

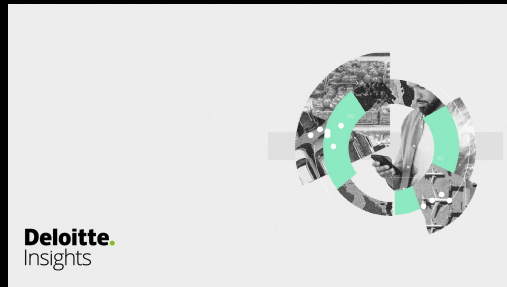
State of the South African Consumer

30 November 2022



Agenda for today

1. Consumer Tracker Presentation (30 mins)



Rodger George

Africa Consumer Industry Leader Deloitte

2. Panel discussion (30 mins)



Anoka Balram

Marketing
Transformation Leader
Deloitte Consulting
Africa



Amanda Stops

CEO
South African Council
of Shopping Centres
(SACSC)



Zumi Njongwe

Marketing Director:
East & Southern
Africa
Nestlé



John Bradshaw

Retail specialist

What is the tracker?

A monthly survey of consumers across 24 countries

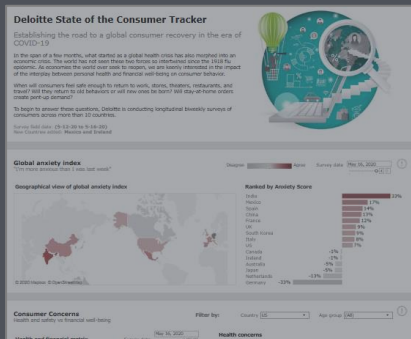
Insights by country for age and income

Margin of error $\pm 3\%$

Running since April 2020

Survey fielding:

Wave 36 : 27 Oct – 02 Nov



Interactive dashboard for more insights

24 Countries

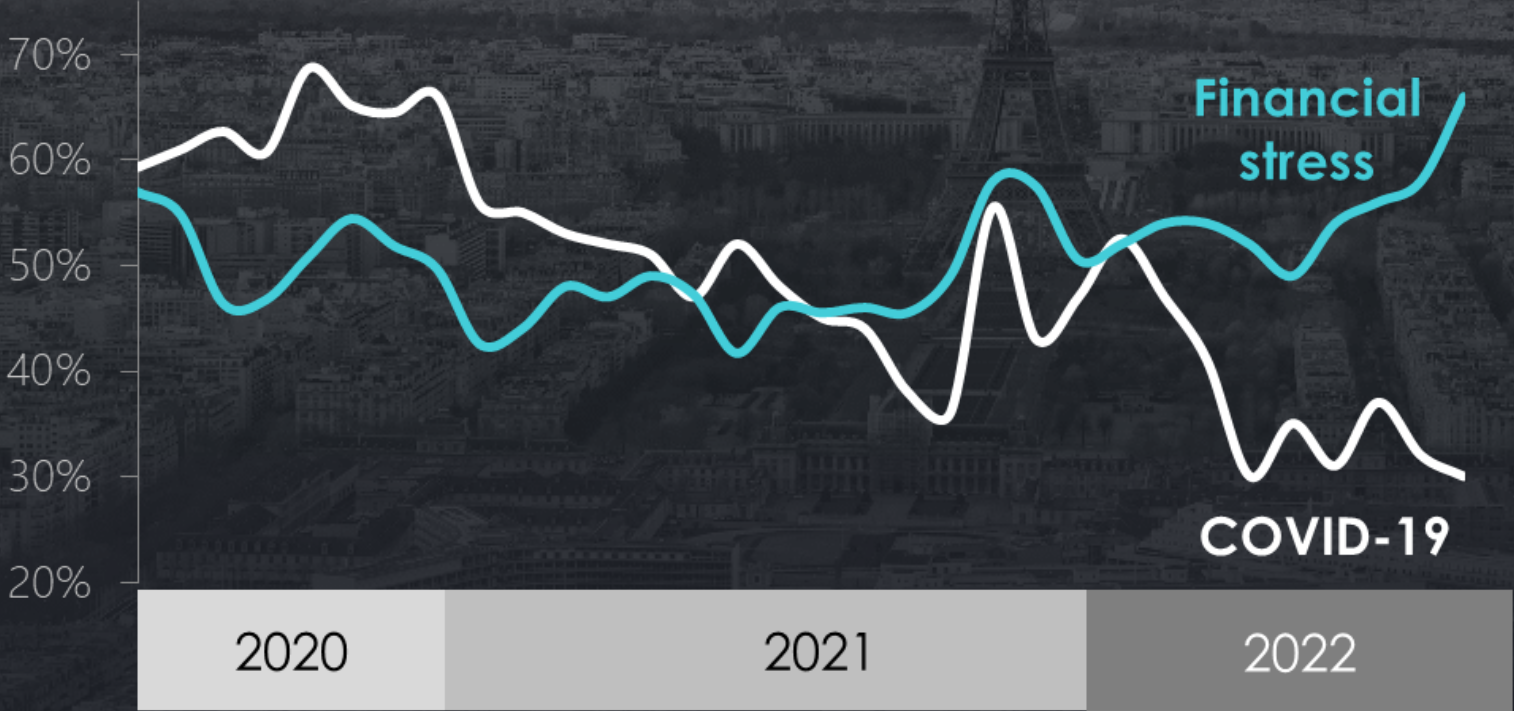


Countries in focus

1. Australia (AU)
2. Belgium (BE)
3. Brazil (BR)
4. Canada (CA)
5. China (CN)
6. Denmark (DK)
7. France (FR)
8. Germany (DE)
9. India (IN)
10. Ireland (IE)
11. Italy (IT)
12. Japan (JP)
13. Mexico (MX)
14. Netherlands (NL)
15. Norway (NO)
16. Poland (PL)
17. Saudi Arabia (SA)
18. **South Africa (ZA)**
19. South Korea (KR)
20. Spain (ES)
21. Sweden (SW)
22. UAE (AE)
23. United Kingdom (UK)
24. United States (US)

Personal finance stress is on the rise

What's driving anxiety?



Highest in South Africa, Poland and Brazil

Top Takeaways

Wave 36: 27 October - 2 November 2022

Takeaway 1:

Financial stress remains one of the top drivers of anxiety

Personal finances and the direction of the economy remain top anxiety drivers. Four in 10 are anxious about their finances, while a third are anxious about the economy's direction.

Only 38% cite having money left over at the end of the month after expenses.

57% feel their financial situation stayed the same or worsened over the past year.

Takeaway 2:

The gap between incomes and the cost of living widens

With inflation inching up in October to 7.6% many consumers are using their savings or taking on debt to finance their spending and maintain their living standards.

69% of South Africans are concerned about their level of savings and lack confidence in their capacity to absorb future financial shock.

Takeaway 3:

Spending intentions: essentials take bulk of the wallet

With spending on essentials such as food and housing taking a bigger share of wallet, the share of discretionary expenditures is under pressure.

Lower and middle income groups tend to divert more of their income to food, housing and education, whereas the upper income groups are showing an intention to spend more on leisure and entertainment.

Takeaway 4:

Shoppers are engaging in cost-saving behaviours

Most are engaging in cost-saving behaviors to mitigate the pressure from rising prices.

Grocery shoppers were most likely to choose meals to make the most of food they have at home (44%) and dedicate more time to planning their shopping (42%). Roughly one-third are switching to cheaper proteins and buying store brands.

