Retail sales rise marginally

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16 May 2013

The expected slowdown in retail sales in March was confirmed when Statistics SA (Stats SA) released its official figures on Wednesday (15 May).

Most economists say this backs views of an expected slowdown in household consumption expenditure this year.

Retail trade sales measured in constant (2012) prices increased 2.8% year-on-year (y/y) in March from a slightly upwardly revised 3.9% (3.8%) y/y increase in February.

Retail trade sales were expected to have increased by 2.9% y/y, according to a survey of leading economists by I-Net Bridge. Forecasts among the ten economists polled ranged from 1.1% to 5.0%.

Measured in real terms, seasonally adjusted retail trade sales fell by 0.9% in March compared with February following month-on-month changes of 2.0% in February and -1.1% in January.

Stanlib economist Kevin Lings said the month-on-month retail sales performance in March was worse than most analysts expected, but that it was widely accepted that consumer spending in the country was under pressure.

The highest annual growth rates were recorded for retailers in hardware, paint and glass, with 4.4%; retailers in textiles, clothing, footwear and leather goods, with 3.8%; general dealers, with 3.6%; and all 'other' retailers, with 3.3%.

Main contributors

The main contributors to the 2.8% increase were general dealers, contributing 1.4 percentage points; retailers in textiles, clothing, footwear and leather goods, contributing 0.7 of a percentage point; and all other retailers contributing 0.4 of a percentage point.

What was encouraging was the fact that the seasonally adjusted retail trade sales rose by 0.6% in the first quarter of this year compared with the previous quarter.

Absa Capital economist Peter Worthington said although retail sales data only covers about a third of all consumer spending, the 0.6% growth in the first quarter hinted that consumption spending was reasonable in the quarter.

"We believe the March retail sales data is supportive of our view that the Reserve Bank will not cut rates at next week's monetary policy committee meeting or indeed at any point in the near future," he said.

Absa Capital forecasts the next move in interest rates to be a 50 basis point hike, probably in the third quarter of next year.

The latest cycle of monetary policy easing in different parts of the world, coupled with lower than expected mining and manufacturing figures, have raised hopes for another rate cut.

But Nedbank economists said that even if the Reserve Bank were to cut interest rates again, this was unlikely to boost economic growth by much, as poor performance on the production side of the economy was largely due to weak global conditions, infrastructure constraints and policy uncertainty.

Nedbank also forecasts that the Reserve Bank will keep interest rates unchanged until the second half of next year.

Retail trade sales increased by 3.0% in the first quarter of this year compared with the first quarter of last year. The main contributors to this increase were retailers in textiles, clothing, footwear and leather goods, with 7.3% and contributing 1.4 percentage points; and general dealers, with 3.0% and contributing 1.2 percentage points.