|-------------|------------|------------|-----------|------------|------------|-----------|------------|-----------|-----------|-----------|------------|
| Automotive | -11% | -5% | 15% | -9% | 9% | -2% | 4% | 1% | -4% | 2% | 6% | 0% |
| Books & newspaper | -10% | -24% | -3% | -12% | 6% | -6% | 8% | 0% | -5% | 12% | 33% | 25% |
| Building & hardware | -15% | -9% | 16% | -4% | 3% | -3% | 7% | 1% | -2% | 3% | 10% | -3% |
| Business & professional services | -20% | -5% | 18% | 4% | -7% | -1% | 8% | 2% | 3% | 0% | 9% | 19% |
| Care services | 15% | -14% | 12% | -18% | 32% | -9% | 1% | 4% | -5% | 7% | 5% | -10% |
| Commercial & industrial services | 0% | -4% | 11% | -8% | 21% | -4% | 3% | -1% | -2% | 7% | 3% | -14% |
| Digital print media | -27% | 11% | 8% | 7% | -8% | -33% | 11% | 27% | -11% | -8% | 46% | 5% |
| Domestic & cleaning services | -4% | -9% | 20% | -4% | 3% | 1% | 1% | 5% | 0% | -4% | 4% | -13% |
| Education | 330% | -4% | -55% | -39% | 30% | -24% | 18% | -4% | -9% | 8% | 22% | -21% |
| Electronic & computers | -15% | -4% | 9% | -5% | -6% | -5% | 9% | -10% | 3% | 1% | 39% | 0% |
| Food | -20% | -7% | 12% | 6% | -8% | 0% | 5% | -3% | 3% | 1% | 2% | 21% |
| Clothing | -44% | -14% | 21% | 13% | -3% | -1% | -2% | -9% | 7% | -4% | 21% | 47% |
| Funeral services | 4% | -7% | 16% | -10% | 14% | 6% | -5% | 3% | -6% | 1% | -1% | 0% |
| Gambling | -15% | -5% | 19% | 0% | -2% | 6% | 5% | 1% | 1% | 0% | 7% | 19% |
| Games & gaming | -58% | -3% | 14% | 12% | -15% | 13% | 3% | -10% | 8% | -2% | 18% | 85% |
| Garages | -12% | -8% | 7% | 1% | 1% | -8% | 5% | 1% | 7% | 3% | 0% | -3% |
| Government | 13% | -6% | 7% | -16% | 18% | 2% | 3% | 9% | 1% | 5% | -6% | -12% |
| Health & beauty | -25% | -5% | 18% | -1% | 3% | -3% | 6% | 2% | 0% | -1% | 7% | 14% |
| Health practitioner | 11% | 4% | 8% | -20% | 29% | -8% | 0% | 11% | -10% | 11% | 10% | -26% |
| Home & garden | -31% | 0% | 13% | -5% | 2% | -5% | 7% | -4% | -1% | 7% | 44% | -4% |
| Medical services | 2% | -1% | 31% | -23% | 8% | -7% | 0% | 9% | -6% | 9% | 5% | -12% |
| NGO_ social & religious services | -44% | -14% | 21% | 20% | -28% | 6% | 10% | -2% | 11% | 15% | -9% | 66% |
| Speciality | -41% | -7% | 18% | 7% | -14% | 5% | 3% | 0% | 11% | -5% | 11% | 46% |
| Sports; outdoors & travel | -23% | -13% | 18% | -1% | -6% | 3% | 5% | -1% | -5% | 0% | 28% | 11% |
| Stationery & office furniture | 45% | -60% | -6% | -11% | 19% | -18% | 15% | 9% | -16% | 13% | 22% | 54% |
| Telecommunication | -36% | -4% | 12% | 1% | -2% | -3% | 3% | -2% | 3% | -2% | 3% | 24% |
| Tourism | -7% | -3% | 14% | -6% | -8% | -3% | 7% | 3% | 3% | 5% | 5% | 7% |
| Transportation | -10% | 4% | 14% | -10% | 4% | -2% | 3% | 6% | 4% | -2% | -2% | 1% |
| Warehousing & storage | -17% | -12% | 18% | -10% | -9% | 13% | 0% | 4% | 9% | -7% | 9% | 7% |
| Overall performance | -23% | -7% | 13% | 3% | -5% | -1% | 4% | -2% | 3% | 1% | 8% | 18% |

