

# May retail sales grow at faster pace than expected

Retail sales growth accelerated in May, providing a positive surprise for a sector that has felt the effects of consumers under pressure from rising unemployment, increasing living costs and high interest rates.



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Sales in the sector rose 4.5% year on year in May, compared with April's revised growth of 1.6% (1.5%), which was the slowest pace in more than a year.

Barclays had said ahead of the release that it was not very hopeful of an improvement in the sector, "as evidence of consumer strain mounts".

Bloomberg's consensus forecast was for sales to have grown at the same pace as in April, while Trading Economics forecast a slowdown to 1.4%.

Compared with April, retail sales rose 3.4% in May.

In recent months consumers had been cutting back spending as the economy shed jobs and the cost of living rose. Retailers, in turn, were having to cut their margins to try to maintain sales.

Falling consumer spending affects the overall economy. Investec chief economist Annabel Bishop has pointed out that

during the boom years of 2003-2008, retail sales growth averaged above 7% and gross domestic product growth was 4.5%.

The sectors in which sales increased from a year earlier were:

- all 'other' retailers (11.4%);
- retailers in hardware, paint and glass (7.5%); and
- retailers in textiles, clothing, footwear and leather goods (6%).

The highest contributors to the 4.5% annual growth rate were:

- general dealers (contributing 1.8 percentage points);
- all 'other' retailers (contributing 1.3 percentage points); and
- retailers in textiles, clothing, footwear and leather goods (contributing 1.3 percentage points).

**Source:** Business Day

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