

FORECAST: 'Consumers will need more cash to pay for daily necessities'

Economic outlook worsens

ALTHOUGH the demand for cash among consumers in KZN and South Africa in general remained at a healthy level — growing month on month and year on year last month — a key leading indicator released yesterday showed that the overall economic outlook has worsened.

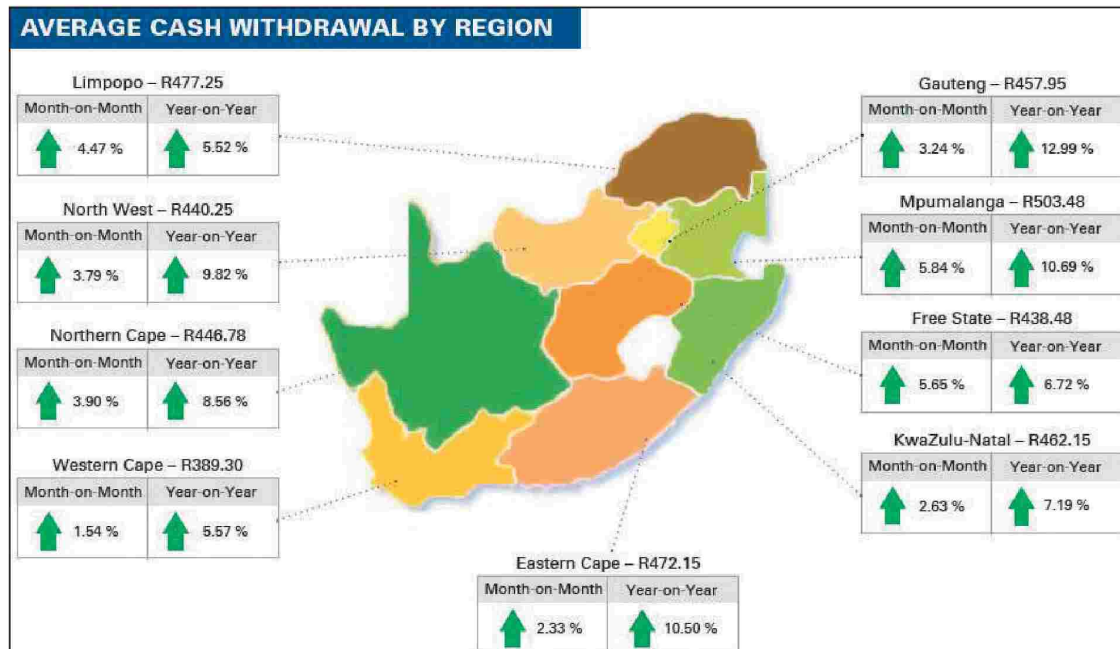
Gloomy overall outlook

The outlook for the productive side of the economy is bleak as a result of a wave of strikes in the mining and transport sectors, according to the latest BankservAfrica Economic Transaction Index (BETI) (for October 2012).

The South African Reserve Bank Governor Gill Marcus and the South African Chamber of Commerce & Industry (Sacci) CEO Neren Rau both warned this week that the economic outlook had worsened considerably in recent weeks. Although the latest BETI was 2,4% higher year-on-year at 119.6 index points, the index was lower on a quarterly (-1,2%) and monthly (-0,3%) basis.

Labour issues

The chief economist at economists.co.za, Mike Schüssler warned that the events of the past few weeks have brought about major changes for employers, particularly small and



GRAPHIC: SPARK ATM SYSTEMS

Spark ATM Systems said the average value of cash withdrawals in SA rose significantly last month.

medium enterprises.

"Things will not work the way they used to. They should revisit what they

do, and look for new opportunities. I think that Marikana changed the labour relationship landscape in that

an unprotected strike managed to secure increases well above inflation. Employees are likely to now expect

higher wage increases than before."

A sign of things to come

Brad Gillis, CEO of the payment clearing house system operator business at BankservAfrica, warned businesses to take heed of the trends.

"The BETI has shown reliability over time by confirming a lower forecasted economic growth trend in line with a variety of other indicators."

Consumers buck the trend

In contrast, the latest Spark Cash Index (SCI), which measures the average value of cash withdrawals across more than 2 000 ATMs in South Africa, rose by 8,6% year on year and 3,3% month on month in September 2012 to R449,47.

KZN stats

Spark ATM Systems said that in KZN, the SCI recorded a month-on-month increase of 2,6% in September 2012 to R462,15 per transaction. The year-on-year withdrawal activity increased by almost 7,2%.

Although the interest rate cut of July 2012 played a role in the increases, senior economist at IHS Global Insights Thea Fourie warned that negative economic factors could also start pushing up withdrawal values. "Consumers will need to draw more cash to pay for daily necessities." — BE.