Table 3
Source: Absa's Merchant Spend Analytics

Heat Map | December 2024

Day to day spending changes: Core categories

| Date | Food | Clothing | Business & Professional Services | Home & Garden | Speciality | Building & Hardware | Garages | Automotive | Health & Beauty | Tourism |
|----------|------|----------|----------------------------------|---------------|------------|---------------------|---------|------------|-----------------|---------|
| 01-12-24 | -25% | -42% | -31% | -33% | -51% | -48% | -17% | -84% | -42% | -16% |
| 02-12-24 | -22% | -1% | 4% | 24% | 7% | 84% | 33% | 755% | 22% | 57% |
| 03-12-24 | 76% | -1% | -3% | -19% | -1% | -4% | 21% | 6% | 27% | -2% |
| 04-12-24 | -23% | -7% | -2% | -7% | -3% | 8% | -25% | -1% | -5% | -3% |
| 05-12-24 | 14% | 13% | 7% | 5% | 9% | -8% | 2% | -2% | -2% | -11% |
| 06-12-24 | -16% | 5% | 6% | -3% | 32% | -4% | 13% | 5% | 2% | 22% |
| 07-12-24 | -11% | 2% | -2% | -10% | 2% | -6% | -24% | -43% | -7% | -35% |
| 08-12-24 | -28% | -42% | -36% | -26% | -54% | -47% | -17% | -83% | -35% | -16% |
| 09-12-24 | 2% | 15% | 25% | 55% | 30% | 105% | 47% | 888% | 45% | 78% |
| 10-12-24 | 0% | 1% | 5% | -1% | 7% | -3% | -4% | 2% | 5% | -6% |
| 11-12-24 | 6% | 6% | 3% | 1% | 9% | 9% | 5% | 3% | 4% | -8% |
| 12-12-24 | 4% | 10% | 4% | 2% | 12% | -7% | 3% | 2% | 3% | 3% |
| 13-12-24 | 59% | 88% | 35% | 39% | 62% | 11% | 33% | 25% | 38% | 2% |
| 14-12-24 | -5% | 7% | -3% | -14% | -1% | -2% | -26% | -43% | -12% | -10% |
| 15-12-24 | -28% | -42% | -30% | -32% | -46% | -47% | -27% | -85% | -37% | -14% |
| 16-12-24 | -1% | -2% | 0% | 7% | 13% | 31% | 6% | 213% | 8% | 8% |
| 17-12-24 | 6% | 31% | 20% | 40% | 12% | 68% | 33% | 249% | 46% | 64% |
| 18-12-24 | 2% | -14% | 0% | -6% | 4% | -5% | -5% | -6% | 16% | -26% |
| 19-12-24 | 4% | 14% | 2% | 1% | 5% | -14% | 0% | -1% | -11% | 7% |
| 20-12-24 | 39% | 50% | 26% | 15% | 45% | 7% | 30% | 9% | 6% | 12% |
| 21-12-24 | -2% | -12% | -5% | -18% | -4% | -16% | -21% | -47% | -37% | -26% |
| 22-12-24 | -24% | -30% | -29% | -31% | -45% | -43% | -23% | -83% | 9% | -14% |
| 23-12-24 | 55% | 63% | 20% | 67% | 87% | 103% | 36% | 815% | 74% | 38% |
| 24-12-24 | 7% | -4% | -9% | -23% | 29% | -28% | -7% | -36% | -15% | -7% |
| 25-12-24 | -71% | -88% | -38% | -82% | -71% | -96% | -46% | -96% | -96% | -39% |
| 26-12-24 | 12% | 101% | 8% | 132% | 20% | 1066% | 26% | 176% | 717% | 29% |
| 27-12-24 | 57% | 115% | 35% | 108% | 48% | 150% | 44% | 985% | 121% | 57% |
| 28-12-24 | -10% | -21% | -2% | -25% | -5% | -28% | -20% | -47% | -25% | -23% |
| 29-12-24 | -21% | -39% | -22% | -31% | -45% | -40% | -12% | -79% | -33% | -9% |
| 30-12-24 | 59% | 100% | 24% | 91% | 103% | 135% | 42% | 879% | 160% | 42% |
| 31-12-24 | 32% | 8% | 22% | -13% | 57% | -29% | 12% | -35% | -33% | -19% |

