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South Africa Economic Outlook

Listening to what consumers are saying

Local consumers speak out about inflation risks, transport options, spending plans, and climate concerns

24 July 2024



Ten key messages from this report

South Africa Economic Outlook July 2024



1

PwC's Voice of the Consumer Survey 2024 was published on July 11. Survey respondents are mostly young and employed, representing the so-called 'shopping class'. This edition of the SA Economic Outlook delves deeper into respondents' fears for the country; spending behaviour and planned changes; views on mobility and transport, and concerns about extreme weather and climate change.

2

Consumers are the lifeblood of the SA economy: 60% of GDP comes from household spending. The health of the consumer wallet is integral to the country's economic prosperity and social stability. The macro risk factors most frequently identified in the survey by South Africans are inflation, economic growth, unemployment, social inequality, and climate change.

3

The combination of elevated inflation and high interest rates at present is placing pressure on household budgets. The cost of living is the top economic concern identified by SA consumers. In 2022-2023, salaries and wages were unable to keep up with consumer price inflation, and the erosion in buying power is set to continue in 2024.

4

PwC's consumer survey found that 60% of SA respondents expect to spend more on essentials (groceries, clothing, footwear, etc.) in the next six months. Households spend a combined 20% of their money on food, non-alcoholic beverages, clothing and footwear. However, this number ranges from 60% at the lowest income levels and towards 10% in the highest income groups.

5

Only 42% of consumers expect to spend more on comfort and/or luxury goods. They still do not see the present as a good time to buy durable goods like electronic devices, sports equipment and toys. Travel services are the luxury good most likely to see increased spending. Inflation data suggests that domestic holiday options have become more affordable.

6

Only one out of five South Africans can access a public transport stop that is within walking distance of their home. However, eight out of ten South Africans would be willing to use public transport if their area had better public transport infrastructure. Commuters face increasing congestion, road safety concerns, and the rising cost of private transport.

7

Three out of four survey respondents indicated an appetite to buy a hybrid or electric vehicle. Sales of these vehicles increased 65% in 2023 and could rise by 30% in 2024. The rising cost of internal combustion engine (ICE) transport and the declining price entry point of electric vehicles (EVs) has supported this growth.

8

SA has seen an increase in the frequency and impact of extreme weather events. Nine out of ten survey respondents are worried about climate change. This worry stems from the impact climate change could have on South Africans through income (jobs) and wealth (savings) effects via the business world, among other channels.

9

CEOs are aware of the physical dangers of climate change but have much less of an understanding of the specific impact that extreme weather change could have on their businesses. Disruption to business operations due to extreme weather could directly influence employment and remuneration for consumers.

10

PwC is helping its clients put the right strategies in place to respond to and service the needs of today's shoppers. This requires multiple approaches to understand the consumer outlook, formulate service delivery to enhance customer experience, foster a sustainable mobility ecosystem, as well as formulate and test climate-related reporting and disclosures.

About this document

Consumer opinions and sentiment are integral to the country's economic outlook: after all, household spending accounts for more than 60% of GDP. This edition of the South Africa Economic Outlook looks at some of the data derived from the local findings of [PwC's Voice of the Consumer Survey 2024](#) (published on July 11th) and what this means for the country's economic outlook.

In our consumer survey, we polled 1,009 South Africans on a diverse range of topics, including their aspirations, concerns and spending plans. Respondents to our poll were mostly young (62% aged between 18 and 34) and employed (72% are working), representing the so-called 'shopping class'. These are the people driving consumer spending trends.

Here, we consider economic aspects around their risks and fears for the country; spending behaviour and planned changes thereof; views and desires on mobility and transport; as well as concerns about extreme weather and climate change. These factors help paint a picture of the financial health of the South African consumer and their thoughts about forthcoming expenditure.

Key contents of this report include:

- Threats and risks: Consumers are most worried about inflation and macroeconomic volatility ([page 5](#)).
- Expenditure plans: Most shoppers plan to spend more on essential goods in the next six months ([page 6](#)).
- Mobility options: Strong appetite for better public transport and electric vehicle (EV) ownership ([page 8](#)).
- Business sustainability: Extreme weather requires companies to think about climate risks and opportunities ([page 9](#)).

