

It's Christmas in July

Figures show a bumper spending spree by South Africans and foreigners during the World Cup

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Christmas has come early. That, at least, is what real-time spending patterns are showing, thanks in part to World Cup.

Credit and debit card figures, as well as figures for ATM cash withdrawals, are pointing to a "second Christmas" for South Africa, leaving business people and analysts cautiously optimistic about the financial impact of the football event.

According to Michael Jordaan, chief executive of First National Bank, South Africans' card spend on both credit and debit cards on FNB's Speedpoint network increased by 24.3% in June 2010 compared with June 2009, reaching R8.7-billion. Spend by foreigners reached R861-million the same month — a fivefold increase on foreign spend in May this year.

In May around 97% of all card spend was local, with 7% of spend being by foreigners. But in June domestic spend made up 91% of all card spend whereas 9% was foreign — "a fairly material displacement in

context", said Jordaan. "June 2010 emulates an expected December pattern for foreign spend."

With inflation at a low 4.6%, he noted that the increases in spending were mostly real.

Spending around the stadiums was led by South Africans, with locals spending the most money at matches, followed by fans from the United States and Mexico. US citizens were among the biggest spenders but Jordaan said he expected this to change in July as Germany, Holland and Spain took the lead in the tournament.

Industries that chiefly benefited were retail, accommodation, travel, entertainment, fuel and telecoms, according to FNB figures.

FNB's figures showed similar trends to data released by Visa, which recorded a 65% increase in spending by foreigners on Visa-branded credit cards in June, reaching R 1.3-billion.

According to Andrew Woodward, head of sponsorship communications at Visa, only the spend by foreigners was examined. "This shows the real-time economic boost that a major event like this has," he said.

Fans from the US were ranked as the largest spenders from June 1 to June 20 this year, blowing a cool R261-million, a 75% jump from the same period last year. They were followed by fans from the United Kingdom, Australia and Brazil, who

spent R256-million, R67-million and R49-million respectively.

Visa cards are the only cards accepted at World Cup stadiums and onsite merchandise booths but Woodward said that in spite of this, foreign spend was not skewed towards the stadiums but was spread across sectors such as car rental, air travel and accommodation.

Visa will disclose updated spending figures on Tuesday.

There are those, however, who contest the Christmas bonanza effect. According to Paul Kent, managing director of SureSwipe, small and medium enterprises may not be reaping World Cup benefits to the extent that larger businesses are.

SureSwipe provides debit and credit card facilities for around 2 000 small-to-medium enterprises mainly in Gauteng, Durban, Cape Town and Polokwane. These are across personal services industries such as hairdressers or beauty salons and smaller retailers such as independent green-grocers and butchers.

According to SureSwipe data, the average swipe on debit cards fell from R345 in June 2009 to R294 in June this year. Similarly, the average credit card swipe fell from R476 last year to R439 in June 2010.

Kent argues that although foreign spend may have increased, visitors are usually concentrated in large shopping malls rather than smaller,



Big spenders: Credit and debit card figures show an upward trend in spending. Photo: Delwyn Verasamy

local shopping centres, meaning smaller retailers have not been receiving as much exposure to visitors' spending power.

He also speculated that South Africans may have been spending more on World Cup-related items — such as tickets or official football gear — but cutting back on spending in other areas of their day-to-day living.

"While in the long term the World Cup will generate repeat business and encourage more visitors to come to South Africa, it certainly appears that smaller retailers haven't seen immediate benefits," said Kent.

Although the average credit and debit card swipes at smaller businesses declined in June, ATM cash withdrawals saw a marked spike. The average cash withdrawal in June 2010 increased by more than 11% to R413 from June 2009, according

to Spark ATM Systems' cash index. Cash withdrawals by foreigners averaged R687 this June, up 26% from June 2009. The company operates independent cash machines such as those found at petrol stations, pubs and bars.

Spark managing director Marc Sternberg said the index reflected prevailing economic conditions, with consumers drawing more cash when conditions were relatively good. The large spike in average cash withdrawals, he said, pointed to the influence of the World Cup and the extended school holidays.

"This appears to be a mini-December," said Sternberg. He warned, however, that the country may be headed for a post-World Cup slump, similar to that traditionally seen in January after the Christmas spending splurge.

