

Significant growth in festive retail spending driven by stronger rand and lower inflation

South African consumer spending showed a healthy improvement over the festive season, with retail sales volumes rising 3.8% year-on-year after removing the effects of inflation, according to the most recent [Mastercard SpendingPulse](#) report. This marks the strongest monthly performance for South African retail spending since March 2013.



The latest SpendingPulse South Africa report details holiday shopping in December 2017 and covers retail sales across a range of payment types, including cash and cheques.

Including the effects of inflation, retail sales for December 2017 grew 7.5% year-on-year. Inflation contributed just 3.7 percentage points to overall sales growth, which marks a significant deceleration in price inflation, bringing consumers much needed relief over the holiday season.

“The spike in consumer spending during the holiday season took retail sales to new highs,” says Sarah Quinlan, senior vice president Market Insights for Mastercard. “Sturdier GDP growth, a lower inflation outlook and the stronger rand, which in turn drove down import prices - all benefited consumers over the holidays.”

Key findings

Key findings of the Mastercard SpendingPulse South Africa December 2017 include:

- Pharmaceuticals, medical goods, cosmetics and toiletry sales climbed 6% year-on-year, after adjusting for inflation, showing the strongest growth the sector has seen in a year thanks to lower import prices.
- Price inflation in clothing and footwear fell to its lowest since 2012, while food and beverage prices rose at the slowest rate since October 2015.
- The general dealer sector – which includes food and other day-to-day essentials – grew a mere 0.9% year-on-year when the effects of inflation are excluded. Though growth remained slow in this sector, this was the first December period since 2013 to see positive growth in general dealer sales volume.

“The price index for general dealer sales continued to rise at a quicker pace than total retail sales, largely due to faster

growth in food prices in the wake of an enduring drought,” says Quinlan. “Consumers hit by high Christmas food prices cut back on meat purchases and were less inclined to splurge on discretionary goods, instead searching for deals and promotions.”

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