

# Retail industry forecast of 4.5% growth

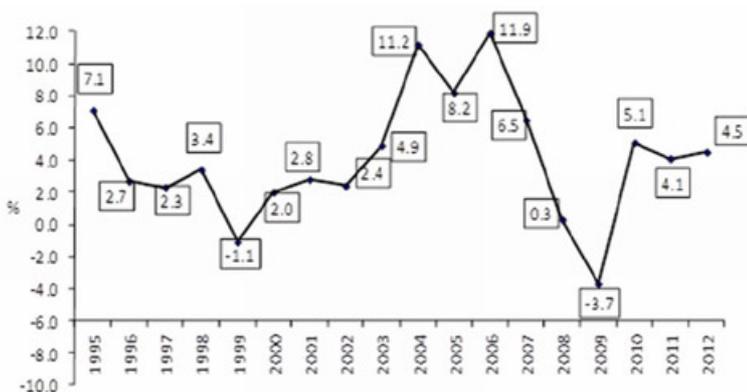
Prof DH Tustin, executive research director of the Bureau of Market Research (BMR) has compiled a forecast of economic indicators and formal retail sales, by product group, for 2012. The report forecasts an annual growth of 4.5% for formal retail sales in 2012. Retail trade projections are expected to be moderate, as higher retail inflation will erode the purchasing power of consumers, should economic growth in particular lose momentum.

Although retail inflation is anticipated to increase by 4.5% in 2012, it is expected that inflationary pressure will remain contained. In the short to medium term, rising household income and a stable interest rate environment will support consumer spending and ultimately moderate retail trade sales growth. On the downside, the greatest risks for retail sales lie in the area of consumer confidence, job market conditions and negative development in especially the Euro zone. In addition, should weaker international activity transpire, domestic retail activity could suffer further adverse effects.

The BMR anticipates that retailers will be reasonably successful in maintaining a positive trading environment in 2012, driven by positive GDP and employment and labour compensation growth, despite expected volatility in the international and local economy during 2012. Its growth prospects are most likely to result in formal retail trade volumes valued at R664 695 billion for 2012.

Real growth in retail sales for 2012 is anticipated to be led by sales in clothing and accessories, footwear as well as glass, crockery, cutlery and kitchenware, sport and recreation requisites and hardware (all ranging between 4.7% and 4.9%). In 2012, total retail sales will probably conform to seasonal trends followed in the past 10 years with roughly 47% of retail sales occurring in the first and 53% in the second half of the year.

Figure - Real Growth Rate of Formal Retail Sales 1995-2012



The Research Report no 420 is available from BMR, Unisa.

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