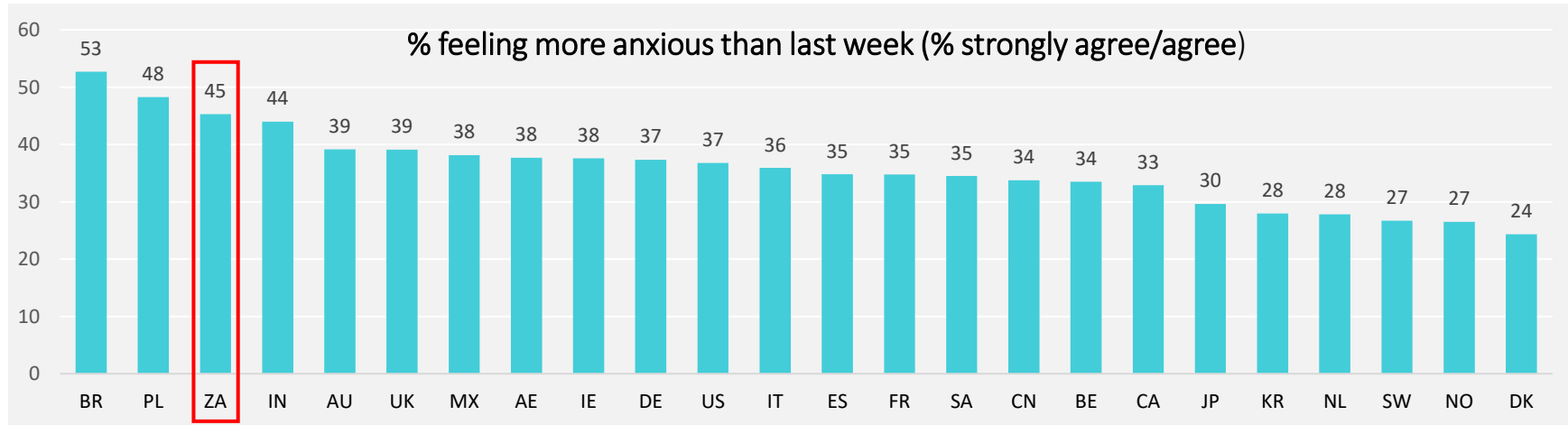
Despite financial pressures, South African consumers still seek opportunities to treat themselves to a little bit of joy.



ANXIOUS BUT OPTIMISTIC

Anxiety is on the rise...driven by financial pressures

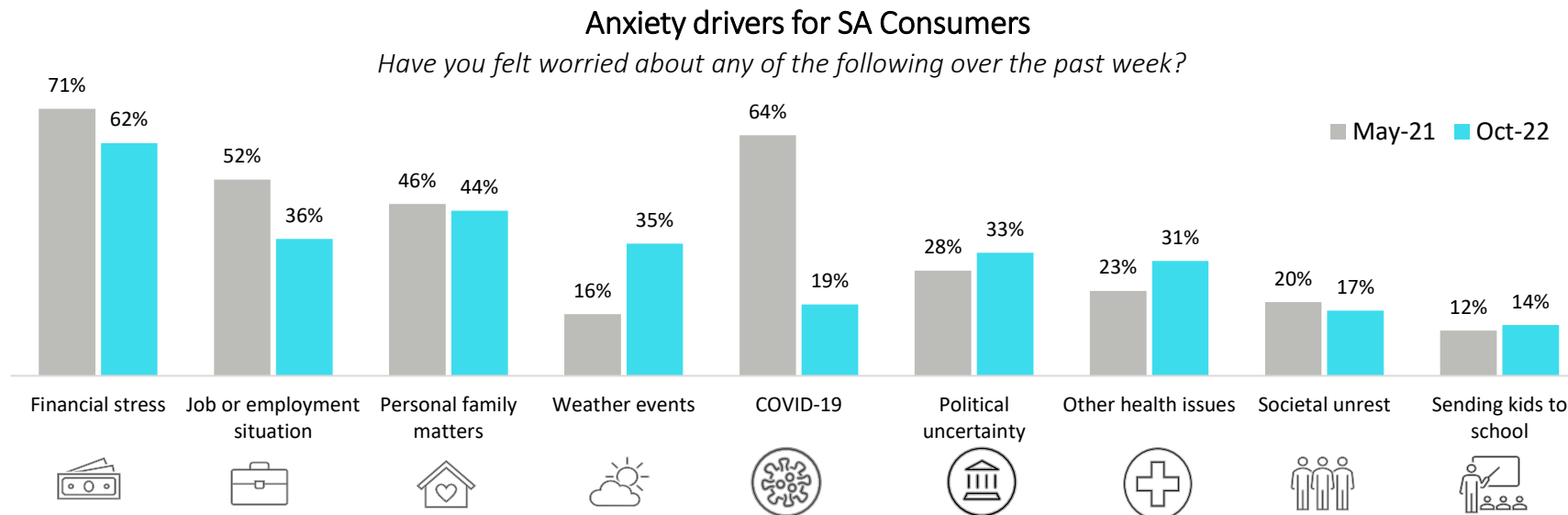
Financial stress remains the most important driver of anxiety among consumers in the country.



On a country level, South Africa (45%) is the third most anxious country. Brazil and Poland are first and second most anxious.

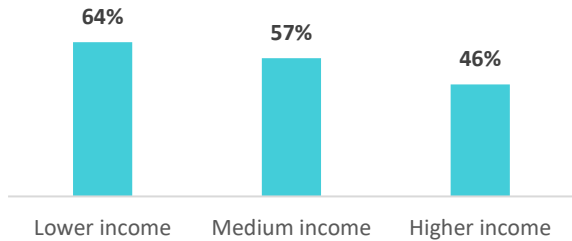
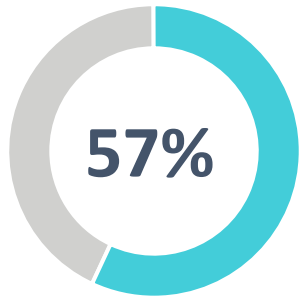
High anxiety amongst consumers in South Africa is mainly caused by the cost-of-living crisis, precarious employment situations and personal family matters.

COVID-19 no longer features among the key anxiety drivers.



Persistent inflation takes a toll on consumer sentiment

Feel their financial situation stayed the same / worsened over the past year



Those who feel their financial situation worsened are...

