

# Consumer spending forecast to fall

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Growth in retail sales is likely to have moderated in June, according to a BDlive survey of economists that reflects a slowdown in spending by consumers faced with an increasing cost of living.



Economists say retail trade sales are likely to have increased 2.8% in June compared with 2012 and risen from 6.2% year-on-year growth in May. Statistics SA's figures are due out on Wednesday (13 August). The 2.8% forecast is a median consensus of nine economists surveyed by BDlive. The forecasts ranged from 1.1% to 4.5%. Most economists also see retail sales falling 0.2% for the month.

Absa Capital economists said the previous retail trade sales figure of 6.2% year-on-year was a strong positive surprise, but that since then a number of additional data had painted a mixed picture of retail activity by consumers.

"Vehicle sales data for July and consumer confidence data for the second quarter released last week came in stronger than expected, suggesting that household spending may be proving to be more resilient than initially thought," Absa economist Miyelani Maluleke says.

The FNB/Bureau for Economic Research (BER) consumer confidence index rose to 1 in the second quarter from a nine-year low of -7 in the previous quarter.

## Elevated debt levels

Improving consumer confidence bodes well for future spending by households but robust spending is unlikely, given elevated debt levels and rising fuel and other transport costs.

"Despite having recently improved, prevailing consumer sentiment does not suggest that retail expenditure will shoot the lights out," Standard Bank's research strategist Sibusiso Gumbi wrote in a note.

Stricter lending criteria by financial institutions have also been a stumbling block to higher levels of credit by households. "June credit extension to households grew at the slowest pace since August last year, which is likely to have weighed on durable goods sales," Maluleke says.

Gumbi says while still buoyant at 17.6% year-on-year, was markedly down from the 19% year-on-year figure in May suggesting that some credit fatigue may be creeping in.

FNB/BER noted at the time of the index release that a combination of a slowdown in real disposable income growth and a moderation in credit extension would likely continue to weigh on consumer confidence levels.

Of the economists surveyed for retail sales, Standard Bank was the least optimistic. The bank forecast retail sales growth decelerating to 1.1% year-on-year in June.

"The key culprit for this slowdown is likely to come from base effects; June 2012 had recorded 9.0% year-on-year growth (and an equally notable 2.2% month-on-month seasonally adjusted) in real retail sales, the highest year-on-year rise of 2012," Gumbi said.

Standard Bank expected the retailers of household furniture, appliances and equipment to have continued experiencing tough trading conditions while the retailers of textiles, clothing, footwear and leather goods will probably continue growing. The latest consumer confidence index shows consumers remain careful of spending on expensive items.

Source: BD Live via I-Net Bridge

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