Lastly, we comment on how PwC assists our clients with 1) using economic scenarios, 2) enhancing customer experience, 3) thinking about mobility ecosystems, and 4) putting in place climate-related reporting and disclosures ([page 10](#)).



Macroeconomic forecasts (24 July 2024)				
Baseline scenario	2022	2023	2024f	2025f
ZAR/USD	16.36	18.45	18.60	19.10
Consumer price inflation (%)	6.9	6.0	5.1	4.7
Repo rate (end-of-period)	7.00	8.25	7.75	7.25
Real GDP growth (%)	1.9	0.6	0.9	1.3
Unemployment rate (%)	32.7	32.1	32.5	32.7
Probability weighted average	2022	2023	2024f	2025f
ZAR/USD	16.36	18.45	18.64	19.14
Consumer price inflation (%)	6.9	6.0	5.1	4.8
Repo rate (end-of-period)	7.00	8.25	7.85	7.30
Real GDP growth (%)	1.9	0.6	0.9	1.2
Unemployment rate (%)	16.36	18.45	18.64	19.14

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Consumers are the lifeblood of the South African economy. More than 60% of the country's GDP comes from household spending. As such, the health of the consumer wallet is integral to the country's economic prosperity and social stability. South Africa needs accelerated employment growth in order to support a large-scale improvement in household financial wellbeing. This is only possible if all social partners—government, the private sector, labour unions, and community organisations—work together for the betterment of the economy and its people.



Lullu Krugel, PwC South Africa Chief Economist

Threats and risks: Consumers are most worried about inflation and macroeconomic volatility



South Africa Economic Outlook July 2024

Summary: The cost of living is the top economic concern among South African consumers. During 2022-2023, salaries and wages were unable to keep up with consumer price inflation. The erosion in buying power is set to continue in 2024. Macroeconomic volatility is the second-most cited concern. When economic growth disappoints, households feel this impact via ripples through the labour market as jobs growth disappoints.

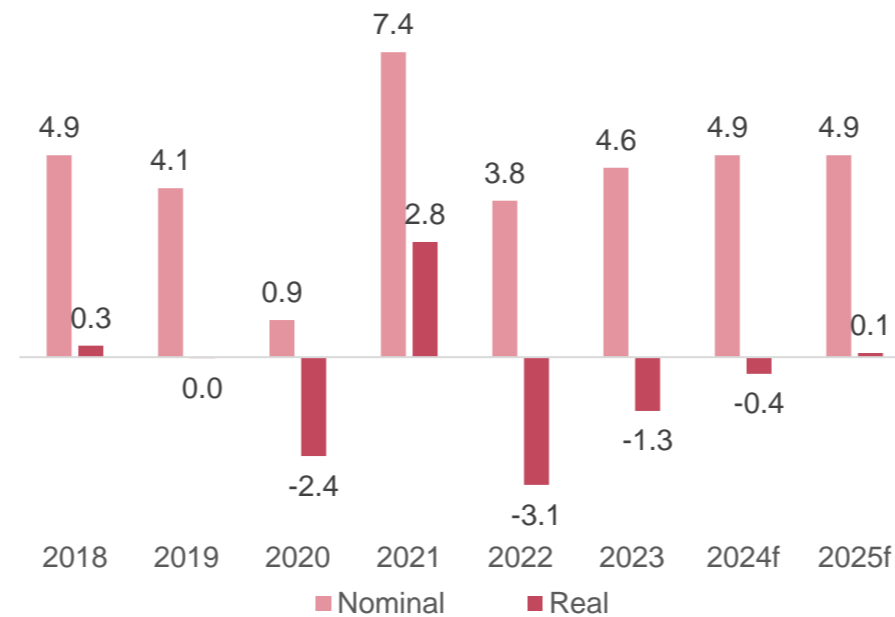
Pressure on the cost of living as salaries and wages continue to fall behind consumer price inflation

In [PwC's Voice of the Consumer Survey 2024](#), we asked consumers what they see as the biggest potential threats and risks to the country in the coming 12 months. The macro factors most frequently included by South African respondents in their top three list of threats and risks are inflation, economic growth, unemployment, social inequality, and climate change. **Three-quarters (75%) of South African survey respondents ranked inflation within the top three risks, with one in every three (36%) naming it as their biggest concern.** According to Lullu Krugel, PwC South Africa Chief Economist, concerns about the cost of living are frequently identified by South Africans as something that keeps them up at night. The combination of elevated inflation and accompanying high interest rates at present is placing pressure on household budgets.

