

# ATMs: Statistics point to bigger spending after rate cut

# SURPRISING RISE

# IN WITHDRAWALS

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CONSUMER REPORTER

ATM CASH withdrawals for the first seven months of this year have grown at a faster rate year-on-year than the first half of last year, indicating heightened consumer spending.

Some experts believe that the latest interest rate cut could lead to further increases in consumer spending over the next few months, but others say factors such as job losses and high food prices could leave many people less willing to spend.

According to the latest statistics released by the Spark Cash Index (SCI), which measures the average value of cash withdrawals across more than 1 700 Spark ATMs nationally, there was year-on-year growth of 4.10 percent in cash withdrawal activity last month.

Marc Sternberg, managing director of Spark ATM Systems, said the rate for year-on-year growth of withdrawal values in each of the first seven months of this year has been higher than the previous year. A year-on-year increase in cash withdrawal activity was recorded across all provinces, with the exception of Limpopo.

He said the recent repo rate cut down to 5 percent, meaning a prime interest rate of 8.5 percent, was timely for retailers in particular and should ensure that cash withdrawal and consumer spending activity remains strong for the rest of the year.

"This is the first interest rate cut since November 2010 and historically the SCI has recorded an uptick in cash withdrawal activity after a reduction in the prime interest rate. This... will ensure that they pay less interest



WITHDRAWING

People gather to draw cash at a row of ATMs at Cape Town station  
PICTURE: JASON BOUD

on debt, effectively stimulating consumer spending activity for the remainder of 2012."

David Wilson, a senior analyst at IHS Global Insights, said the full impact of the recent interest rate cut on spending would be felt towards the end of the year. "To date, consumers have remained cautious of spending [because of] recent factors such as electricity tariff increases in the winter months. However, the recent interest rate cut will most probably boost spending and thus cash withdrawals again in the coming months."

Iraj Abedian, the chief executive

of Pan-African Capital Holdings, is less optimistic, saying factors such as job losses, hikes in food, fuel and electricity prices and low business confidence could put a damper on consumer spending. "Although the interest rate cuts lead to consumer spending, we must be mindful that the economy is not doing that well."

He said consumers experiencing these effects would be less confident about spending and the positive effect of the interest rate cut would be mitigated by these factors.

Sternberg said that as the SCI has proved a reliable leading indicator for

Stats SA Retail Trade Sales (RTS) figures, it was likely that July RTS figures would also show similar positive growth year-on-year. The SCI revealed a slight month-on-month decline of 0.50 percent last month to R435.54 per transaction. For the fifth consecutive month, wholesale locations showed the largest average cash withdrawal figure of R451.66, and the highest year-on-year increase of 18.55 percent. Petrol sites were the second highest, followed by retail locations, which recorded values of R439.81 and R426.95 respectively.

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