

## **Absa Merchant Spend Report shows consumer spending slowed in Q1 2025 despite economic recovery**

*Slowing growth, shift in consumer behaviour, and continued rise of digital and evolving payment trends revealed in the data*

**Johannesburg, May 2025** – The Absa Merchant Spend Analytics Report for Q1 2025 reveals a noticeable deceleration in card spending growth, even as broader economic indicators show signs of improvement. While overall card spending and transaction volumes grew by 7% and 10% respectively in Q1, this marks a slowdown compared to the 9% and 12% growth seen during the same period last year.

The report reflects a shifting consumer mindset, with the average value per card transaction dropping by 3% year-on-year. This suggests that while South Africans continue to spend, they are being more cautious per purchase. NielsenIQ's Mid-year Consumer Outlook supports this, noting that 40% of consumers are opting to shop more frequently at discount or lower-priced stores.

"The Q1 data reveals that the consumer is not necessarily spending less, they're making smarter purchasing decisions. This shift signals a clear directive for businesses which is to adapt to the value-based approach by offering competitive pricing, flexible purchase options, and meaningful loyalty strategies to stay relevant and resilient in a price-conscious market," said Isana Cordier, Head: Consumer Sector, Absa CIB.

### **Emerging spend patterns reveal shifts in consumer priorities**

Interestingly, the most significant growth came from categories outside of the top 10 traditional spend areas. Warehousing and storage led category growth in Q1, likely linked to the ongoing trends of immigration and "semigration" across the country. The education category followed closely, in line with the seasonal back-to-school period. Meanwhile, gambling maintained its momentum in the top five performers, driven by the continued rise of online gambling platforms. In contrast, digital print media showed flat growth, indicating a market plateau following previous expansion. Books and newspapers continued to decline, further evidence of a shift away from physical media outlets toward digital consumption.

Within the main top 10 spend categories, movement was limited. However, modest gains in home and garden, and health and beauty, suggest consumers are still investing in comfort and personal care, even amid financial pressures.

**Online spending on the rise while in-store declines slowly**

Online shopping remains a key highlight. Over the years, it has consistently outpaced in-store growth, as demonstrated in Q1. Online card spend grew from 7% of total card spending in Q1 2022 to 10% in Q1 this year, showing a meaningful shift in a market historically dominated by in-person physical transactions. In-store spending still holds the majority share but continues to decline slowly. As digital infrastructure, convenience, and trust in online channels improve, especially among younger, digitally savvy (Gen Z) consumers, this online shift is expected to accelerate

**Fastest growth seen in traditionally offline categories**

Online transactions in commercial and industrial services surged by 155% year-on-year, signalling a growing appetite for digital payment solutions in traditionally cash-dominated sectors. Funeral services and education also made notable appearances among the fastest-growing online categories, though still contributing modestly to total online volumes due to their smaller base.

Within online spending, categories like home and garden (23%) and food (20%) dominate, underscoring that everyday essentials remain the cornerstone of e-commerce. While niche sectors are growing quickly, the bulk of online spending continues to come from high-frequency, practical purchases for everyday needs.

**Shifting dynamics as credit card use outpaces debit cards**

The Q1 data reveals a gradual but persistent decline in debit card usage, even as overall consumer activity shows signs of stabilisation. In Q1, credit card usage grew by 9%, slightly down from 12% in the same period in 2024. Meanwhile, debit card growth slowed to 5%, compared to 8% in Q1 2024.

This shift indicates that consumers may rely more on credit to manage their expenses amid ongoing financial pressures, potentially as an interim support to navigate rising costs or stretched budgets.

**Navigating a price-sensitive landscape**

The report reinforces the importance of understanding evolving consumer behaviour in a still-uncertain economic environment. Despite economic recovery, price sensitivity remains a defining trait among South African consumers.

“As consumer priorities shift, businesses must adapt to changing behaviours, focusing on value, digital enablement and the evolving needs of the modern shopper,” Cordier said.

For further details and access to the full report, please visit <https://cib.absa.africa/wp-content/uploads/2025/05/Absa-Merchant-Spend-Analytics-Q1-2025.pdf>

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