The Foschini Group outperforms Truworths

Despite coming off a very high base, The Foschini Group on Wednesday, 19 January, reported sales growth of 17.3% for the period 27 November to 31 December 2011.

By Zeenat Moorad 19 Jan 2012

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The Christmas trading period again proved to be above expectations for the fashion retailer which saw same store growth 11.4%.

Though high debt levels and unemployment remain a concern, consumers have benefitted from decades-low interest rates a boon for largely credit-based retailers like The Foschini Group.

"Merchandise inflation for the period averaged at 6%," it said.

The company is in the midst of an aggressive expansion into the rest of Africa - it will add 57 new stores over the next thre years in countries like Nigeria and Mozambique.

TFG, through corporate-owned stores, currently trades out of 70 stores outside of SA, in countries such as Namibia, Botswana, Zambia and Swaziland.

Rival Truworths (TRU) fared less well, reporting an increase of 10.7% to R4.8 billion in group retail sales for the period 27 June until 25 December.

At 16:15, Truworths' shares fell 2.92%, to trade at R76.20.

The company expects first-half headline earnings per share to rise between 11% and 15%.

Encouragingly, it said credit sales contributed 73% to retail sales from 70% in the prior period, indicating an uptick in the demand for credit.

However, in November, Truworths CEO Michael Mark warned that against a background of uncertain economic growth, re trading conditions were expected to continue to be challenging as consumers faced increasing living costs owing to rising utility, food and transport prices.

On Wednesday, the latest retail sales data from Stats SA revealed that growth momentum remained firm in November with total sales rising by 6.8% y/y from a revised 7.5% in October.

According to Nedbank economists, the underlying trend will probably start to soften due to high inflation eating into disposable incomes; however growth is still expected to be reasonable due to low interest rates.

"Domestic demand remains moderate and there are downside risks to economic growth emanating mainly from the uncert global outlook. Local inflation has picked up, but demand-driven inflation remains subdued. These factors are likely to persuade the MPC to leave interest rates unchanged until around November this year," Nedbank said in a report.

Truworths interim results are expected to be announced on or about 23 February.