Consumers have experienced a decline in buying power in recent years due to elevated inflation. According to the Bureau for Economic Research (BER), salaries and wages increased by 3.8% in 2022 and 4.6% in 2023 while inflation averaged 6.9% and 5.9%, respectively. This resulted in a cumulative decline in consumer buying power of 4.6% during 2022-2023. This year, salaries and wages are expected to increase by an average of 4.9%, according to the BER Survey of Inflation Expectations 2024Q2, while our inflation forecast is 5.3%. This would result in another 0.4% decline in real (inflation-adjusted) consumer buying

power. On a positive note, salaries and wages are expected to increase by 4.9% in 2025 while we expect inflation to average 4.8%, resulting in a marginal 0.1% increase in buying power.

Figure 1: Change (%) in salaries and wages



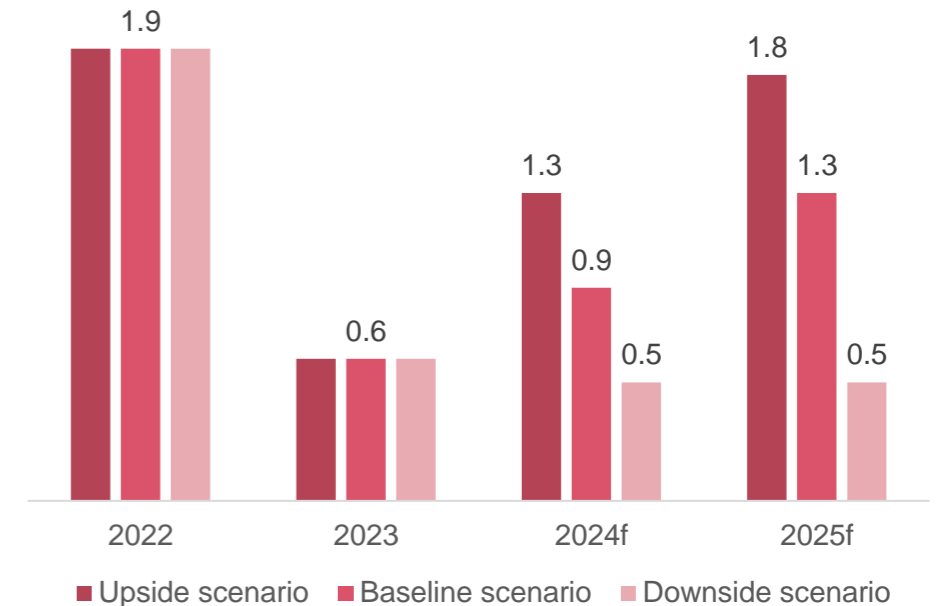
Source: PwC

Seeking answers from the new government for economic and employment growth concerns

Over half (55%) of survey respondents ranked macroeconomic volatility in their top three risks. Volatile economic growth in itself is not necessarily a concern for South Africans. Rather, it is the ill effects of business cycle swings on inflation and employment that impacts consumers. Over the long term—based on labour data available since 2008—a 1.0% increase in real GDP is associated with a 0.84% increase in (formal and informal) employment. As such, when GDP disappoints, households feel this impact via ripples through the labour market. Our baseline scenario expects economic growth of 0.9% this year, implying employment growth of 0.8%. This would be equal to around 125,000 jobs of which 22,000 were created in the first quarter of the year. This forecast

for 2024 is not enough to keep up with the expected 350,000 increase in the labour force, i.e., adults available to work. As a result, we expect the unemployment rate to increase from 32.1% in 2023 to 32.5% this year. If we consider an upside scenario where economic growth reaches 1.3%, around 185,000 jobs could be created, with the unemployment rate rising to 32.3%.