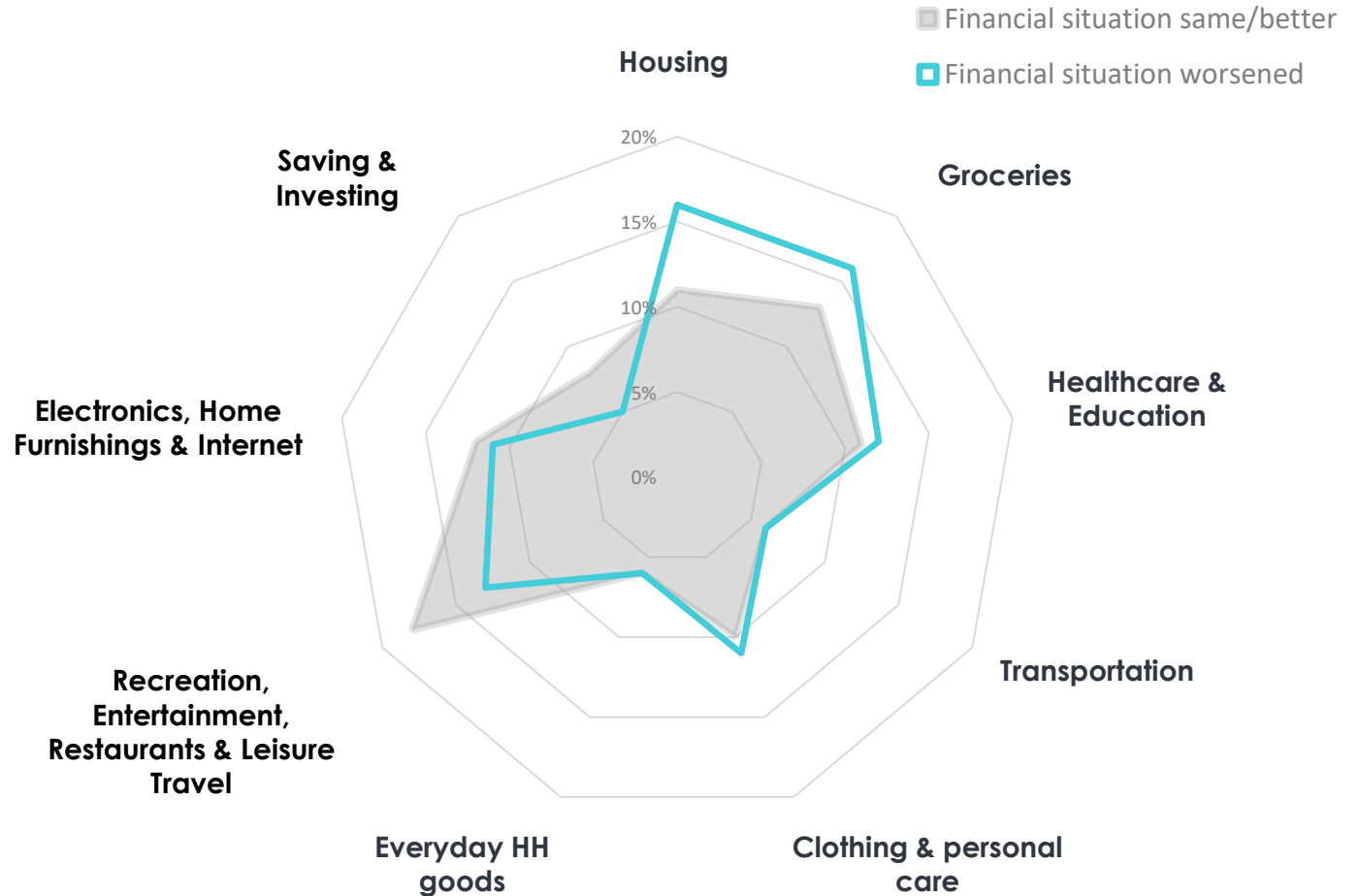
4X more concerned about level of savings

2X more likely to delay large purchases

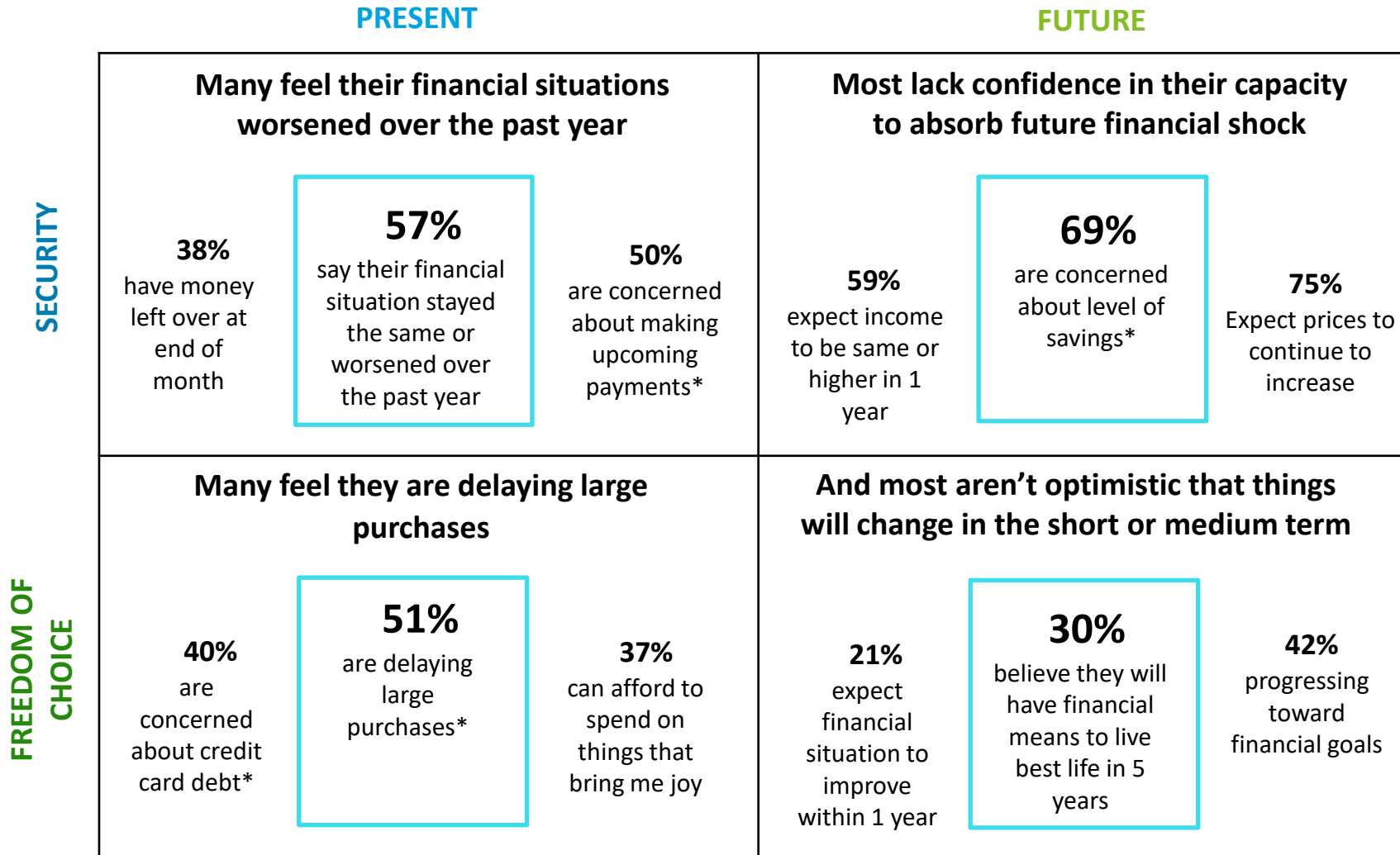
50% of these people are more concerned about upcoming payments

SHARE OF WALLET

Spending intentions, next 4 weeks



Persistent inflation takes a toll on consumer sentiment



The rising cost of living has taken a toll on the financial wellbeing of most consumers in South Africa.

At present, majority of consumers feel their financial situation has stayed the same or worsened over the past year.

Looking ahead, most consumers lack confidence in their ability to absorb future shocks and they are more concerned about the level of savings.

