

Retail sales update: Retail sales increased by 3.4% y/y in April, ahead of expectations

Wednesday 15 June 2022



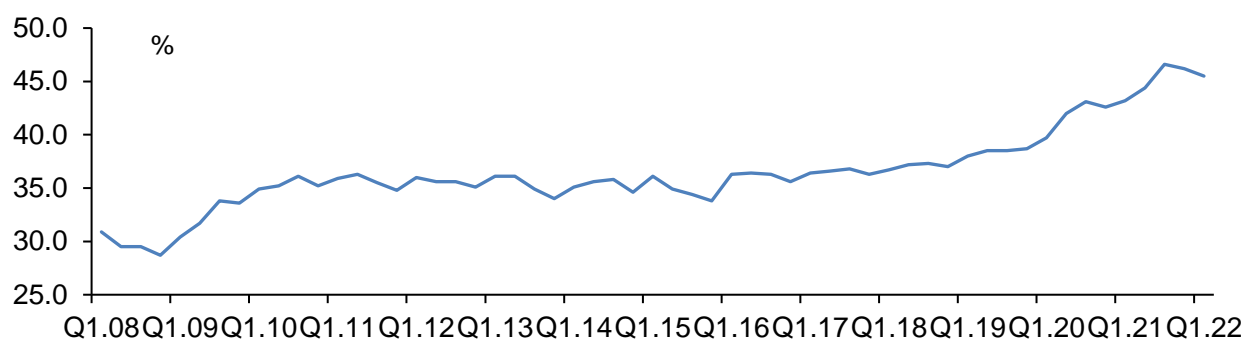
Figure 1: Key growth rates in retail trade sales (constant prices)

	March 2022	April 2022
Year on year %	1.7	3.4
Month on month %, seasonally adjusted	0.8	-0.2
3-month %, seasonally adjusted	2.8	1.1

Source: Stats SA

- Retail trade sales accelerated to 3.4% y/y in April, following March's 1.7% y/y (revised from 1.3% y/y) lift, ahead of consensus expectations (Bloomberg) of 1.7% y/y.
- The annual pick-up in growth was broad based with all sub-sectors in the retail basket lifting on a year-on-year basis except the hardware, paint and glass category which contracted by a further -8.3% y/y, following April's -8.9% y/y (revised) decline and accordingly detracted -0.7% points from the headline reading.
- Indeed, this category of the market has seen a marked decline as many companies have mandated a return to the office or a hybrid working policy, decreasing demand for DIY and home enhancement related products.
- The general dealers' grouping made the largest positive contribution to April's top line outcome, largely owing to its significant weighting in the index. It rose by 5.4% y/y, adding 2.2% points to the headline reading.
- Moreover, the textiles, clothing, footwear and leather goods category contributed a further 1.1% points to the top line number on the back of growth of 6.4% y/y. Contrary to the hardware segment, this category of the retail basket has benefitted from individuals returning to work and generally spending more time outside their homes as lockdown restrictions have largely been removed.
- This is line with the results of the latest business confidence release published by the BER which indicated that semi-durable retailers experienced "continued improvement, albeit off a low base", in Q2.22, while sales of goods in the non-durable category "were surprisingly strong".
- When measured on a month-on-month seasonally adjusted basis, retail sales however declined, by -0.2%. Many households are still financially stretched in the current economic environment. Unemployment remains at heightened levels, amidst a sluggish labour market, while elevated administered and food prices continue to dilute disposable incomes.
- Moreover, rising interest rates are weighing heavily on the indebted, with the probability of a further 50bps rate hike by the South African Reserve Bank in July.

Figure 2: Expanded Unemployment Rate Trend



Source: Stats SA

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