

Rand firms on strong retail figures

The rand was firmer in the late afternoon after retail sales data came in much stronger than expected.

By [Maarten Mitter](#) 14 Apr 2016



Image credit: [BDive](#)

The rand broke through R14.62/\$, an important psychological level due to the local currency's failure to breach the level after two attempts this year.

February retail sales were up 4.1% year on year from January's 3.6%. The market expected 2.6%.

The data indicates possible stronger growth in the gross domestic product (GDP) for 2016, which has recently been downgraded to between 0.6% and 0.9% by various institutions.

It also indicates that the economy could be robust enough to support further interest rate increases by the Reserve Bank this year, thereby increasing the carry-trade in rand.

At the same time US retail sales dipped in March, falling 0.3%, thereby missing market expectations. This encouraged risk-on trade and a weaker dollar.

At 3.25pm the rand was at R14.5731 to the dollar from R14.7045 on Tuesday. The rand was at R16.4951 against the euro from a previous R16.7409 and at R20.7602 against sterling from R20.9877.

The euro was at \$1.1319 from \$1.1387.

Investec's chief economist Annabel Bishop said although retail sales were stronger than expected it was not robust. "Between 2003 and 2008 retail sales growth averaged above an annual 7%."

Furthermore, GDP growth was an annual 4.5% on average over the period. Retail sales growth of between 2.5% and 4.5% year on year are to be expected for now, she said.

Source: Business Day

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