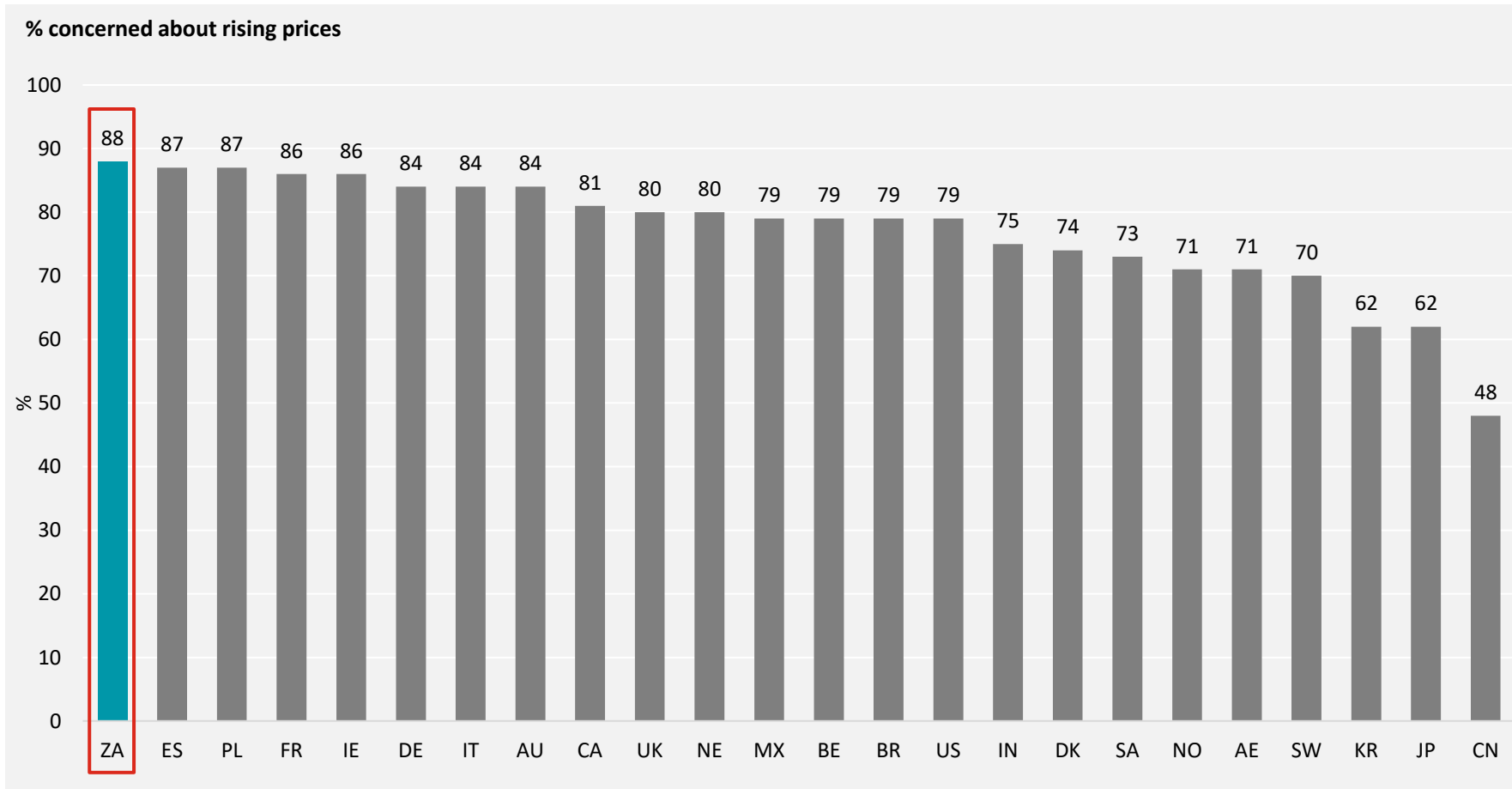
*Methodology note: Starting in September 2022, a split-sample approach was taken to control for agreement bias. Respondents were randomly shown a positive or negative version of each statement.

A woman with curly hair, wearing a striped shirt and a dark jacket, is smiling and looking at a card held by a man in a clothing store. The background shows racks of clothes and a window.

INFLATION CONCERNS AND SPENDING INTENTIONS

Inflation concerns persist

South Africans are the most concerned about rising prices for everyday purchases

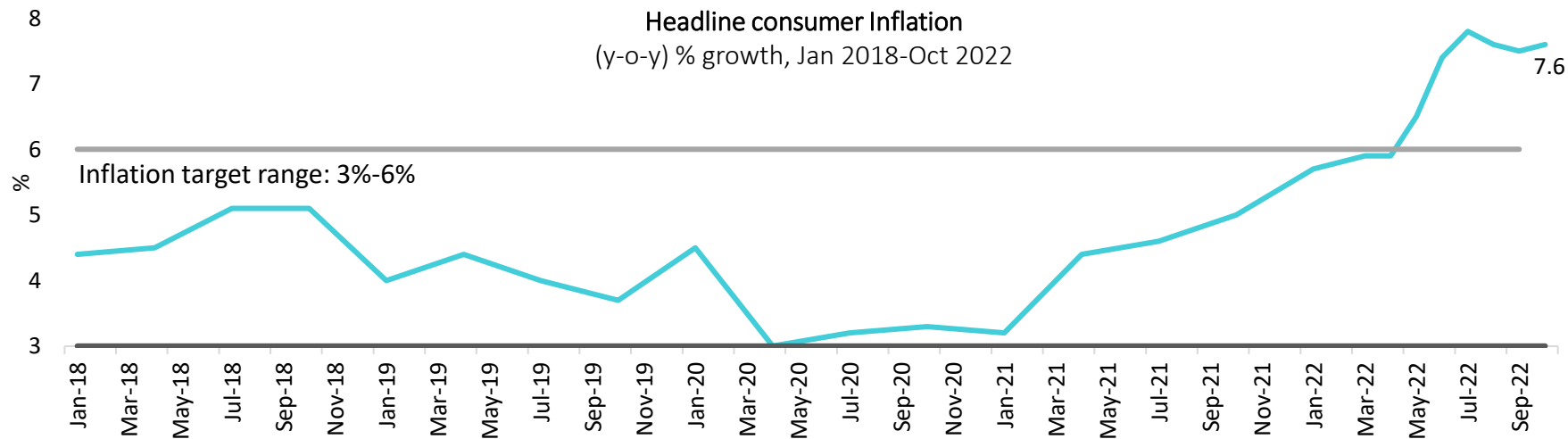
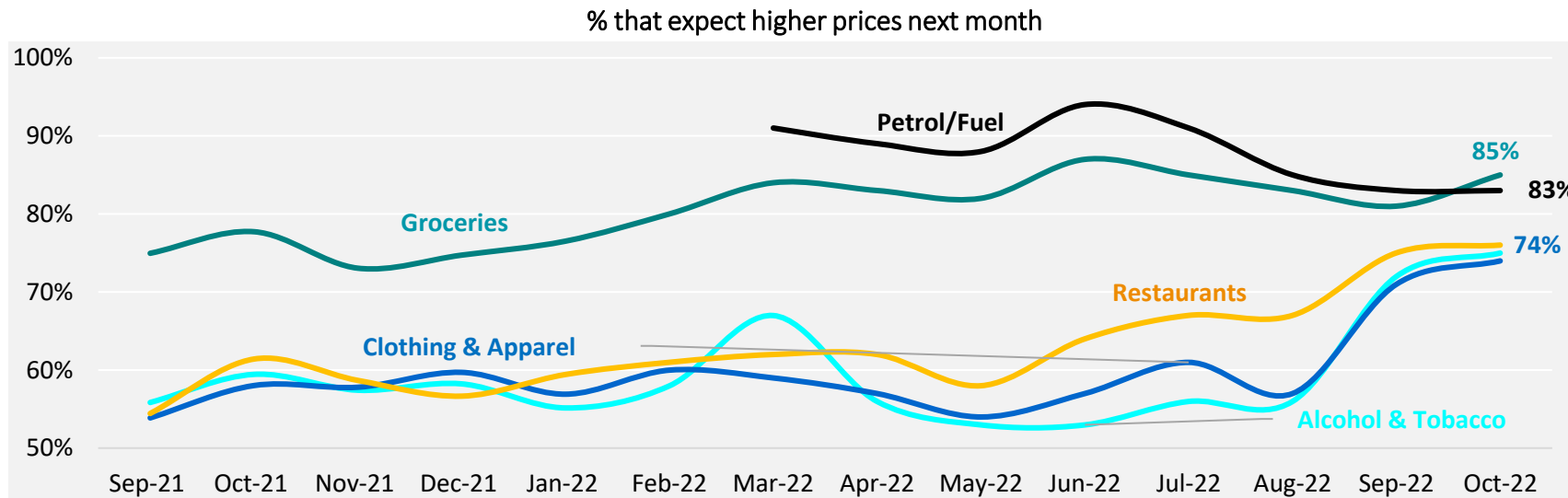


South Africans are the MOST concerned about price increases of everyday purchases.

