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ATM cash withdrawals on the up amid lower interest rates

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CASH withdrawals from independent automatic teller machines are growing in value, a sure sign of rising consumer confidence as interest rates fall, says Marc Sternberg, managing director of Spark ATM Systems.

In March the average R396 withdrawal was a record 8.47 percent more than the average R365 withdrawn a year ago, when interest rates were at 13 percent.

The average cash withdrawal in March 2008 was R357, when rates were at 14.5 percent.

The values of February withdrawals in those years were similar to March values.

The record value increase in March "indicates a renewed appetite by consumers for higher withdrawal amounts", and is only partly attributable to price rises for food, housing, clothes, transport and medical care, says Sternberg.

"What we know our customers are spending the money on are items like food, petrol and beverages, which form only a small portion of the Consumer Price Index. That category of CPI only increased by 1.8 percent over the year to February 2010.

"Until interest rates started falling in late 2008, the cash withdrawal value every month was fairly consistent in the mid-R300s. But with more cash available in bank accounts as rates reduced, people started withdrawing more cash and therefore spending more.

"With the prime interest rate falling by 50 basis points to 10 percent at the end of March, it will be interesting to see how cash withdrawal values respond in the coming months.

"It is expected that the average value will continue its monthly and annual increases."

Sternberg says the index value is obtained by dividing cash dispensed for the month by cash withdrawals for the month across various Spark ATMs.

"The sample size is hundreds of thousands of transactions in both urban and rural areas across all nine provinces, representing a good cross-section of South African consumers."

The data has not been adjusted for variation in different seasons or to the effects of inflation.

Sternberg says the Spark Cash Index is a "real-time" indicator of cash availability and consumer spending in the economy, as opposed to delayed data, and its findings are borne out by other signs of recovery, such as the improvement in new car sales announced recently by the National Association of Automobile Manufacturers of SA (Naamsa).

Naamsa says that while the improvement should be viewed in relation to the low sales registered this time last year during the global financial and economic crisis, it is encouraging that aggregate industry sales for the first quarter of 2010 remained 18.7 percent ahead of the corresponding three months in 2009.

"Statistically, this represented one of the best starts to a calendar year," says Naamsa.

The sale of 28 478 new units last month, on aggregate, reflected an improvement of 5 125 units or 21.9 percent compared to the 23 353 new cars sold during March, 2009.

Sales of new light commercial vehicles, bakkies and minibuses, at 12 954 units in February, reflected an improvement of 1 646 units or 14.6 percent compared to the 11 308 units of the corresponding month last year.