

# Decrease in cash withdrawals indicates tightening budgets

The SCI revealed a month-on-month decrease of 0.79% in average cash withdrawal figures for September 2013 to R468.06, as measured by the Spark Cash Index (SCI), illustrating that consumers are feeling the financial strain brought on by a slowing economy and high prices.



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According to Ryan Tzamtzis, operations executive of Spark ATM Systems, the decrease follows a fluctuation in withdrawal activity experienced this year brought on by pressure on personal finances.

Recently, the International Monetary Fund (IMF) lowered South Africa's median growth outlook to just 2% and Tzamtzis says that consumers are now feeling the slow economic growth and rising costs are making it difficult for consumers to spend on luxuries.

The September 2013 SCI statistics for wholesale site locations recorded the highest average cash withdrawal value of R481.50 for the eighth month in a row. "Higher food and goods prices have resulted in many consumers opting to buy in bulk to save over the long run and the data validates that times are tough for most South Africans."

He explains that as prices increase South Africans require more cash and need to draw higher amounts incrementally in order to keep up with rising costs. "This explains why we see strong growth in cash withdrawal values at wholesale locations, as consumers are prioritising their spending where possible.

"However, a decrease in national withdrawal values and decreases in other site locations illustrates that overall there is some form of cutting back, although the trend line over time illustrates an increase in cash withdrawals and reflects the strain being felt by consumers. This growth, however, is slow and mirrors the slow growth in the economy."

## Economist's view

Ronel Oberholzer, principal economist at IHS Global Insights, says that although the SCI data for September is a normal

seasonal pattern, it also illustrates a slowing economy. "September is starting to reflect more pressure on personal finances, especially with increasing food prices, petrol prices are still the highest ever and property owners and tenants are experiencing increases in new tax rates on property and rental increases."

She also says that growth for the second half of 2013 has slowed because the South African economy is struggling. "Currently, there is little investment because of a lack of confidence in the economy. Industrial strike action continues resulting in a loss in production, as well as less wages for workers who, therefore, have little money to spend and this is impacting withdrawal activity for this sector."

Tzamtzis adds, "The country has suffered a high number of strikes this quarter and the lengthy duration of the industrial action and its effects on the economy will likely keep ATM withdrawal activity slow for the next few months. We should, however, see an upward spike during the festive season in December 2013."

## **Provincial cash withdrawal trends**

The Northern Cape Province recorded the highest average cash withdrawal value of R498.62 for September 2013. The province also recorded the highest year-on-year increase of 11.60%, while recording a month-on-month increase of 0.14%.

KwaZulu-Natal recorded the second highest average cash withdrawal values of R485.22 and the biggest month-on-month decrease of 1.81% for September 2013. All of the above provinces also report being the largest recipients of remittance income, while Northern Cape and KwaZulu-Natal may have experienced a slight boost from tourism due to 3rd quarter school holidays in September.

Mpumalanga, a rural and mining province, which recorded the third highest cash withdrawal value of R483.68, recorded the second highest month-on-month decrease of 1.30%. It is the only province to have recorded a negative year-on-year change of 3.93%, because of the continued industrial mining strikes over the past few months.

## **Site cash withdrawal trends**

According to the September 2013 SCI statistics, wholesale locations recorded the highest average cash withdrawal value (R481.50), followed by farming locations (R468.49) and petrol locations (468.29).

Farming locations also recorded the highest month-on-month increase of 9.09%. Oberholzer attributes an increase in meat prices to the increase in this sector. High diesel prices are also attributed to growth at these sites.

Leisure sites recorded the second highest growth of 1.19% month-on-month. However, this increase is in line with school and tertiary holidays in September, which would contribute to consumer spending at leisure sites.

The SCI is a useful 'real-time' gauge of consumer spending, utilising the company's ATM systems' network of over 2000 ATMs located countrywide to reflect accurate, broad and timely cash demand and utilisation data. These ATMs are typically located in convenience stores, petroleum stations, specialist retail nodes and leisure & hospitality venues.

For more information, go to [www.sparkatm.co.za](http://www.sparkatm.co.za).