



# Retail sales slow for third month in row

Retail sales slowed for the third month in a row in March, but economists are optimistic that consumer spending is not under threat.

By [Alistair Anderson](#) 19 May 2011

Retail sales grew 5.1% year on year in March, data from Statistics SA showed on Tuesday, 17 May 2011. This was lower than a Bloomberg consensus of 15 economists, who forecast 5.7% growth.

March's growth was notably lower than February's revised figure of 5.5% .

However, Efficient Research economist Freddie Mitchell said 5% growth was generally expected for monthly growth of retail sales throughout this year.

"The 5.1% number is good for the consumer. It appears that consumer demand is not putting upward pressure on inflation.

"The Reserve Bank's message last week was that it would not raise interest rates while there was no pressure from demand on inflation.

"I hope the good growth translates into job creation," Mitchell said. Standard Bank economist Shireen Darmalingam said that while year-on-year retail sales growth was some 3.2 percentage points below the current cycle's high of 8.3% year on year recorded in December last year, current growth was above the five- year average of 4.7%.

She foresees retail sales contributing positively to the economy. "Month-on-month retail sales picked up pace in March, increasing by 0.3%, lower than Bloomberg expectations of a 0.5% month-on-month increase

This compares with a sharp revised decline of 1.2% month on month in February. For the quarter as a whole retail sales grew by 1.7% quarter on quarter.

As such, we expect the sector's contribution to quarter one 2011 gross domestic product (GDP) growth to be positive, albeit softer than the sector's contribution to GDP growth in the fourth quarter of 2010."

In last year's fourth quarter, the sector contributed 0.4 percentage points.

"The sector's growth in April could be further tempered by a spate of holidays during the month," Darmalingam said, adding: "However, we believe the outlook for 2011 is still modest and anchored to rising disposable incomes, while the low inflation rate is geared to improved consumer spending."

Nedbank's economic unit said low interest rates and income growth should benefit retail sales this year, but also highlighted that "the growth rate will partly be contained by high debt levels, worries about the prospect of interest rates hikes next year as well as higher petrol and electricity prices".

*Source: Business Day*

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