Figure 2: Real GDP growth (%)



Source: PwC

South Africans' concerns about inflation and economic growth cut across a significant volume of expectations for the new government. The country's largest political parties all campaigned for the recent elections with promises of accelerated economic and employment growth. With the Government of National Unity (GNU) now formed, members of the new cabinet's economic cluster have their work cut out for them. The country needs to create 1.7 million jobs over the next five years just to keep the unemployment rate at its current level, which is already unsustainably high. To achieve this, the economy will need to grow by an average rate of 2.0% p.a. during 2024-2028. This is only possible if all social partners—government, the private sector, labour unions and community organisations—work together for the betterment of the economy and its people.

Expenditure plans: Most shoppers plan to spend more on essential goods in the next six months

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Summary: South Africans are more optimistic about the outlook for household finances but not about buying durable goods right now. The majority of our survey respondents (60%) expect to spend more on essentials like groceries, clothing, and healthcare products in the next six months, while fewer (42%) expect to spend more on comfort and/or luxury goods like electronics and sports equipment.

Positive outlook on household finances is supporting sentiment towards future retail spending

The FNB/BER Consumer Confidence Index (CCI) 2024Q2 noted that “consumer sentiment remained decidedly negative” during the quarter albeit slightly better compared to the preceding quarter due in part to a sharp reduction in load-shedding. The CCI was measured at -12, with a reading of zero being the neutral point between positive and negative sentiment. According to the BER, a low level of consumer confidence “indicates that consumers are concerned about the future. They may be worried about job security, pay raises, and bonuses”. We’ve found that this situation also encourages significant scrutiny into consumer product prices. South Africans are considered amongst the most price sensitive in the world—it is estimated that half of shoppers routinely buy the most affordable brand of a specific product. This requires consumers to do their research. PwC’s consumer survey found that eight out of ten (83%) respondents compared product prices across different retailer apps. Furthermore, seven out of ten (69%) respondents use apps to compare prices.

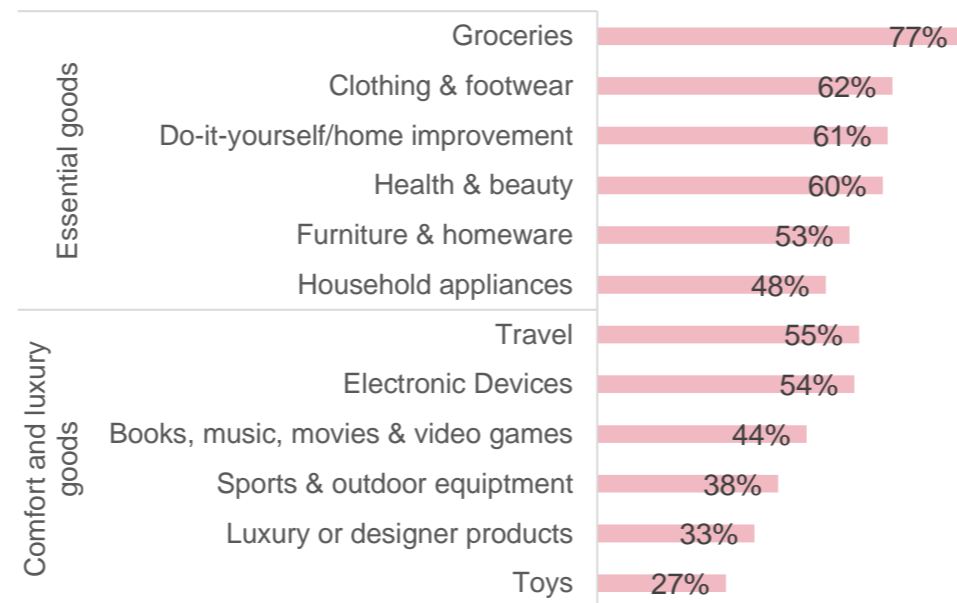
On a positive note, the BER also found that **South Africans have a net positive outlook on household finances. This, in turn, could point to an improved appetite for consumer spending. According to Anton Hugo, PwC Africa Retail and Consumer Leader, there certainly are trends supporting more optimistic household sentiment towards retail**

spending. These include: a significant decline in load-shedding, expectations that interest rates will start coming down soon, and hopes for improved buying power of salaries and wages.