This concern about rising prices has accelerated from 86% in Sept 2021 to 88% in Oct 2022, due to recent interest rate hikes and stubbornly high inflation.

Source: Deloitte Global State of the Consumer Tracker

Price perceptions – consumers anticipate higher prices



The majority of consumers in South Africa expect prices to continue rising across major purchase categories.

At 7.6%, inflation remains above the Reserve Bank’s target range.

Between August and October 2022, Consumers appear to have experienced significant inflation increases in the Apparel and Restaurant categories.

*Methodology note: From Sept. 21-Aug. 22, Respondents cited their perception of current prices compared to the prior month. Starting in Sept 22, respondents cited their expectations of prices in the upcoming month.

Discretionary spending remains below the global average

Share of wallet split

Global Study Average

76/24

South Africa (ZA) Average

77/23 

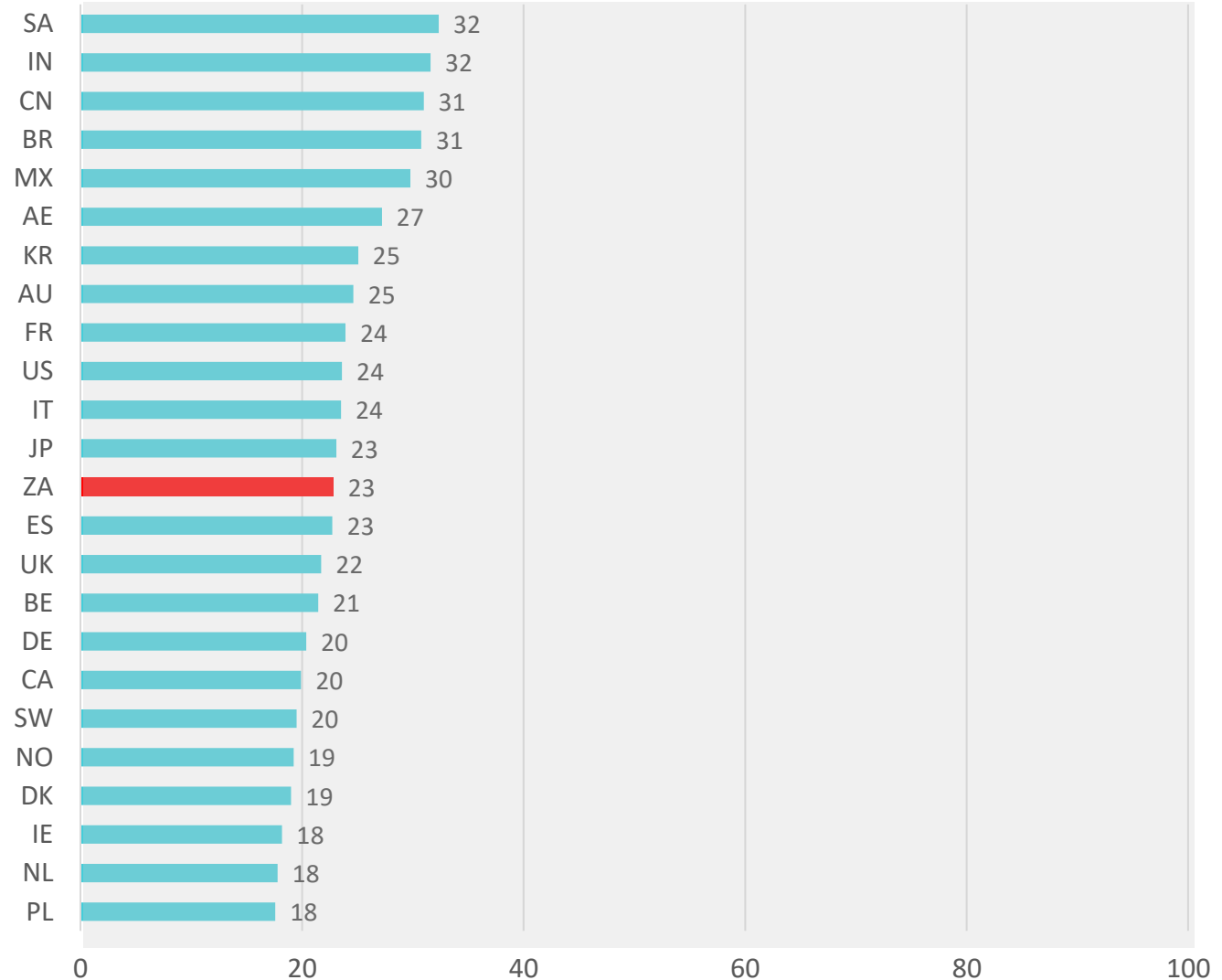
Less discretionary

- Housing
- Groceries
- Healthcare
- Transportation
- Clothing
- Everyday HH goods
- Saving & Investing
- Internet & Data
- Personal care
- Education

More discretionary

- Recreation & entertainment
- Leisure travel
- Restaurants & takeout food
- Electronics
- Home Furnishings

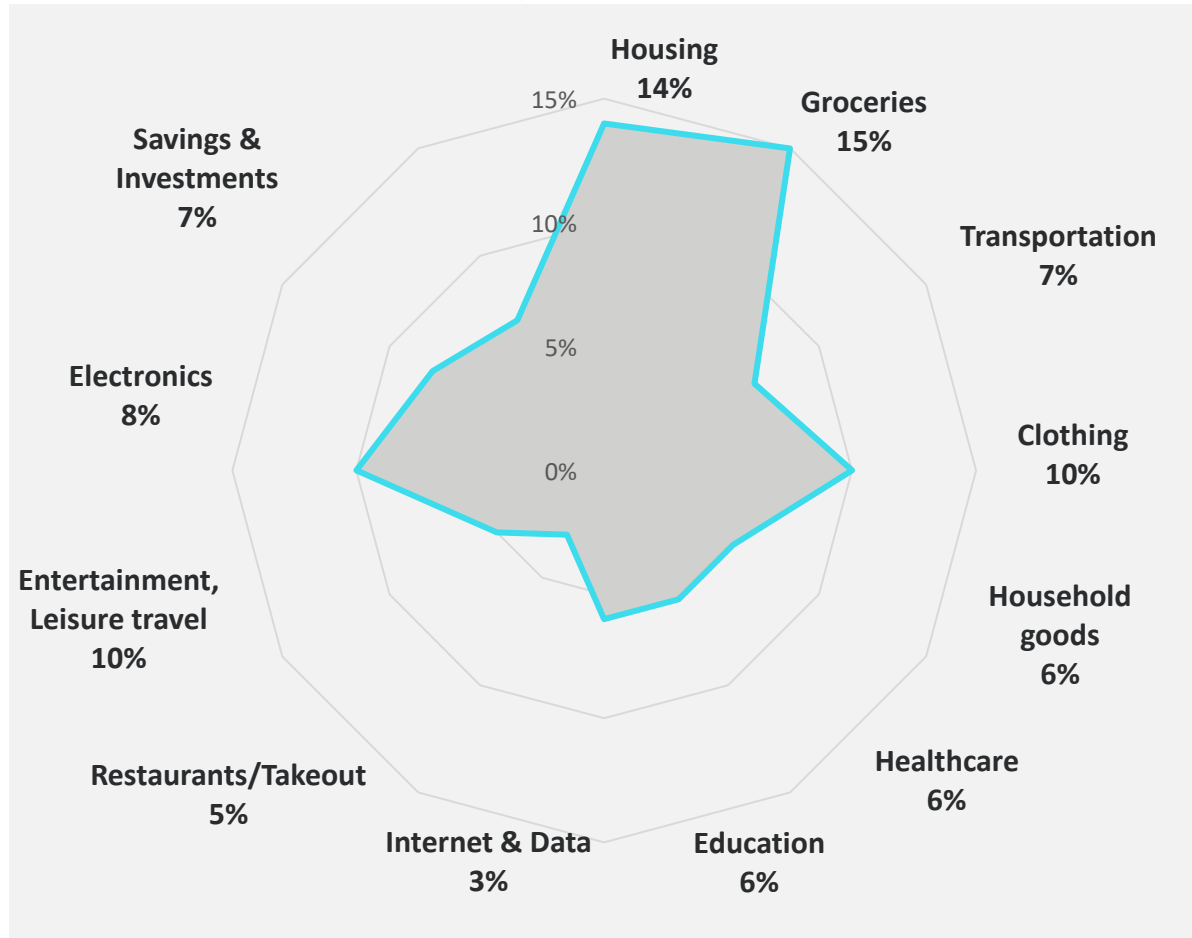
More discretionary share of wallet spending intentions – over the next 4 weeks



