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CONSUMER SPENDING

Black Friday shoppers face possible rate hike amid household income squeeze

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SOUTH African consumers heading into Black Friday will be doing so against a backdrop of elevated living costs, high fuel prices and uncertainty over interest rates, with the South African Reserve Bank's next monetary policy decision scheduled just eight days before the annual shopping event.

The Reserve Bank's Monetary Policy Committee (MPC) is due to announce its next interest rate decision on November 19, ahead of Black Friday on November 27.

With the repo rate already at 7.25% following two increases this year, the possibility of another hike adds to the financial pressure facing households as they weigh up seasonal spending.

The prime lending rate currently stands at 10.75%, meaning another increase would raise borrowing costs for consumers with home loans, vehicle finance, credit cards and other debt linked to the prime rate.

The rate outlook comes as households continue to contend with the impact of sky-high fuel and transport costs, food prices and other essential expenses.

While fuel levy relief introduced by government has offered some breathing room, it does not remove the broader pressure on household budgets.

The Reserve Bank raised the repo rate by 25 basis points in September, citing an intensifying global supply shock, higher fuel prices and elevated services inflation. It warned that inflation risks were still tilted to the upside, with inflation expected to remain elevated into 2027.

September's consumer inflation increased to 4.5% year on year, from 4.4% in August, with transport inflation accelerating to 10.8%. Fuel prices were a significant contributor to the pressure, with further increases expected to feed through into the cost of living.

For consumers, the timing of Black Friday means that decisions about taking on additional credit could have consequences well beyond the promotional period.

Neil Roets, chief executive of Debt Rescue, said the changing way South Africans approach Black Friday reflects a deeper shift in household finances.

"Consumers are not necessarily losing interest in shopping; they are becoming more selective about what they buy, when they buy it, and what their budgets can accommodate," Roets said.

He said years of rising living costs and pressure on disposable income had left many households with less financial flexibility.

Consumers were increasingly prioritising value and using promotional periods to purchase groceries, household necessities, appliances and other items they may have postponed buying during the year. However, Roets warned that for many households, shopping carefully was no longer simply a matter of choice, but a financial necessity.

"Household budgets are under sustained pressure, with essential living expenses and existing financial commitments absorbing much of what consumers earn," he said.

"For these households, the challenge is not necessarily identifying worthwhile discounts, but having sufficient funds available to benefit from them."

Roets said a discounted price did not automatically make an item affordable, particularly when consumers relied on credit cards, store accounts or buy now, pay later facilities to make purchases.

While these options could provide access to products that might otherwise be out of reach, they also created repayment commitments that could put further pressure on already stretched budgets in the months ahead.

He said the expansion of Black Friday into Black November gave consumers more time to compare prices and plan purchases, but also exposed them to promotional offers over a longer period.

"Those savings need to be considered alongside the overall cost of the purchase and any future repayment obligations," Roets said.

He said the real value of Black Friday should not be measured solely by the size of an advertised discount, but by whether a purchase delivered meaningful financial value without adding further pressure to household finances.

The Reserve Bank's November decision will therefore be an important consideration for consumers planning their spending. Although the MPC makes its decisions based on the inflation and economic outlook at the time, another increase would make borrowing more expensive.

Consumers change the way they shop

Recent data has showed that South African consumers are approaching Black November or the main day, Black Friday, with a sharper focus on value.

Private-label products are gaining ground as consumers compare prices, question whether established brands justify their premiums and look for ways to make limited household incomes stretch further.

Some are also turning to artificial intelligence (AI) tools to compare products, find discounts and make more informed purchasing decisions.

Charlie Stewart, chief executive of Rogerwilco, said these changing behaviours reflect the growing influence of economic pressures on consumer decisions.

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