Most consumers expect to spend more on essentials like groceries, fewer will spend more on comfort and/or luxury goods

PwC’s [Voice of the Consumer Survey 2024](#) asked South Africans about their spending intentions in the coming six months and how they expect their expenditure on specific product categories to change. A key finding was that, on average, 60% of respondents expect to spend more on essentials, while only 42% expect to spend more on comfort and/or luxury goods.

Figure 3: Consumers expecting a net increase in product spending (% of respondents)



Source: PwC’s Voice of the Consumer Survey 2024

Essential goods include groceries, clothing and footwear. Food and apparel are at the foundation level of Maslow’s hierarchy of

needs which represent the most basic of human requirements. In South Africa, households spend a combined 20% of their money on food, non-alcoholic beverages, clothing and footwear. However, this number ranges from almost 60% in households with the lowest income levels (up to R20,000 per annum) and just over 13% in the highest income households (more than R300,000 per annum). South African retailers are challenged in servicing a population that has a highly unequal buying power. In response, retail companies have in recent years increasingly sought to differentiate their locations and brands based on the level of consumer spending power.

60% 60% of South Africans expect to spend more on essentials over the next six months, while only 42% expect to spend more on comfort and/or luxury goods.

Regarding comfort and luxury goods. The FNB/BER CCI 2024Q2 showed that consumers still do not see the present as a good time to purchase durable goods. This product category includes goods like electronic devices, books, video games, sports equipment, designer products and toys, among many others. Where consumers do plan to spend on comfort and luxury goods, it appears travel services is the category most likely to see increased spending. According to Statistics South Africa (Stats SA), package holidays cost 1.8% year-on-year less in May 2024 compared to a headline inflation rate of 5.2% year-on-year. Combined with available data on changes in salaries and wages, this suggests that domestic holiday options have become more affordable over the past year. Looking abroad, international departures by South African residents increased 1.3% year-on-year in May 2024, according to Stats SA. At present, South Africans can travel to 107 countries without the need for a visa. The number declined earlier this month from 108 territories after the Republic of Ireland instituted visa requirements.

“

“While we are seeing some positive trends in the consumer market, shoppers are cautious about the economic outlook for the remainder of 2024 and heading into 2025. They will continue to be very price sensitive in their shopping activities and frequently compare prices across apps and shops to get the best deal. And they will prioritise essential products over comfort and luxury goods. For consumer-facing companies, this signals the importance of having deep knowledge of their customers and responding to their needs in order to build trust and deliver on expectations.”

Nqaba Ndiweni, PwC Africa Leader for Consumer and Industrial Products and Services (CIPS)



Mobility options: Strong appetite for better public transport and electric vehicle (EV) ownership

South Africa Economic Outlook July 2024

Summary: PwC's survey found that 82% of South Africans are willing to use public transport if their area had better public transport infrastructure. Commuters are willing to swap private transport for public options due to increasing congestion, road safety concerns, and the rising cost of private transport. As another alternative to traditional private transport, 76% of respondents indicated they have an appetite to buy a hybrid or electric vehicle.

Eight out of ten South Africans are willing to take public transport if their area has better related infrastructure

As noted in the January 2024 edition of this report ([Turning short-term crises into opportunities for business value creation and societal impact](#)), government revenues and those collected by state-owned enterprises (SOEs) are under pressure. This, in turn, adds more challenges to public service delivery during a time of elevated socio-economic strain. As a result, the South African population's use of public services has declined. For example, the share of adults making use of public transport declined by 5.9 percentage points from 43.4% in 2019/2020 to 37.5% in 2022/2023. This was part of a long-term trend in declining use of rail services. Ahead of the arrival of COVID-19, around a quarter of land passenger journeys were by train, down from more than 60% in 2015. At present, only one in five passenger journeys are by rail.