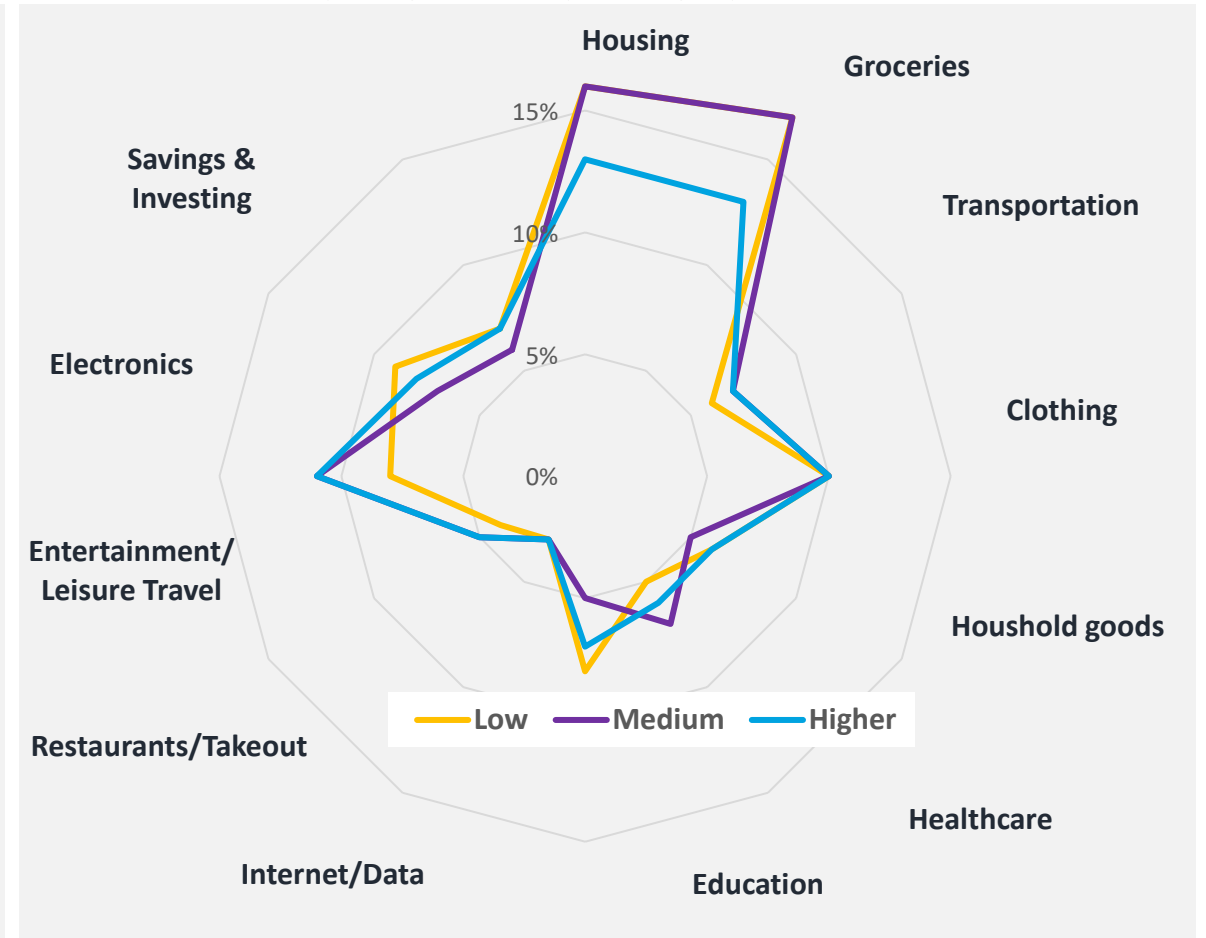
Share of wallet intentions to spend

Groceries and Housing take up most of the wallet, particularly for middle to lower income groups.

Overall spending intentions (next 4 weeks)



Spending intentions by income group (next 4 weeks)



Social Media sentiment



58.0% of purchase-related mentions spoke about the topic of *pricing*.



Pricing conversation shifted from a focus on affordability to **special offers**.



30% of special offer mentions expressed a negative sentiment.



Customers put pressure on retailers to **support local**.

Despite varied criticism, Black Friday conversation measured a positive Net Sentiment of 38.3%



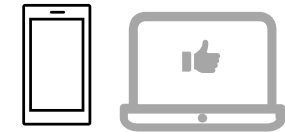
Positivity was largely driven by engagement with promotional content. Consumers showed purchase intent by requesting Black Friday catalogues and asking about operating hours.



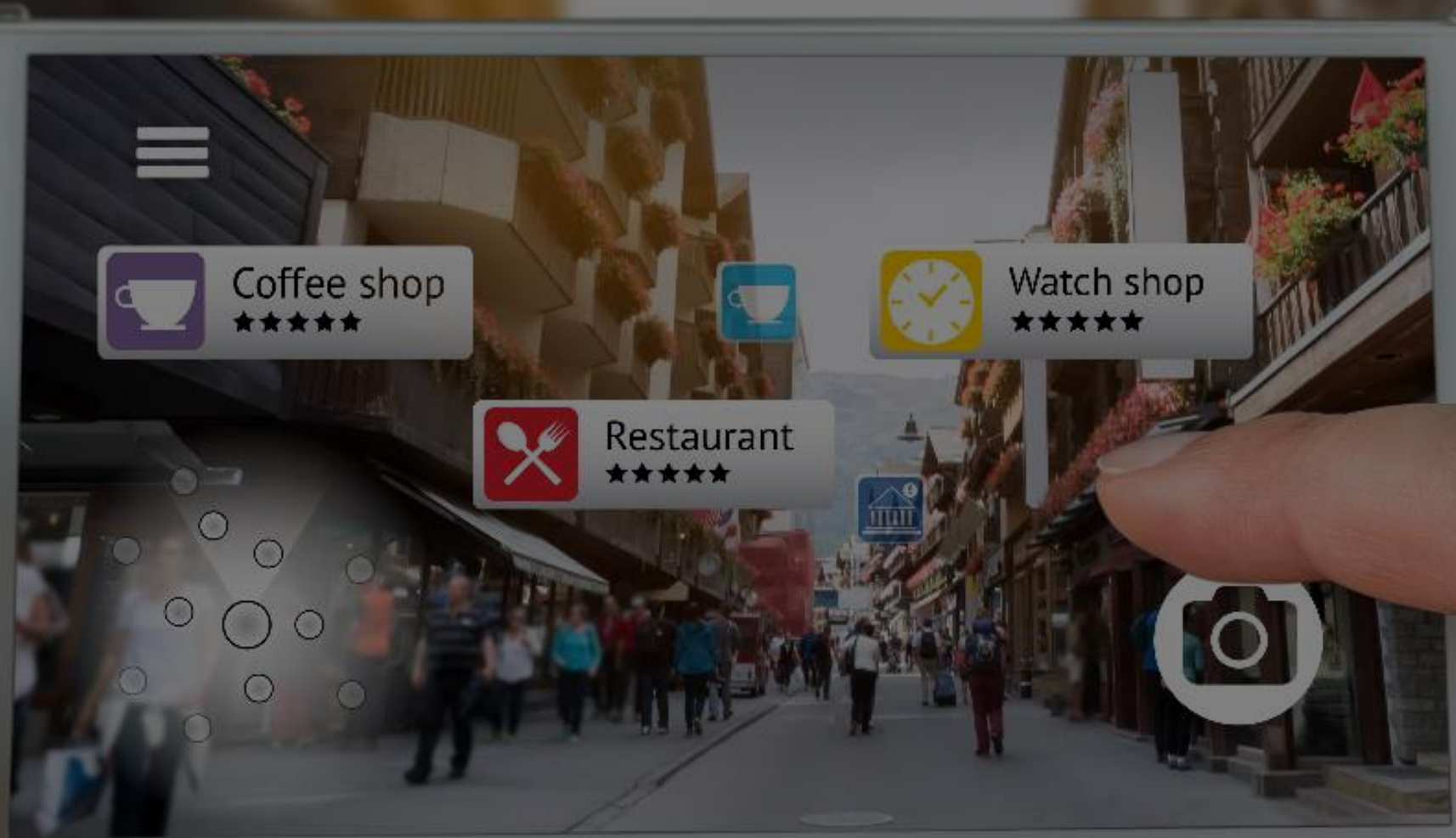
Customers criticised Black Friday savings for being too small or non-existent in some cases.



