

Uptick in retail sales no cause for celebration

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Retail sales, once the darling of the economy and a significant contributor to GDP, are on a downward spiral and there is no immediate end in sight.



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This sets the stage for a bleak festive season and beyond as South Africans struggle in a high interest rate and high inflation environment.

Stricter lending has also spoilt the credit party.

It is against this backdrop that September retail sales staged a moderate year-on-year rebound, but economists are forecasting more pain down the road.

Retail sales grew a better than expected 1.4% year on year in September after no growth in the previous month, according to Statistics SA data released on Wednesday.

However, economists were unmoved. Jeffrey Schultz, an economist at BNP Paribas Securities, said this suggested that the retail sector's contribution to the country's GDP would be lower than in previous years.

Retail and "the manufacturing sector's disappointing quarterly performance support our view for a sharp slowdown in thirdquarter GDP growth to about a 0.8% quarter-on-quarter seasonally adjusted annual rate, from 3.3% in the second quarter".

Weak economic activity and strained consumption strengthen the case for the Reserve Bank to keep interest rates on hold next week, economists say.

Alec Abraham, a senior equity analyst at Sasfin Wealth, said food retailers that had been able to stave off inflation triggered by drought were no longer able to do so. Shoprite reflected this in its trading update recently. Internal inflation has doubled in 2016 from 2015.

"That means consumers are not going to spend on discretionary items - even food. It's going to be a tight festive season," Abraham said.

Jason Muscat, a senior industry analyst at FNB, said it was expected that steady rates and lower inflation would lift growth in 2017, but this could be offset by tax increases and expenditure cuts announced by Finance Minister Pravin Gordhan when he delivered the medium-term budget policy statement in October.

Source: Business Day

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