On a positive note, [PwC's Voice of the Consumer Survey 2024](#) found that eight out of ten (82%) South Africans would be willing to make use of alternative transport to their current private methods if their area had better public transport infrastructure. According to Thomas Howatt, PwC South Africa Transportation and Logistics Leader, there are several reasons why commuters would be willing to swap private transport for public options, including increasing congestion leading to longer travel times, concerns over road safety, and the rising cost of private transport:

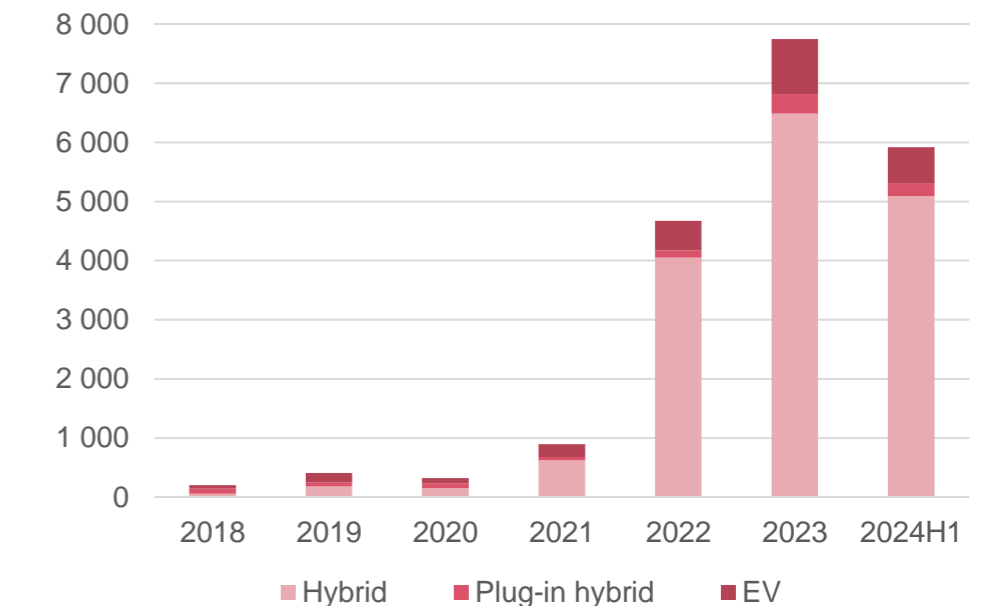
- Congestion: Data from the TomTom Traffic Index 2023 shows that rush hour travelling speeds averaged just 43 km/h across the country's largest five metro areas. In Cape Town, for example, travel takes 32% longer during rush hour compared to non-peak driving times. In Johannesburg, a daily one-way work commute of 20 km results in approximately 215 hours of driving time per annum. Of this, 85 hours is due to peak-time congestion. Road safety has also become a great concern for many motorists, with increased volumes of travellers on the road, more time spent in transit due to congestion, and deteriorating road infrastructure such as potholes.
- Operating cost: Private transport has become significantly more expensive over the past several years. According to data from Stats SA, the cost of operating a private vehicle—including fuel and other running costs—doubled over the past eight years. Over the same period, the cost of public transport increased by 'only' 50%, making this transport option more attractive from a financial perspective.

Strong interest in electric vehicle ownership as market entry price point declines

The June 2024 edition of this report ([Long-term climate risks to the production of essential commodities](#)) looked at the need for automotive manufacturers to secure the future supply of critical minerals like cobalt, copper and lithium needed for the production of batteries used in EVs. Three out of four (76%) respondents to our consumer survey indicated that they have an appetite to acquire a hybrid (48%) or electric (28%) vehicle that uses such batteries. Data from Naamsa shows that combined sales of hybrid drivetrain vehicles and EVs increased 65% last year to 7,746 units. Sales of traditional hybrids increased by 60% in 2023 to 6,484 units on the back of rising domestic production and increased imports from China. South Africans also bought 929 pure EVs, up 91% from 2022. EV sales already reached 610 units in the first half of 2024: if this momentum is retained, a full

year EV sales figure of around 1,200 units would be nearly 30% higher compared to 2023.

