

# Retail sectors increased in August, signalling stronger future growth

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The retail sector did better than expected in August, signalling stronger economic growth in the third quarter. Retail trade sales rose by a significant 5.5% year on year in August 2017. The sector is a key indicator of consumer spending, a strong driver of growth in the economy.



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The highest annual growth rates were recorded for retailers in household furniture, appliances and equipment (90%); followed by all "other" retailers (25.3%); and retailers in food, beverages and tobacco in specialised stores (5.7%).

Retail trade sales have registered year-on-year gains over the past five months. Seasonally adjusted retail trade sales increased by 2.4% month on month in August, following month-on-month changes of -0.7% in July and 0.6% in June 2017.

Investec expected retail sales to reflect growth of 2.8% year on year while macro-economics website Trading Economics forecast growth of 2%.

FNB economist Mamello Matikinca said: "A moderating inflation profile, particularly for food, and the recent 25 basis point interest rate cut are a modest tailwind for stretched consumers."

FNB and Investec economists predicted marginal growth in the third quarter, also citing the 25 basis point interest rate cut at the July monetary policy committee meeting, but anticipated growth to slow during the course of the year.

Investec economist Kamilla Kaplan said: "Retail sector activity is likely to remain muted this year, in line with modest growth in household consumption expenditure that is constrained by depressed consumer confidence, high unemployment and relatively weak income growth."

*Source: BDpro*

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