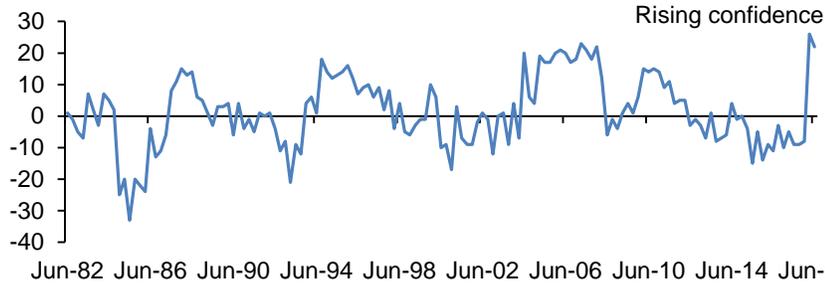


Consumer confidence update: Consumers remain confident about the next 12 months

17th July 2018



Figure 1: FNB/BER consumer confidence index



Sources: BER

- After reaching its highest level since inception, with a reading of 26 in Q1.18, the FNB/BER’s consumer confidence index (CCI) fell only slightly in Q2.18, dropping by 4 index points to 22.
- According to The BER this is a divergence from historical trends as “(i)n the past, dramatic surges in the CCI were typically followed by a negative correction in the next quarter. However, this time around, consumer confidence remained extraordinarily high”.
- Looking at a disaggregation of the index, the sub-index which measures peoples’ perception of the outlook for the SA economy over the next 12 months shed only 1 point, remaining elevated at 33, while consumers’ assessment of their own financial position lingered at 31 points. This is a 29 point surge from Q4.17’s reading.
- The only sub-index that dipped notably in Q2.18 was that measuring the number of individuals deeming it appropriate to purchase durable goods presently. It fell to 2 points, from 13 previously. This is in line with the movement in retail sales of furniture and household appliances, which after growing by 15.2%/y/y in Q1.18, slowed to 11% y/y in April 2018.
- Confidence across the different household income groups varied notably. The gauge reflecting high income earners’ confidence levels remained stable, gaining 1 point, while the level of confidence amongst middle income consumers dipped markedly, falling to 17, from 26 in Q1.18. Low income earners (earning less than R3000 per month), displayed the largest boost in confidence, with the CCI reflecting this category climbing 8 points to 21 in Q2.18.
- According to the BER however, “(w)hile the change in South Africa’s political leadership in December 2017 and the ensuing positive ripple effects have duly created great optimism, there is currently a large disconnect between consumers’ sky-high expectations for domestic economic growth and the actual performance of the South African economy”.
- We have lowered our GDP growth forecast for 2018, to 1.4% y/y, from 1.8% y/y, on the back of a lower than expected GDP Q1.18 reading, slipping business confidence, surging fuel prices and other consumer taxes, a weaker domestic currency and heightened global trade tensions. The BER warns that should “(f)inancial positions of households fail to improve in line with consumers’ lofty expectations, frustrations will likely grow and dissatisfaction may set in”.

Figure 2: FNB/BER Consumer Confidence Index

	Q1.18	Q2.18	Change
Economic Outlook Index	34	33	-1
Household Financial Position Index	31	31	0
Durable Goods Index	13	2	-11
FNB/BER Consumer Confidence Index	26	22	-4

Source: BER

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