Figure 4: New energy vehicles (NEVs) sales volume



Source: Naamsa

To be fair, reported appetite for EV and hybrid ownership is often overstated in surveys like ours compared to actual purchasing intentions. It is easy to say that you would want to own an EV, while the realities of constrained supply, charging challenges (load-shedding), range anxiety (the fear that an EV will run out of battery before reaching a charger or destination), and initial purchase cost most often outweigh this interest in favour of internal combustion engine (ICE) vehicles. Unsurprisingly, while EV sales have increased significantly over the past several years, they still comprise only about 0.2% of total vehicle sales. However, in South Africa, the rising cost of ICE transport and the declining market entry price point of EVs is resulting in increased interest in and actual purchases of EVs. At the start of July, the most affordable full-sized EV currently available on the local market cost close to R540,000, down R150,000 from a market entry price point of around R690,000 in 2022-2023. This is certainly supporting the increase in EV sales in 2024.



Business sustainability: Extreme weather requires companies to think about climate risks and opportunities

South Africa Economic Outlook July 2024

Summary: South African consumers are very concerned about climate change as extreme weather events become more frequent. However, amongst business leaders, we often see a disconnect between their awareness of the specific impact that climate change could have on their businesses. Consumers, in turn, will feel these influences via impacts of extreme weather on their income and wealth.

Consumers worry about climate change as extreme weather events become more frequent

Nine out of ten (93%) South Africans are worried about climate change, according to [PwC's Voice of the Consumer Survey 2024](#), with over a third of our survey respondents feeling worried on a daily basis. Some are aware that, in January 2024, the world witnessed the first year-long breach of the 1.5°C warming limit with the average near-surface global temperature surging to more than 1.5°C above pre-industrial levels for a consecutive 365-day period.

According to Chantal van der Watt, PwC South Africa Director of Sustainability Services, people are increasingly aware of climate change and the impact that this will have on our society. In turn, they are growing more willing to change their consumption habits towards goods and services with a smaller environmental impact.

Four out of ten (39%) South Africans list extreme weather conditions in their top three threats/risks for the country in the next 12 months. This response rate is on par with concerns about macroeconomic volatility (changes in economic growth and unemployment) and health risks (pandemics, chronic illness, and strains on mental health). As noted in the June 2024 edition of this report ([Long-term climate risks to the production of essential commodities](#)), South Africa has already seen an increase in the frequency and impact of extreme weather events. In 2023, extreme rains and flooding was the most frequent extreme

weather event, based on PwC's analysis of data from the South African Weather Service (SAWS). This month, the country experienced a swatch of cold fronts that resulted in excessive rainfall in many areas. The Western Cape was declared a disaster zone in mid-July following intense rainstorms in the first half of the month, with schools closed for two days in the province.

Climate risks and sustainability should factor more heavily into a business leader's thinking

Among other reasons, South African consumers are worried about climate change because of the impact that it could have on them through income (jobs) and wealth (savings) effects via the business world. However, in our conversations with CEOs and other senior business leaders, we often encounter a disconnect. Leaders know about the physical dangers of climate change in a general sense, including hazards like extreme rainstorms, coastal flooding, as well as increased heatwaves, droughts, and wildfires. Nonetheless, we find that business leaders have much less of an understanding of the specific impact that climate change could have on their businesses—the sources of income and wealth that consumers depend on. Specific impacts include physical risks to operations, infrastructure, or to supply chains. Whether the disconnect is down to the complexity of the problem, the cognitive biases that prevent us from accurately judging probability and risk, or some other mix of factors, we cannot say.



