

Black Friday shopping saves SA's retail sales from disaster

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High unemployment and weak economic growth curbed retail sales growth to 1.9% in 2016 compared to the 3.3% growth recorded in 2015.



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The slow pace of growth for 2016 mirrors the weak levels of growth documented in 2009, when SA was in recession.

The inflation outlook for the next six months is dire, which has implications for South Africans' spending power.

Retail sales provide a crucial gauge on the state of household spending, which is one of the core drivers of economic growth in the country.

Retail sales staged a comeback in November, growing 3.1% in a recovery economists attributed to Black Friday.

In October 2016, retail sales contracted 0.2%, while December saw sales growth slow to 0.9%.

Black Friday brought festive season shopping, which normally takes place in December, forward a month to November.

November 2016 retail sales generated R85bn for the sector, representing a 10% jump from November 2015 sales.

NKC African Economics economist Elize Kruger said: "Despite a drop in month-on-month sales, the fourth quarter will be significant for GDP. Retail sales will be boosted, thanks to November.

"If it wasn't for November, it would have been worse. We were saved by Black Friday."

On the inflation front, consumer price inflation moderated to 6.6% in January from 6.8% in December, according to data from Statistics SA.

Economists are divided about what is in store for SA in 2017, with some expecting the first six months to be tough, while others forecast a gloomy outlook for the entire year.

Nedbank chief economist Dennis Dykes said: "By the second half of the year we should see inflation go below the 6% mark as the drought dissipates and food prices come under some control."

But Kruger said: "Food prices may not moderate because of drought and, now, armyworms. We may have less disinflation than we had hoped for."

The fall armyworm, a pest from South America, has infested maize crops in northern parts of the country.

Standard Bank economist Kim Silberman said: "In the first half of 2017, the consumer will face headwinds from sticky inflation and the delayed response to interest rate hikes last year.

"We also anticipate that tax hikes and tighter fiscal policy will affect the rate at which spending recovers in the second half of the year."

Source: Business Day

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