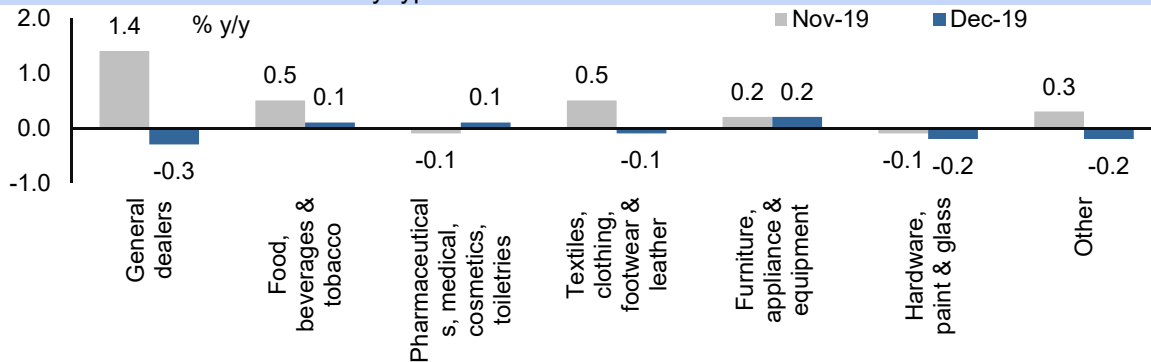


## Retail sales update: Retail trade sales disappoint in December, contracting -0.4% y/y

12<sup>th</sup> February 2020



Figure 1: Contributions to retail sales by type of retailer



Sources: Stats SA, Investec

- After rising by 2.6% y/y in November, boosted by Black Friday activity, following numerous months of moderate year-on-year gains, retail trade sales surprisingly contracted in December. Specifically activity fell by 0.4% y/y, which was markedly out of line with consensus expectations (Bloomberg) of a 2.0% y/y lift.
- On a month-on-month basis, sales grew by just 15.4%, notably lower than the historical average of around 30.0% m/m, normally experienced in the last month of the year, in the run-up to Christmas, before Black Friday popularity took hold.
- Indeed, a cannibalisation of December sales is apparent in these numbers, as consumers bought forward purchases, ahead of the festive season, lured by Black Friday discounts.
- Subsequently, with the inclusion of the December forecast, retail sales growth for the full year slowed to 1.2% y/y from 2.2% y/y in 2018. This is reflective of the effects of slower nominal income growth, relatively modest rates of consumer credit growth, high unemployment and depressed consumer confidence
- On a quarter on quarter, seasonally adjusted, annualised basis (qqsa) however, which is the measure used to calculate GDP, retail activity was up 1.6% in December, suggesting that the trade sector should again make a positive contribution to GDP in Q4.19, albeit marginal. This, after growing by 2.6% qqsa in Q3.19 and adding 0.4% to the headline GDP outcome.
- A breakdown of December's retail sales performance reveals that four of the seven retail sub-categories contracted on a year-on-year basis. The general dealers category (see figures 1 and 2), which with its bulky 41.2% weighting in the retail basket, detracted 0.3% to the topline number, on the back of a 0.8% y/y decline in sales.
- Retail inflation remained below 3.0% y/y in December, notably below CPI inflation, as retailers are compelled to maintain tight margins, in the face of heightened competition and weak demand.
- According to the BER "(c)onsumers are experiencing a significant disposable income squeeze," which will likely inhibit household consumption expenditure "(o)ver the foreseeable future." Subsequently, a "(m)eaningful and sustained acceleration in consumer spending over coming quarters is unlikely."

Figure 2: Retail trade sales by type of retailer (at constant prices)

	November 2019		December 2019	
	Weight %	% y/y Contribution	% y/y Contribution	
General dealers	41.2	1.4	-0.3	
Food, beverages and tobacco in specialised stores	7.7	0.5	0.1	
Pharmaceutical and medical goods, cosmetics and toiletries	6.2	-0.1	0.1	
Textiles, clothing, footwear and leather goods	20.3	0.5	-0.1	
Household furniture, appliances and equipment	5.0	0.2	0.2	
Hardware, paint and glass	7.7	-0.1	-0.2	
Other retailers (jewellery, sports and entertainment)	12.0	0.3	-0.2	

Source: Stats SA, Investec

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