Whatever the cause, climate risks such as extreme weather events should factor more heavily into a CEO's thinking. Focusing on normal business operations, these can be impacted by a natural disaster in many ways. For example,

clean-up activities could suspend operations for a period of time; the damage to assets might substantially reduce future production and/or the ability to fulfil customer contracts; and there may be an indirect effect if flooding impacts the operations of a significant supplier or customer. These kinds of operational disruptions could directly influence employment and worker remuneration (income)—this is one of the key concerns for consumers. Impacts on the future financial performance of the business, including the impact on future revenue and any limitation on production due to damaged assets and supply chain disruptions, will affect the value of the enterprise. This value can be reflected in the valuation of shares listed on the stock market—where many consumers have savings and pension funds (wealth) invested.

The G20 Climate Risk Atlas forecasts that South Africa could sacrifice 5.0% of its GDP by 2050 as climate change impacts production in agriculture, fisheries, tourism and more. As lenders, asset managers, investors, and insurers get sensitised to the climate risks in their portfolios, they are demanding more transparency from their business customers. The result is an unprecedented desire for effective non-financial reporting. One popular choice is the Taskforce for Climate-Related Financial Disclosures (TCFD). TCFD was established in 2015 by the Financial Stability Board—an international body that monitors and makes recommendations about the global financial system. TCFD rules essentially require businesses to identify, manage, and report on climate-related risks (using scenario analysis), as well as to report the level of carbon embedded in the footprint of the business. The TCFD framework provides a useful starting point for business leaders to begin understanding the climate risks and opportunities that their companies should anticipate.

In South Africa, there are currently no formal requirements for companies to perform against the TCFD. However, the Johannesburg Stock Exchange (JSE) Climate Disclosure Guidance—a voluntary framework that assists companies with navigating the areas of sustainability thinking and disclosure—is heavily based on the TCFD framework.



Economics services and contacts.

South Africa Economic Outlook July 2024

How we can help.

- **Macroeconomic and consumer outlook:** Recent years have shown how uncertain economic conditions can be and consumer-facing companies need to consider where their markets are heading. A single future perspective is insufficient, and it is essential to consider different futures for key macro-economic data. Using economic scenarios to understand what consumer demand could look like in the future is the foundation for forward-looking planning.
- **Customer experience:** Retailers face one of the most competitive environments in decades, with consumers more likely to increase expenditure on essential products than on durable goods. In this market, customer experience is just as important as price points. Clients expect more enjoyable and consistent interactions across all touchpoints. We help retail businesses harness business strategy, analytics and behavioural science to help you rapidly uncover opportunities to create new value through customer experience.
- **Transport and mobility choices:** A mobility transformation is underway as EVs, connected mobility and new technologies transform the way people move. This is the era of smart mobility, making our cities safer, cleaner, more accessible and efficient. Success will depend on how well companies and societies address this shift. Innovative, human-led technologies are needed to foster a mobility ecosystem that is not only smarter but also more sustainable and inclusive.
- **Disclosure of climate metrics:** A major challenge for business leaders is often the lack of good quality climate disclosures that are useful for them to base their decisions on. Our TCFD Readiness Assessment Diagnostic tool helps companies understand the alignment of their public disclosures to the TCFD recommendations. It can be used to understand peer comparisons and show the difference in disclosures between actual data and goals set as part of the TCFD aligned journey.

Our services

The PwC South Africa Strategy & Economics team is a specialised unit of economists who serve our clients in a variety of ways. Our services include:

Measure your impact on the economy and society

- Economic Impact Assessment (EIA)
- Socio-Economic Impact Assessment (SEIA)
- Regulatory Impact Analysis (RIA)
- Environmental, Social and Governance (ESG)
- Total tax contribution
- Localisation calculations

Make decisions about risk and investment

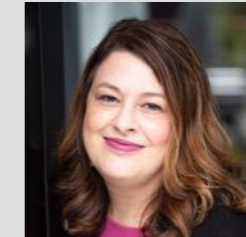
- Macroeconomic research
- Market entry analysis
- Country and industry risk assessments
- Commercial due diligence assistance

Plan for future economic scenarios

- ESG scenario planning
- Economic and political scenario planning
- Industry and macroeconomic modelling
- IFRS 9 audit assist

Please visit our website to learn more:

<https://www.strategyand.pwc.com/a1/en/solutions/purpose-led-economics.html>



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