

## Retail stocks shrug off poor sales figures

Retail stocks yesterday, 15 July 2009, shrugged off poor Statistics SA figures on sales, with investors remaining optimistic that next year will yield positive returns though the rest of this year will stay in negative territory.

By Kgomotso Mathe 16 Jul 2009

Clothing and furniture retailers were the top performers yesterday.

Furniture retailer JD Group's share price showed an impressive 5% increase to R43.58 at the close of trade yesterday, clothing group Foschini's stock showed an improvement of 3.5%, Mr Price was up 2% and Truworths increased 3.2%.

"The interest rate-sensitive stocks, clothing and furniture, are moving because of the expected benefits from the sustained reduction in interest rates," said Absa analyst Christopher Gilmour.

"Maybe people are now starting to feel more inclined to spend."

And Foschini's financial director, Ronnie Stein, said it was too soon to say whether or not retailers were starting to feel the effects of interest-rate cuts.

"Interest-rate cuts are good for credit retailers, but consumers should start feeling the effects at least at the last quarter of the year," Stein said.

Meanwhile, food and wholesale retailers showed less movement during trade yesterday amid warnings by analysts that consumer spending was unlikely to recover because of the downturn.

The share price of retailer Massmart, which last week issued a sales update, was up 0.7%, Pick n Pay's decreased 0.02%, while the stock of Shoprite, Africa's largest supermarket chain, was trading at R59.25, showing an increase of 2%.

"Retail stocks are going through the roof, we've had a real splurge in the retail stocks," said RMB Asset Management retail analyst Evan Walker.

"The market is certainly not looking at what is happening now, but is in a 12-month lookout, and the sense is that next year will be positive."

Walker said the industry was expecting to see an improvement in consumption next year when the effects of the interest-rate cuts started to kick in.

He said the improvement in retail sales was not a massive one. However, the market remained positive about the future.

Walker said: "We are still going to see a weak June, but hopefully sales will improve from negative 6% to negative 1% by the end of the year."

*Source: Business Day*

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