

Retail trade sales growth slows to 4.6% in August

Growth in South African retail trade sales slowed to 4.6% year-on-year (y/y) in August, suggesting that consumer appetite for goods is struggling to make meaningful recovery despite low interest rates.



Statistics South Africa (Stats SA) figures showed that retail trade sales at constant prices increased 4.6% y/y after a revised 8.0% (7.9%) growth in July.

The August print was much lower than the 8.4% economists had forecast.

Seasonally adjusted retail trade sales dropped by 1.4% in August compared with July, following month-on-month changes of 0.5% in July and 1.9% in June.

Retail trade sales growth posted strong rises during the months of June and July.

Economists mostly attributed the increases during these two months to higher retail activity during the FIFA Soccer World Cup held in South Africa.

Local retail sales had improved relative to 2009

Some economists had even expected soccer world cup related retail spending to continue to reflect in the August figures, which was not the case as the figures showed.

Stanlib economist Kevin Lings said that on a trend basis, local retail sales had improved relative to 2009.

The lower inflation, 30-year low interest rates and fewer job losses are all factors counting in favour of consumers and should help them increase their expenditure.

But consumers will not be quick to spend as according to several studies, most are opting to use additional disposable income on reducing debt levels.

Statistics South Africa said that in August, the highest annual real growth rate was recorded for retailers in household furniture, appliances and equipment followed by retailers in hardware, paint and glass and retailers in textiles, clothing,

footwear and leather goods.

Macro-strategist at Absa Capital Jeff Schultz noted that the deterioration in August sales growth was broad-based, with six of the seven sub-components of retail sales covered by Stats SA contracting on a month-on-month basis.

The most notable deteriorations were in general dealer, textiles, clothing leather and footwear retailers, Schultz said.

Retail trade sales in real terms rose

"Encouraging however, is the fact that still six of the seven sub-sectors in the retail sector are in positive y/y territory, with food, beverages and tobacco being the outlier," he suggested.

Retail trade sales in real terms rose by 6.7% in the three months ended August 2010 compared with the three months ended August 2009.

The main contributors to the increase of 6.7% were general dealers, retailers in textiles, clothing, footwear and leather goods and retailers in household furniture, appliances and equipment.

Lings said that several factors would again open the debate around whether the country still needs monetary stimulus in the form of further interest rate reductions.

The slowdown in retail sales, a moderation in manufacturing activity, uncertainty over global economic growth, lower inflation and strong rand were some of the factors, he said.

Nedbank economists expect interest rates to remain flat until 2012 but like other analysts have added that chances of another rate cut has been boosted by the weak retail sales and manufacturing production numbers, the strong rand and lower inflation.

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