

Retail sales growth fails to boost subdued outlook

Retail sales rose faster than expected in November, official figures showed on Wednesday, but the news did little to dispel the prevailing view that the sector's outlook for this year is subdued.

By [Mariam Isa](#) 18 Jan 2013

Growth in retail sales accelerated to 3.4% compared to the same month in 2011, up from 0.9% in October and well above consensus forecasts for a 1.5% rise.

The improvement was broadly based, with the main driver of the increased growth being sales in the textiles, clothing, footwear and leather goods category, which rose by 8% year on year.

But analysts point out that, given the volatility of the figures, it would be better to look at quarterly sales, which were flat from September to November.

"On a trend basis it has to be acknowledged that consumer spending is losing momentum," said Stanlib economist Kevin Lings. "The consumer is having to cope with a range of cost increases that are systematically eroding retail spending power."

These included the higher cost of energy, transport, education, medical services and water - all necessities for households.

Uncertainty about the employment outlook was also seen as likely to make many consumers wary, after news on Tuesday that Anglo American Platinum plans to shed up to 14,000 jobs due to a heavy financial loss last year.

"We believe that consumers are likely to put the brakes on spending in the first half of this year," Standard Bank said in a research note.

"Real household income is growing at a slower pace and household debt levels are ticking up. This poses downside risks to overall household consumption expenditure," the bank said.

Consumer spending is the economy's main engine, accounting for about 60% of gross domestic product. It grew by 2.6% in the third quarter of last year, down from 3.1% in the second quarter, according to annualised data from the Reserve Bank.

A South African Chamber of Commerce and Industry survey, also released on Wednesday, showed that conditions in wholesale and retail trade deteriorated sharply last month after picking up in November. The chamber's trade conditions index dived by 15 points to 42 after rising by five points in November, while its trade activity index slipped by nine points to 44. This meant that expected strong retail activity over the Christmas season did not materialise, the chamber said.

Absa Capital said in a research note that robust growth in household borrowing, which grew almost 10% during November, was likely to have underpinned the strong retail sales.

During the month itself, retail sales rose 0.9% seasonally adjusted, reversing a 1.8% decline in October and surpassing forecasts of a 0.6% increase.

Nedbank economist Johannes Khosa said retail sales were likely to remain relatively firm in December, but only grow moderately this year.

"The better-than-expected number provides further evidence that the economy improved slightly from the strike-inflicted lull of the third quarter," he said.

"However the pace of the recovery remains slow and uneven, with activity under pressure due to recession in the eurozone."

and sluggish growth elsewhere."

Economic growth in South Africa is expected to quicken to about 3% this year from an estimated 2.5% last year, but many analysts are lowering their forecasts.

In the third quarter of last year, the economy grew just 1.2%, down from 3.4% in the second quarter.

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