Table 4
Source: Absa's Merchant Spend Analytics

2

Year-to-date (YTD) performance

YTD Dec '24 vs YTD Dec '23

Your story matters



YTD | December 2024

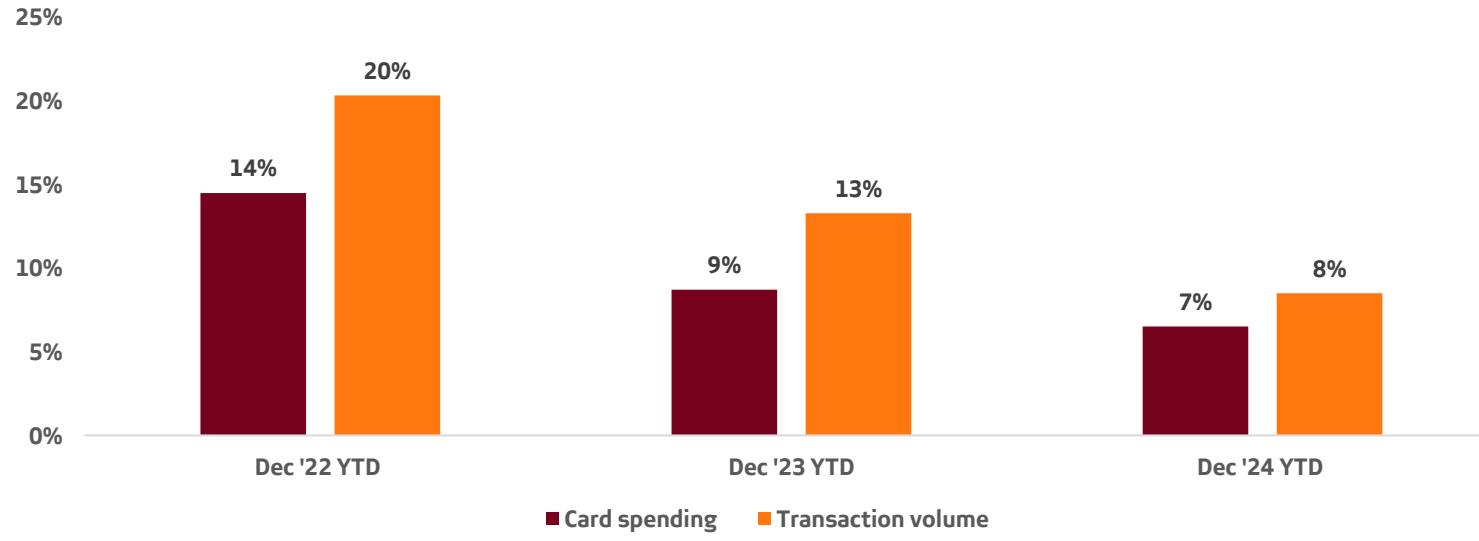
The year 2024 unfolded as one of economic improvement, fostering a more favourable environment for consumers. While the anticipated easing of inflation and interest rate cuts by the South African Reserve Bank (SARB) materialised, albeit with a delay and at a slower pace than initially projected by the market, the overall economic conditions spurred optimism among both consumers and retailers. This positive sentiment was further amplified by fuel price cuts and the implementation of the two-pot retirement reform.

Despite some positive economic indicators, Absa’s internal data revealed a slower growth in card spending in the YTD period ending December 2024 compared to the same period in 2023. Card spending increased by 7%, down from 9% growth in the same period of 2023. Similarly, transaction volumes grew by 8% in 2024, a decrease from 13% in 2023 (graph 3). Despite this slowdown, card spending growth remains above the 3% Consumer Price Index (CPI).

