

July spending decreases after holidays

The average cash withdrawal values across South Africa for July 2013, a month-on-month decrease of 2.79% in average cash withdrawal figures to R462.70 from R475.98, pulling back from a holiday high in June 2013, as measured by the Spark Cash Index (SCI).



According to Ryan Tzamtzis, operations manager of Spark ATM Systems, this is the second biggest month-on-month decrease in 2013. "The decrease in July's month-to-month data once again highlights how consumer spending normalises after each holiday period, when withdrawal values tend to peak. The SCI data for July is a clear reversal on June's increase, which was up 2.47%."

All provincial and locations withdrawal values, except for leisure sites, recorded a decrease in activity.

Economist's view

According to Ronel Oberholzer, principal economist at IHS Global Insights, while July's figures are indicative of a correction after the holiday increase, the decrease was further influenced by the July fuel price increase, which has forced consumers to cut back considerably. "The 84 cents per litre jump in the petrol price in July is one of the highest ever and has made consumers more cautious when it comes to spending."

"The effect of the rising petrol price is also seen in the fact that petroleum sites recorded the second highest average cash withdrawal as more cash is needed to fill petrol tanks," adds Tzamtzis.

Oberholzer adds that there are further concerns for consumers. "The weaker rand is still to show up in the price of consumer goods, fuel prices are increasing, while unemployment is at the highest level since data was collected. We will also see new municipal rates based on higher valued houses take effect in August, impacting negatively on disposable income."

Oberholzer says that latest FNB [JSE:FSR] and BER Consumer Confidence Index (CCI), which rebounded after a second quarter from a nine-year low, may be misleading as it was measured before fuel price increases in July 2013. "As a result, we should not necessarily expect to see a significant increase in the average cash withdrawal values going forward."

Tzamtzis adds that new fuel price increases in August will put an added strain on consumer spending habits, which is likely to reflect flat withdrawal values across all site locations.

Provincial cash withdrawal trends

For the second month in a row, the Northern Cape Province recorded the highest average cash withdrawal value of R487.00 in July 2013. The province also recorded the highest year-on-year increase of 12.44%, while recording a month-on-month decrease of 2.9%. The Eastern Cape recorded the second highest average cash withdrawal value of R483.92.

The Free State saw the biggest decrease month-on-month (5.85%) after it experienced the highest increase in June (5.72%). Oberholzer says that this is likely normalising from the increase in June.

Similarly KZN reported the second biggest month-on-month decrease of 4.65%, but still recorded the third highest average cash withdrawal value (R475.66). "Besides the end of the holiday season running into July, KZN has always had a slightly higher average withdrawal rate due to remittance income. In other words, people send a lot of money from the cities to their families living in KZN, who make cash withdrawals from an ATM," says Oberholzer.

Tzamtzis adds that this is a positive boost for Spark ATM Systems, as a central driver of the business is to provide rural areas with access to ATM cash withdrawal facilities.

Site category trends

Of all the site locations, only leisure sites recorded a month-on-month increase (3.41%) for July 2013, although cash withdrawal values at these locations remain the lowest (R428.24). The month-to-month increase at leisure locations is attributed to the end of the school holiday season entertainment costs.

Wholesale locations recorded the highest cash withdrawal value (R477.25) for July 2013 for the sixth month in a row. Buying in bulk as a cheaper option for consumers and aggressive advertising are regarded as the reasons for the continued high average withdrawal values at these locations.

Petrol sites recorded the second highest average cash withdrawal value (R463.18), while farming locations recorded the third highest withdrawal value of R447.15 for July 2013. However, farming locations recorded the biggest month-to-month decrease of 5.93% because of the slowdown in agriculture activity post-harvest season. Retail locations recorded the second biggest month-on-month decrease of 3.74%.

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.