Customers accused retailer of hiking prices prior to Black Friday and dropping them to 'normal' under the guise of sale.



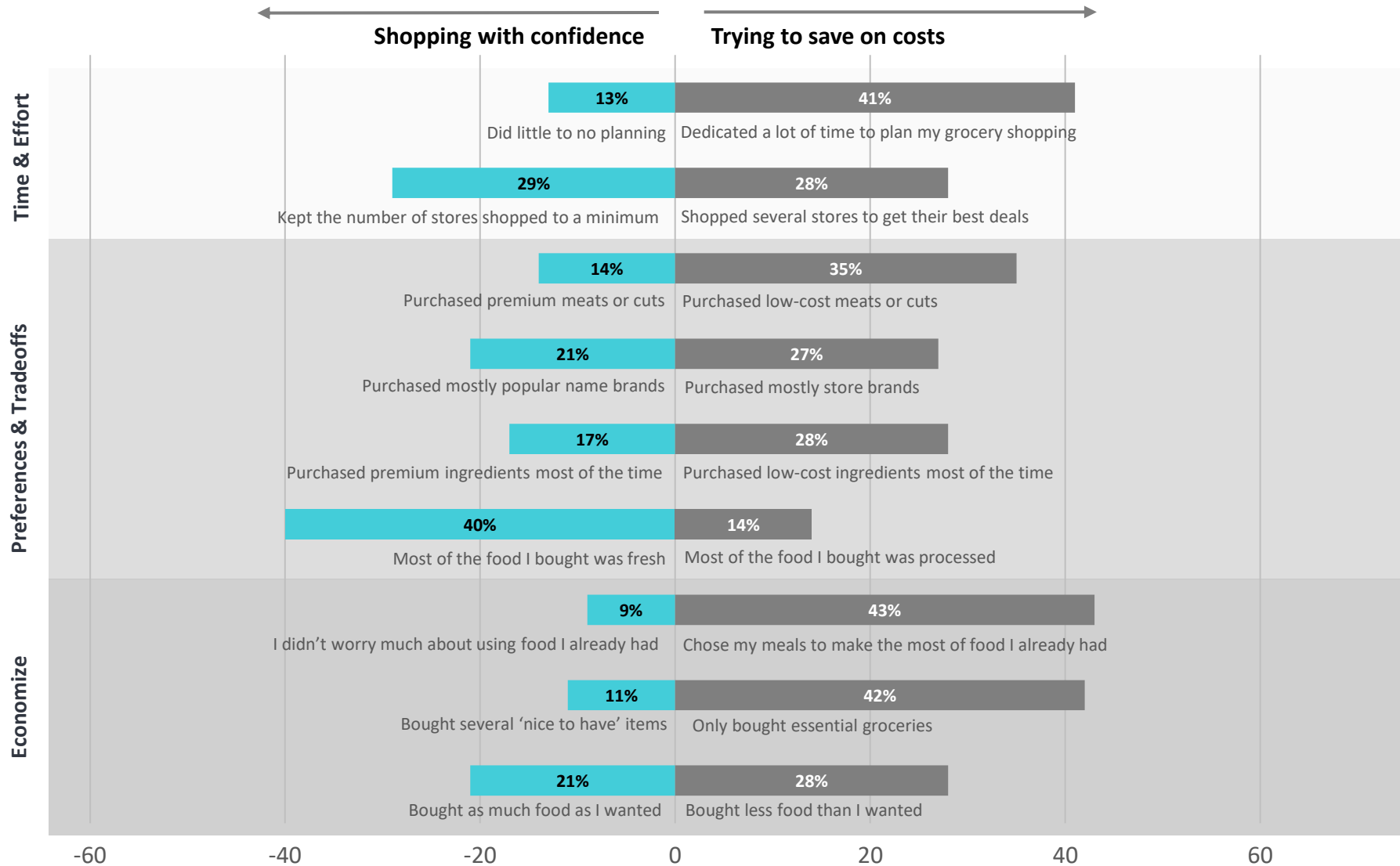
Customers complained about being forced to go in-store and expressed a preference for store sales to be mirrored on-line.



SHOPPING AND TRAVEL

Impact of rising prices on shopping behaviour

% who did each activity while shopping for groceries over the past 4 weeks



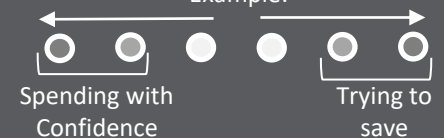
In the face of rising prices, many are engaging in cost saving behaviors

Most grocery shoppers in South Africa are likely to spend more time planning their shopping, focusing on essential groceries and choosing to make the most of food they have at home.

