

# Monthly retail volume sales lose momentum

The loss of momentum in monthly retail volume sales is consistent with mounting pressure on consumer discretionary incomes, due to rising interest rates and a higher cost of living.



Source: © Mart Production [pexels](https://www.pexels.com/photo/young-woman-holding-plaid-shirt-in-clothing-store/)

## 2022 GDP shrinking

Retail sales volumes rounded off 2Q22 on a sour note, declining by 2.5% year-on-year in June, following a meagre increase of 0.1% year-on-year in the previous month.

On a month-on-month basis, seasonally adjusted volume sales declined marginally by 0.4%, following decline of 1.2% in May (revised down from -1.0%).

This suggests that retail sales slid by 0.8% quarter-on-quarter and will therefore detract from 2Q22 GDP growth.

This follows a broader theme in the recent high-frequency data outcomes, particularly mining and manufacturing, which we estimate to have shaved a cumulative 0.8ppts from 2Q22 GDP growth.

"Overall, this outcome gives further credence to our expectation that GDP shrunk in 2Q22 compared to the 1Q22, weighed on by slower global growth and a myriad of domestic challenges, including the more intense bouts of load-shedding," says



## Food inflation a thorn in SA consumers' side

18 Aug 2022



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### Retail sales outlet performance

The slide in annual volume sales was largely driven by hardware material sales, with volumes declining by 8.6% year-on-year in June, worse than the -7.1% year-on-year recorded in May.

The overall trend for hardware material sales is in line with the waning home-improvement drive.

A notable decline was also recorded by general dealers, with volumes falling by 5.7% year-on-year, from an increase of 3.8% in the previous month.

Support for retail sales came from clothing and footwear, which increased by 5.3% year-on-year as well as food and beverages which rose by 3.9% year-on-year.

### Outlook

Resilience in consumer spending has been underpinned by robust growth in non-labour income, a continued drawdown on savings accumulated during lockdown, as well as a lift in consumption credit uptake.

Nevertheless, consumers are confronted by higher prices, rising interest rates and slow growth in employment, which could ultimately dampen the recent spending resilience.

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