

Retail sales far lower in October than analysts expected

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The retail sector did not do as well as expected in October but still signalled stronger economic growth at the start of the fourth quarter.



Annual retail trade sales growth slowed to 3.2% in October from 5.4% in September, Statistics SA reported on Wednesday. In rand, October's retail sales grew to R82.2bn, down from September's R82.3bn in current prices.

The retail sector is an important indicator of consumer spending, which drives growth in the economy. The highest annual growth rate of 15% was achieved by retailers that Statistics SA classified as "other", followed by pharmacies, which grew sales 5.7%, clothes retailers (5.5%) and furniture retailers (5.4%).

Seasonally adjusted retail trade sales decreased 0.1% month on month in October. This followed month-on-month changes of -0.4% in September and 2.6% in August.

Investec economist Kamilla Kaplan explained that decelerating inflation over the course of 2017 has provided some relief to households, but consumption growth continues to be constrained by a number of factors.

"These include tax increases, high unemployment, weaker income growth and modest rates of household credit extension.

Moreover, persistently depressed consumer confidence has also impacted consumers' willingness to spend, particularly for big-ticket items," she said.

Both Kaplan and macroeconomics website Trading Economics projected retail sales at 5.1% year on year in October.

FNB chief economist Mamello Matikinca cautioned that there may be subdued growth in the sector as consumers probably deferred purchases in anticipation of Black Friday, which follows the US Thanksgiving holiday on the fourth Thursday in November.

Source: BDpro

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