Methodology

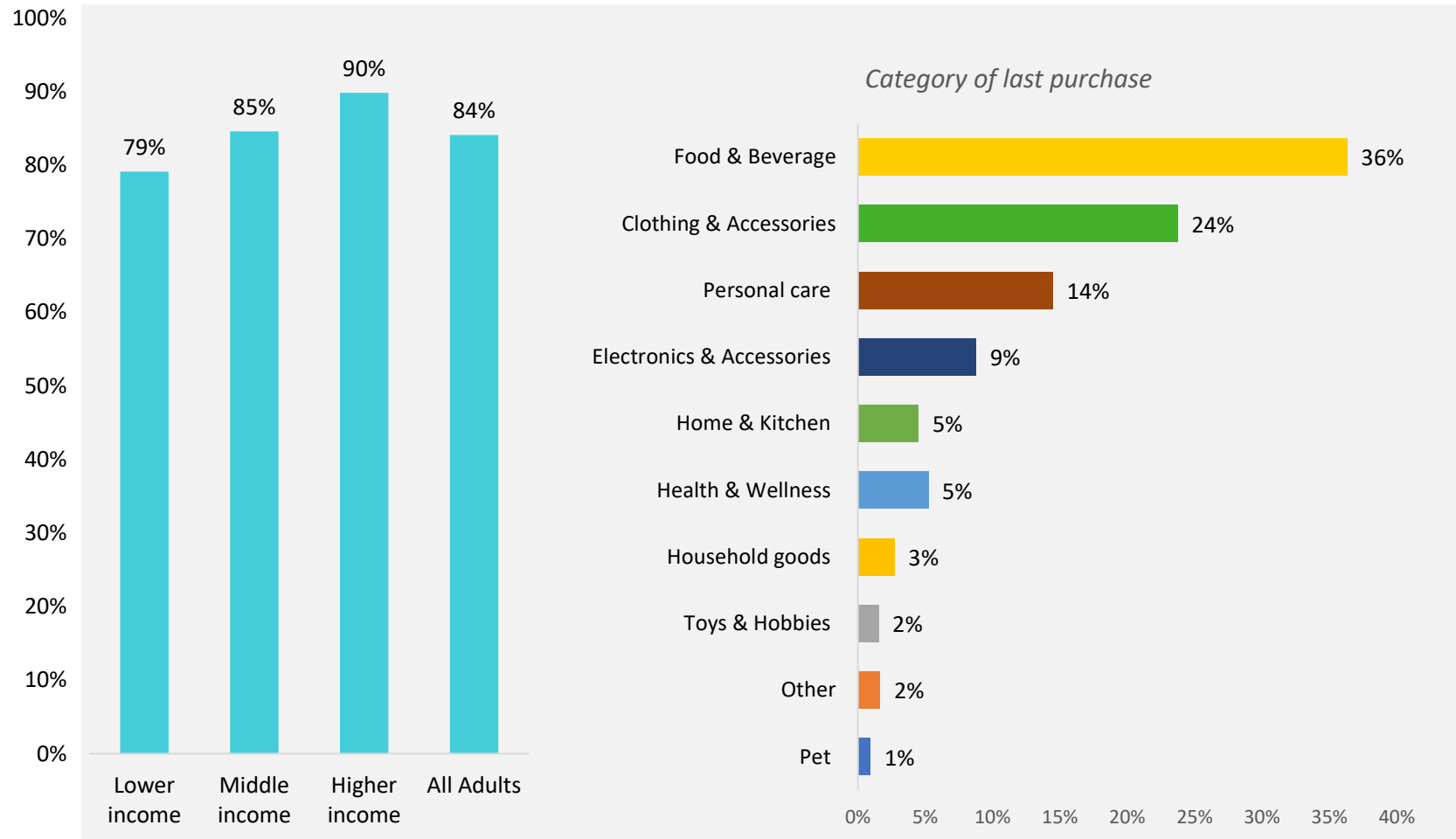
Paired, opposing statements (6-point scale)

Example:



Are consumers turning to food and drinks for “Retail Therapy”?

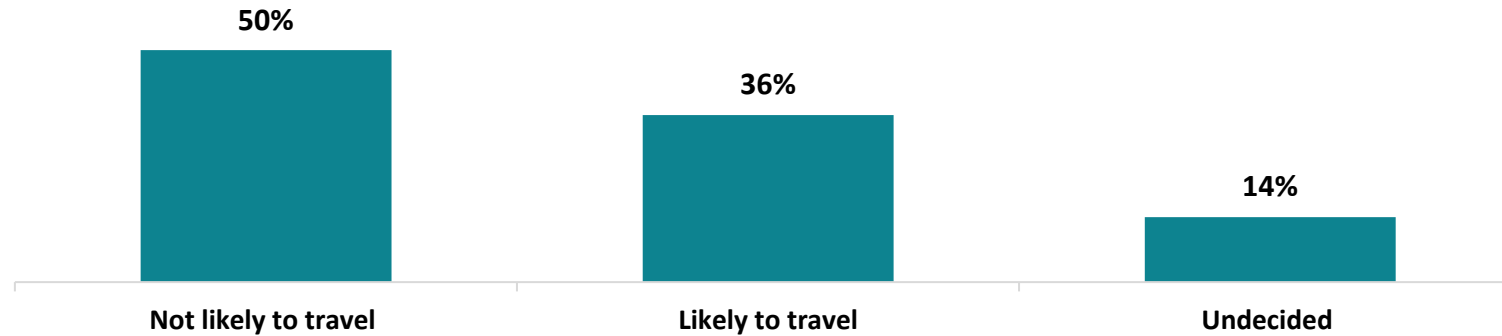
% who purchased at least one product to treat themselves in the past month



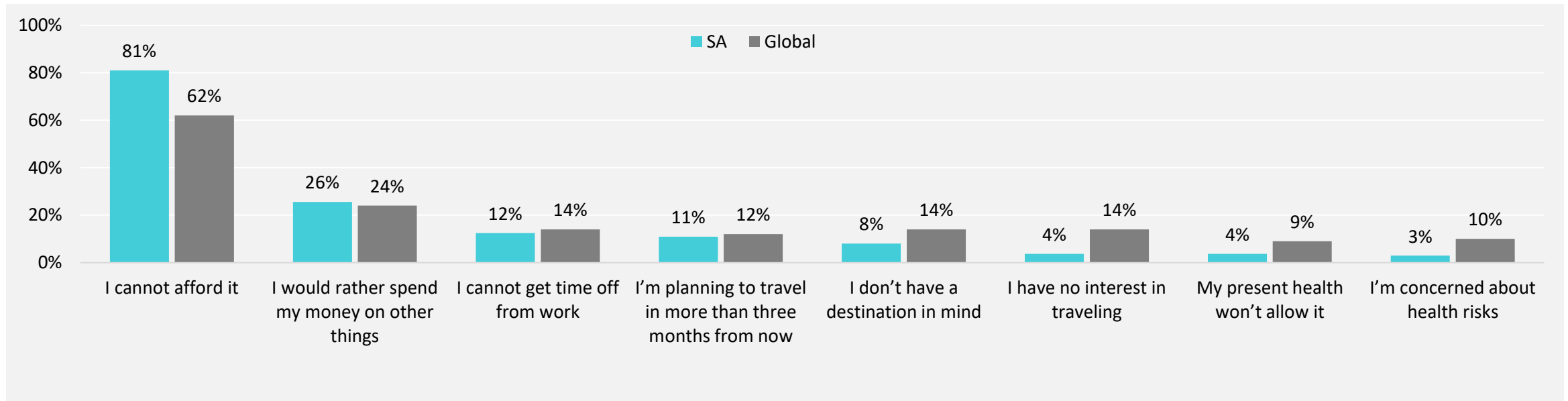
Despite financial pressures, South African consumers still seek opportunities to treat themselves to a little bit of joy.

While bigger ticket items remain out of reach for many, food and drinks as well as clothing and accessories are the go-to categories for feeling better.

Travel remains a luxury, out of reach for most consumers



Reasons for not travelling
Among adults not planning to travel for leisure within the next 3 months



Panel discussion

Moderator



Anoka Balram
Marketing Transformation
Leader
Deloitte Consulting Africa

Panellists



Amanda Stops
CEO
South African Council of
Shopping Centres (SACSC)



Zumi Njongwe
Marketing Director: East &
Southern Africa
Nestlé



John Bradshaw
Retail specialist

Engaging in conversation...



We've had a lot of time to think, and we're thinking a lot about time



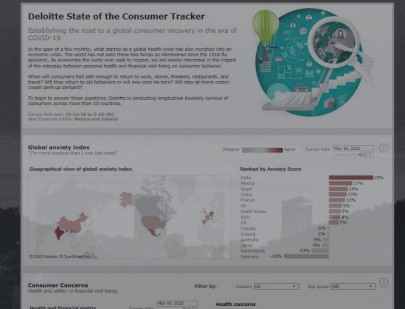
The pursuit of happiness ... if you can afford it



How remote work is influencing what we buy



Revisiting the great rethink



Interactive dashboard for more insights

Scan to access articles





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