Debit and credit card use in the core categories also slowed, reaching 6% and 9% respectively in the YTD period of 2024, compared to December 2023 (table 3 and 4). Online and in-store spending growth also decelerated, reaching 21% and 5% respectively in 2024, compared to the same period in 2023 (table 5 and 6 under the heatmap section).

Notably, the tourism category has entered the top 10 core spending categories in the YTD period ending December 2024, replacing telecommunications. This suggests that consumers are becoming more comfortable with discretionary spending as interest rates and inflation begin to moderate.

In conclusion, while the South African economy demonstrated signs of improvement in 2024, YTD card spending grew at a moderate pace according to internal data. This trend, combined with the shift towards discretionary spending, provides valuable insights into the evolving consumer landscape. The data suggest a cautious optimism among consumers.



Graph 3
Source: Absa’s Merchant Spend Analytics

| Debit card | | | |
|------------------------------------|-------------|-------------|-------------|
| Core categories | YTD Dec '22 | YTD Dec '23 | YTD Dec '24 |
| Automotive | 12% | 8% | 8% |
| Building and hardware | 6% | 2% | 4% |
| Business and professional services | 58% | 38% | 12% |
| Clothing | 0% | -10% | 2% |
| Food | 11% | 10% | 5% |
| Garages | 33% | 1% | -3% |
| Health and beauty | 12% | 2% | 7% |
| Home and garden | 2% | 0% | 13% |
| Speciality | 20% | 9% | 9% |
| Telecommunication* | 24% | N/a | N/a |
| Tourism* | N/a | N/a | 12% |
| Overall performance | 13% | 7% | 6% |

Table 3
Source: Absa’s Merchant Spend Analytics

| Credit card | | | |
|------------------------------------|-------------|-------------|-------------|
| Core categories | YTD Dec '22 | YTD Dec '23 | YTD Dec '24 |
| Automotive | 14% | 7% | 8% |
| Building and hardware | 5% | 4% | 1% |
| Business and professional services | 45% | 32% | 17% |
| Clothing | 10% | 1% | 7% |
| Food | 7% | 11% | 11% |
| Garages | 28% | -1% | -9% |
| Health and beauty | 21% | -8% | 9% |
| Home and garden | -4% | 5% | 11% |
| Speciality | 25% | 10% | 9% |
| Telecommunication* | 10% | N/a | N/a |
| Tourism* | N/a | N/a | 9% |
| Overall performance | 13% | 14% | 9% |

Table 4
Source: Absa’s Merchant Spend Analytics

Heat Map | YTD December 2024

Online spending vs In-store spending

| Online spending | | | |
|----------------------------------|------------|------------|------------|
| | YTD dec'22 | YTD dec'23 | YTD dec'24 |
| Automotive | 67% | 85% | 179% |
| Books & newspaper | 6% | -1% | 11% |
| Building & hardware | 14% | 19% | 3% |
| Business & professional services | 17% | 30% | 18% |
| Care services | 4% | 3% | 1% |
| Clothing | 51% | 32% | 19% |
| Commercial & industrial services | 43% | 31% | 8% |
| Digital print media | 326% | 27% | 65% |
| Domestic & cleaning services | 127% | -2% | 2% |
| Education | 13% | 31% | 28% |
| Electronic & computers | 55% | 9% | -3% |
| Food | 10% | 15% | 33% |
| Funeral services | 56% | -82% | 4721% |
| Gambling | 18% | 169% | 65% |
| Games & gaming | 43% | 26% | 12% |
| Garages | -49% | 63% | -51% |
| Government | -23% | 37% | 41% |
| Health & beauty | 3% | 10% | 10% |
| Health practitioner | -4% | 34% | 36% |
| Home & garden | 1% | 25% | 28% |
| Medical services | 11% | 13% | 24% |
| NGO_ social & religious services | -15% | -1% | 6% |
| Speciality | 39% | 16% | 5% |
| Sports; outdoors & travel | 94% | 52% | 23% |
| Stationery & office furniture | -22% | -18% | 23% |
| Telecommunication | 23% | 11% | -15% |
| Tourism | 74% | 12% | 14% |
| Transportation | 56% | 13% | -32% |
| Warehousing & storage | 8% | -11% | -42% |
| Overall performance | 21% | 24% | 21% |

