

BETI REPORT

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March BETI may predict increasing inflation trend

The volatile nature of South African economic activity is evident in the latest BankservAfrica Economic Transaction Index (BETI), which has slowed again. This is indicated by a decline in the March 2015 BETI when compared to the February BETI. However, it still increased albeit at a slower rate on a year-on-year basis.

As with the previous month, electricity outages and higher prices in March caused the country's economy to take a step back. The fuel price increases in March likely forced consumers to fill their tanks in February to try to maximise savings on fuel. But some of the price pressure in the economy may be seen in the fact that the average nominal value per transaction via the South African banking system increased by 11.3%.

This increase in the average value per transaction was the highest year-on-year change since August 2004, and is perhaps an indication of underlying inflationary pressure felt by the South African economy.

This seems to happen every few months and can create a confusing picture. The information however does indicate that larger transactions - rather than a greater number of transactions - are driving the SA economy. Some of this may be due to overall price increases but may also indicate a shift to business-to-business transactions, rather than consumer transactions. Some caution may be needed when interpreting these figures, as it may be that transaction values are out of sync. However the BETI has been known to predict an increasing inflation trend and this may just be one of those times. The BETI does however over state and under state inflation but often the higher value transaction is a leading indicator for higher consumer inflation.

The monthly decline in the real, seasonally-adjusted overall transactions is marginal. It is undermining the more positive trend in the last few months and probably indicates that the increasing fuel prices have a large influence on overall economic activity, in the land locked parts of the economy.

The relationship between the BETI and economic growth is the primary one, and it is here that the small decline lessens the impact of the growth seen in the first quarter GDP. No monthly change on its own can be taken as a change in trend, but the slight decline does enough to sow a little doubt about the strength of the overall trend.

While other figures are either nominally positive or slightly negative, the BETI indicates that for economic transactions - while still positive on both a yearly and quarterly basis - slow growth remains the most likely outcome for the year.

A sign that the economy is perhaps slightly healthier is the fact that debit transactions equate to only 10.2% of credit transactions - the smallest since the start of the BETI. This dovetails closely with the small increase in private sector credit over the last few years. This shows a reluctance to take on new payment commitments by South African economic role players, including consumers to businesses. But fewer debit orders mean that more money becomes available for other spending and that may just help the economy at a later stage.

However, the average debit transaction has increased in size by 5.9% indicating possible underlying inflationary trends in the economy. It could also show that business debits are increasing faster than consumer debit growth.

Like the World economy, the South African economy has clearly slowed in the first quarter but it is still growing, and the transactions - while changing in average value - are also still positive overall. A better first quarter, given the decline of the first quarter of 2014 alone, should make 2015 better than 2014.

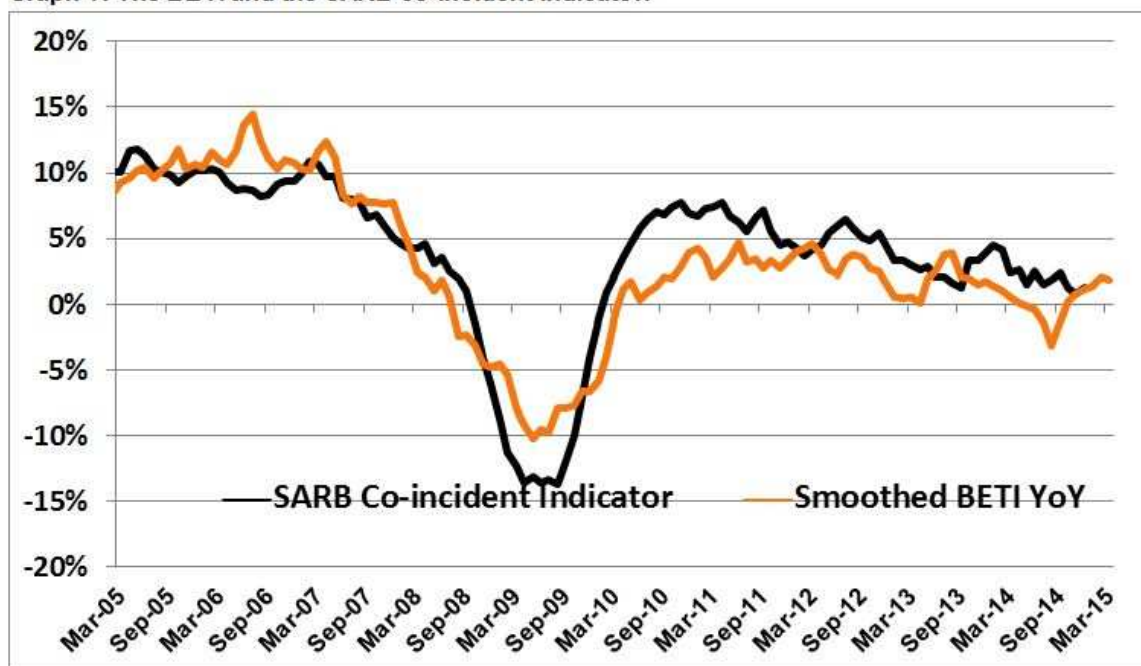
The March quarter will still end more positive in growth terms than one should expect given the weak international environment, and the structural problems in SA regarding electricity and water provision. Positive however does not equal strong in the overall picture. The BETI continues to grow but without conviction.

Standardised Transaction values reach a record outside of the Christmas season

The BETI standardised transaction values for workdays reached its highest level, other than December 2014 however the month of December is usually much more transaction-active than other months. The value of the standardised transactions going through the South African payment system was 689.6 billion or nearly R23 billion a day!

The standardised nominal growth was 5.4%. This overall rate of change also declined however it still remained above inflation.

Graph 1: The BETI and the SARB co-incident indicator.



Source: BankservAfrica and Economists dotcoza