

Financial implications of strikes will not last long

NELSPRUIT - Recent national strike action, including the transport strike which affected some local stores and businesses as reported by *Lowvelder*, is believed to have had a negative effect on consumer spending. A month-on-month drop of 2,27% in average cash withdrawal figures for October 2012 to R439,27 has been recorded.

In the region, a month-on-month decrease of 5,07% in October to R477,96 per transaction is revealed, the highest value among all of the provinces, and year-on-year withdrawal activity increased by 4,84%.

This is according to the latest statistics released by the Spark Cash Index (SCI), which measures the average value of cash withdrawals across more than 2 000 Spark ATMs throughout South Africa.

The amount withdrawn at ATMs is a real-time indicator of cash availability and consumer spending in the economy. From Spark ATM Systems' records, the company has noticed that over time the average amount withdrawn at its network of ATMs corresponds with general economic conditions. The SCI also points to consumer trends such as the variations in cash withdrawal based on prevailing economic conditions, particularly variations in the prime interest rate and seasonal peaks and dips.

Mr Marc Sternberg, MD of Spark ATM Systems, says that the latest SCI statistics very clearly show that the provinces experiencing labour turmoil in platinum and gold mining recorded a significant decline in average ATM cash withdrawal values during October. "The North West (platinum), Free State (gold), and to a lesser extent Limpopo and Mpumalanga regions, all recorded month-on-month drops in cash withdrawal values of between 2% and 5% during the October strike period.

"Limpopo and Mpumalanga also act

as labour feeds for mineworkers to the platinum and gold sectors and, as many miners did not receive salaries, there was a subsequent decline in cash withdrawal values," says Sternberg.

He adds that the transport sector strike also impacted on cash withdrawal activity along the country's main transport routes, as truck drives did not draw money and no payment for truckloads were completed.

Sternberg, however, says the trend may be reversed in November and December. "With the majority of the strikes now over and many workers subsequently receiving higher salaries, we should see a spending 'catch up', resulting in increased withdrawal figures over the next two months."

Ms Ronel Oberholzer, principal economist at IHS Global Insights, says other factors such as increased petrol and food prices could also start pushing up cash withdrawal values. "We saw a national 25c petrol-price increase in October and expect to see some seasonal uptrend in food prices as retailers start stocking up for Christmas.

"Food is always more expensive over the festive season, which should lead to an increase in cash withdrawals over the coming two months."

She adds that a further interest rate cut by the Monetary Policy Committee in November is unlikely and that consumers' finances will stay constrained going into 2013 due to increased inflation and services costs. "Looking forward, growth in the SCI should stay in the lower single digits for the rest of 2012, reflecting a slowdown in domestic demand.

"The banks and industry have also undertaken to be more careful in supplying unsecured credit, which will obviously limit the amount of cash available for withdrawal in future," says Oberholzer.