

# How we should understand consumer confidence

## How retail CEOs think December's ANC elective conference will change the country's economic trajectory

I got to thinking the other day about consumer confidence and how it affects what (and how much) we buy. It by no means is the "whole story", but it is a key gauge of household mind-sets and spending intentions as a trend over time.

I'd been chatting to two retail CEOs who are both of the opinion that the outcome of the ANC's elective conference in December could change the country's economic trajectory.

Plainly put, consumer confidence measures the degree of optimism (or pessimism) that consumers feel about the overall economy and their income stability. This then affects their personal financial situations.

Even though the economy has exited its second recession in almost a decade, confidence levels remain weak, as does the underlying pace of activity. Diminished willingness to spend — on anything other than essentials — means that growth in retail sales will remain subdued for the rest of the year.

The current low levels of confidence in SA are strongly linked to political controversies engulfing President Jacob Zuma. The Foschini Group (TFG) CEO Doug Murray says the whole country has gone into limbo, waiting to see what will happen at the ANC conference in December.

Murray was quite candid, saying we will have either a good outcome in December or a bad one — there is no in-between. "If we have a good outcome — and I'll leave it up to you to decide what I mean by 'good outcome' literally overnight we could get business and consumer confidence up. International confidence and credibility would turn and, to a large degree, kick-start the economy. The consumer plays a big role in the economy."

Consumer confidence is particularly relevant. It helps retailers and manufacturers plan around new projects and investments, production and inventories.

Murray says the wait-and-see around December has affected confidence and created uncertainty in the international investment community.

"I don't believe that it's at any particular LSM level," he says. "It's affecting everyone] right the way through to the top end of the market. [People] are really holding back."

Business confidence has also been battered. It's hardly a secret that ties between government and SA Inc are strained after a series of actions by Zuma and his administration that included the sacking of Pravin Gordhan as finance minister. This later resulted in ratings agencies S&P and Fitch cutting SA's international debt to junk status.

## Backed by business

Zuma, who is unpopular with most international investors and whose exit will largely be welcomed, has backed his ex-wife and former AU Commission chair Nkosazana

Dlamini-Zuma to succeed him.

Another post-December scenario is the victory of Cyril Ramaphosa, who is supported by other ANC factions.

Woolworths group CEO Ian Moir has this to say: "My own belief is that Ramaphosa would be a good president of the ANC. I think [Ramaphosa's election] will instil more confidence in the market and in consumers, and I think it would be a good fillip for our business. I think December will be a definitive moment for us.

"If Ramaphosa doesn't get in, then the ANC is going to find it more difficult to win the election [in 2019] and we might see a coalition government."

Retailers in some cases are the biggest private sector employers in SA, so I guess they, too, get to have their say.

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