SA consumer spending continued to slow in Q2 2013; reflects a slowdown in household income growth.

During Q1 2013, SA consumer spending rose by a modest 2.3%q/q, annualised. This is the lowest level of consumer spending in South Africa since the recession ended in 2009.

Because consumer spending represents more than 60% of the SA economy, the relationship between consumer income and consumer spending can be considered one of the most important economic relationships to understand and track. The relationship is especially strong because consumer savings is essentially zero on a quarterly basis. This means that any change in income is immediately reflected in a change in consumer spending, irrespective of changes in consumer confidence or interest rates.

As mentioned, there is a very strong relationship between consumer spending and consumer income.

Unfortunately, all of these areas of income growth have now moderated. Correspondingly consumer income and spending are now under significant pressure.

Additionally, the rampant growth in unsecured credit over the past couple of year has also played a significant part in driving overall consumer spending. However, in the past few of months the growth in unsecured credit (as reflected in personal loans) has slowed dramatically. For example, in the three month period from February to April 2013 personal loans rose by a mere 2.1%. This is the lowest growth rate over any three month period since mid-2009, and far below the peak growth of 12.9% in the three months to September 2010.

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