Table 7
Source: Absa's Merchant Spend Analytics

| In-store spending | | | |
|----------------------------------|------------|------------|------------|
| | YTD dec'22 | YTD dec'23 | YTD dec'24 |
| Automotive | 12% | 8% | 6% |
| Books & newspaper | 23% | 9% | -14% |
| Building & hardware | 5% | 3% | 3% |
| Business & professional services | 64% | 37% | 12% |
| Care services | 15% | 14% | 14% |
| Clothing | 0% | -10% | 2% |
| Commercial & industrial services | 17% | 3% | 6% |
| Digital print media | 108% | 20% | 18% |
| Domestic & cleaning services | 23% | 4% | 7% |
| Education | 32% | 15% | 13% |
| Electronic & computers | 4% | 2% | 0% |
| Food | 10% | 10% | 5% |
| Funeral services | -4% | 28% | 15% |
| Gambling | 38% | 12% | -1% |
| Games & gaming | 32% | 3% | -5% |
| Garages | 31% | 0% | -5% |
| Government | 21% | 6% | 21% |
| Health & beauty | 14% | 0% | 8% |
| Health practitioner | 8% | 7% | 10% |
| Home & garden | 0% | -8% | 4% |
| Medical services | 10% | 7% | 10% |
| NGO_ social & religious services | 29% | 17% | 10% |
| Speciality | 20% | 9% | 10% |
| Sports; outdoors & travel | 171% | 65% | 4% |
| Stationery & office furniture | 16% | 11% | 8% |
| Telecommunication | 23% | -6% | 9% |
| Tourism | 54% | 18% | 7% |
| Transportation | 498% | 23% | -17% |
| Warehousing & storage | 13% | -6% | 58% |
| Overall performance | 14% | 8% | 5% |

Table 8
Source: Absa's Merchant Spend Analytics

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Update: The financial health of the consumer

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Update | The financial health of the consumer

In our October 2024 edition of [Consume This](#), we highlighted the significant financial strain on South African consumers due to persistent high inflation, elevated interest rates, sluggish wage growth and global economic uncertainty. Using data from the National Credit Regulator (NCR), the report indicated a surge in consumer credit applications, suggesting a continued need to extend purchasing power. However, many of these consumers struggled with repayments, leading to an increase in impaired records and a marked escalation in debt-tracing and collection enquiries. Absa's Macroeconomics Research team* recently released an update on the NCR data. The report found that new consumer credit applications reached an all-time high of 18.1 million in the third quarter of 2024 and a slight decline in the rejection rate to 67.6% (Q2 2024: 68%). However, the alarming aspect is the persistently high debt arrears, which rose from 8.8% in the second quarter to 8.9% in the third quarter of 2024. This suggests that despite improving economic conditions, many consumers remain under significant financial pressure.

In 2024, Absa's merchant transaction data reflected a slow recovery in card spending and transaction volumes. The year witnessed a deceleration in card spending, a rise in credit card use and online shopping, an increase in card activity in the gambling category and muted growth in core categories such as food and clothing. While not a complete picture of consumer financial health, these data points provide valuable insights into the financial health of the consumer. In 2025, there is an anticipation of a favourable economic environment. A gradual interest rate cutting cycle, with 25-basis-point reductions at each Monetary Policy Committee meeting from January to May, is anticipated in addition to the 50-basis-point cuts implemented in 2024**. This would bring the repo rate to 7.00% over the forecast horizon. Concurrently, inflation is expected to remain below the SARB's target. While these factors are expected to stimulate card spending and transaction volumes, the rising debt arrears pose a potential headwind to sustained growth.

A path towards improved consumer financial health necessitates a combination of factors: sustained financial discipline among consumers, further interest rate reductions, an easing of inflationary pressures and, perhaps, government intervention through targeted tax relief programmes.

*South Africa Macroeconomics Research | *Instant Insights*. South Africa: New consumer credit applications hit an all-time high in Q3 24 (15 January 2025)

**South Africa Macroeconomics Research | *Instant Insights*. South Africa November CPI - Fifth successive downside surprise (12 November 2024)

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