BIZCOMMUNITY

Retail sales confirm GDP slowed in Q3

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The moderation in retail trade sales in September confirms that economic growth slowed in the third quarter of this year, economists said on Wednesday, 14 November 2012.

Retail trade sales are a key gauge of consumer expenditure levels. Retail falls into a sector that contributes about 14% to the total value added to growth.

Retail trade sales fell 0.5% in September compared with August. Growth in sales slowed to 4.3% year on year in September from a 6.7% year-on-year increase in August. This was against an I-Net Bridge consensus forecast of 5.9% year on year.

Figures showed that in real terms, retail trade sales lifted by 1.9% in the third quarter of this year compared with the previous quarter.

Absa Capital economist Ilke van Zyl said retail sales were still regarded as buoyant and would add to third quarter gross domestic product (GDP) as they expanded by 7.6% quarter on quarter seasonally adjusted and annualised (q/q saar) in September compared to 7.4% q/q saar in the second quarter.

"Retail sales have performed strongly over the past couple of months and are considerably up from May," Van Zyl said.

Economists noted the moderation was no surprise given the transport strike in September, which interrupted the supply of goods to retailers, coupled with slowing real household disposable income growth.

"...real household disposable income growth has been slowing on a year-on-year basis for some time, and was significantly slower than retail growth, at 3.6% as at the second quarter," FNB household and property sector strategist John Loos noted.

Statistics SA data showed that the 4.3% growth was boosted by general dealers, who contributed 1.9 percentage points; and retailers in textiles, clothing, footwear and leather goods, who contributed 1.7 percentage points.

Although the latest retail figures were a positive for interest rates, economists did not believe the Reserve Bank's monetary policy committee (MPC) would change lending rates at its meeting next week, particularly as inflation was rising.

Nedbank economists forecast the low interest rates, high wage settlements and unsecured credit to households to continue to support spending during the final quarter of the year.

They cautioned, however, that consumers were also likely to be more cautious on spending on non-essential items as debt remained high and consumer confidence still fragile.