

## Pressure on consumers affects retails sales

Growth in retail trade sales slowed on a year-on-year basis in December last year, confirming the slowdown in household consumption expenditure according to economists.

Statistics SA figures released on Wednesday showed that the 2.3% year-on year-growth in December from an upwardly revised 3.6% year on year in November was, however, above expectations. An I-Net Bridge consensus was for retail sales to rise to 1.5% year on year.

"Today's figures indicate that consumer spending, which is a key component of the economy, lost some momentum in the last quarter of 2012," Nedbank economist Johannes Khosa said.

Citigroup economist Gina Schoeman said that although above expectations, this was the slowest festive season retail sales growth on record since the 2009 recession.

"Today's retail sales numbers support recent evidence in the national accounts data that household consumption is indeed slowing, and set to decelerate further," Schoeman said.

"Rising inflation will certainly eat into real incomes while at the same time, consumer balance sheets are stretched," she said.

Absa Capital economist Ilke van Zyl said that more weekend days, better weather and weak sentiment were all possible reasons behind the retail sales industry's performance during December.

The highest annual growth rates in December were recorded for all "other" retailers (5.8%); general dealers (2.6%); and retailers in textiles, clothing, footwear and leather goods (2.3%).

The main contributors to the 2.3% increase were general dealers (contributing 0.9 of a percentage point), retailers in textiles, clothing, footwear and leather goods and all "other" retailers (both contributing 0.6 of a percentage point).

Seasonally adjusted retail trade sales increased by 1.0% in December compared with November. This followed month-on-month changes of 1.2% in November and -1.7% in October.

Real retail sales increased by 4.3% last year after a 5.9% gain in 2011 and a 5.1% rise in 2010, when SA hosted the Soccer World Cup.

Most economists expected consumer spending to likely moderate this year.

Khosa said weak consumer confidence, heightened worries about job security and high debt made consumers more cautious about spending on non-essential items.

High inflation would also erode disposable income, offsetting some of the benefits of higher wage settlements, he said.

Source: *Sapa*

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