

MasterCard's confidence index rises to 56.3

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Consumers are feeling more confident about the second half of this year, according to the latest MasterCard consumer confidence index, which rose 8.3 points to 56.3.



The index, which was released on Monday (16 September), indicated local consumer confidence was neutral to positive, according to MasterCard.

"South Africans are more optimistic than they were six months ago when consumer outlook was adversely influenced by political and economic uncertainty," said Philip Panaino, division president at MasterCard SA.

The index is a forward-looking survey which measures consumer sentiment and expectations of the country's performance using five economic indicators: the economy, employment, stock market, regular income and quality of life.

A reading of zero represents pessimism while 100 is regarded as the most optimistic and 50 is neutral.

Optimism rose in four of the five indicators that make up the index, suggesting consumers were more confident and more willing to spend.

The latest MasterCard index is also in line with the Bureau for Economic Research/FNB's consumer confidence index, which improved in the second quarter.

Wage increases boost confidence

Although households are still struggling with a rising cost of living, for some, their disposable incomes have improved following above-inflation wage increases.

Of the five indicators, the most significant shift occurred in respondents' impressions of the economy which rebounded from the pessimistic 40.8 recorded six months ago, to a score of 54.1.

"Firm growth in semi-durable expenditure by households, and increases in spending on services in the first quarter of this year have contributed to our economy being regarded with more optimism," said Martyn Davies, independent economist and chief executives of Frontier Advisory.

"There have also been positive movements in manufacturing output as well as retail sales," he added.

Retail sales, to be released by Statistics SA on Wednesday (18 September), are expected to have accelerated by 4.2% year-on-year (y/y) in July, from a y/y increase of 1.9% in June, according to a poll of leading economists undertaken by I-Net Bridge.

Employment saw the second largest improvement in the index, receiving a neutral to positive score of 54.7 up from a somewhat pessimistic score of 42.3 six months ago.

Stock market sentiment

Sentiment in the stock market improved from 45.1 six months ago to a score of 53.6 now. Regular income yielded the highest overall score at 68.9, despite decreasing slightly by 1.1 points compared with the last index.

Davies attributed the marginal decline to lower dividend declarations by the corporate sector in the first quarter of this year compared with the last quarter of last year.

"Formal sector salary increases had moderated and ongoing inflationary pressures could be other factors that contributed to this," he said.

Measuring a consumer's impression of their ability to maintain or improve their living standard, quality of life tended to mirror the overall trend observed in the other four variables. The indicator increased 8.6 points to 50.5, also reflecting a neutral consumer outlook over the next few months, according to MasterCard.

Conducted between April and May, the latest survey involved 12,205 respondents aged 18 to 64 in 27 markets around the world. In Africa, the survey was conducted in Egypt, Kenya, Morocco, Nigeria and SA.

A comparison of consumer confidence in SA's three major cities reveals that respondents in Johannesburg, the economic hub of the country, are the most optimistic with a score of 69.9 up from 63.5 in the previous index. SA's consumer confidence was the lowest on the continent, with the African average coming in at a very optimistic 78.1.

Nigeria remains the most optimistic country (94.3), followed by Morocco (85.2) and Kenya (76.5).

Source: Business Day via I-Net Bridge

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