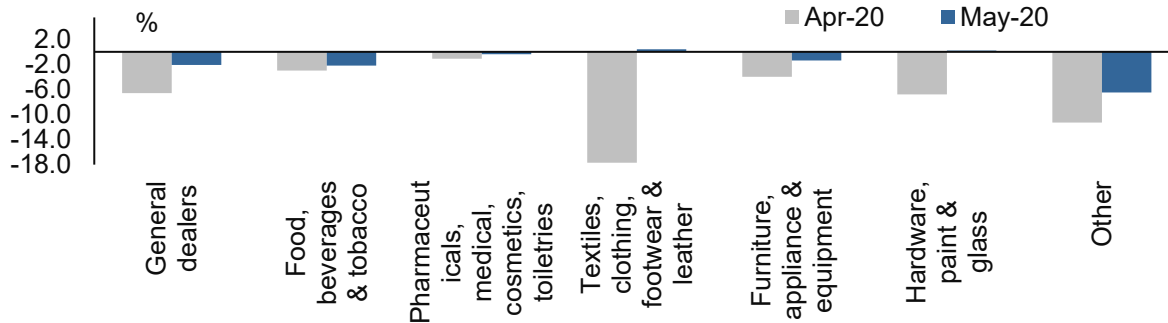




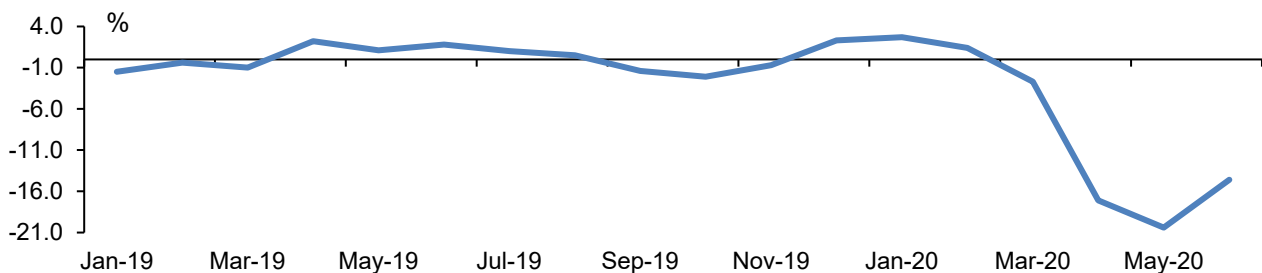
Figure 1: Contributions to retail sales by type of retailer



Sources: Stats SA, Investec

- Retail trade sales continued to plunge in May, albeit at a slower pace, declining by -12% y/y, following April's unprecedented -50.4% y/y dive. Specifically, a government enforced lockdown commencing 27th March halted the sale of all goods and services, barring those deemed as essential.
- Measures were relaxed to some extent from 1st May, allowing for more goods categories to be traded, however many restrictions remained in place.
- A breakdown of April's data reveals the dire effect on those sectors unable to trade during the stringent level 5 lockdown period. Notably, the textile, clothing, footwear and leather goods' retailers saw sales plunge by 94.4% y/y in April, detracting a marked 17.7% from the top line reading.
- Indeed, prior to the pandemic retailers were already pessimistic about their future, struggling with a financially constrained consumer base burdened by slowing nominal wage growth and elevated levels of unemployment.
- The effects of Covid-19 have served to exacerbate their outlook, with retailer confidence falling to a 29-year low, according to the BER's latest retail survey for Q2.20. Specifically, the '(s)emi-durable and durable goods survey respondents do not expect sales to rebound fully in the near term."
- The effects of Covid-19 on the consumer have thus far been unprecedented. Unemployment rates are expected to continue climbing as more businesses shut their doors or downscale, while many households have endured salary cuts, weighing on limited disposable incomes, already depleted by high debt burdens. Indeed, according to the SARB's latest quarterly bulletin, the debt to disposable income ratio of households has climbed to 73.7%.
- BankservAfrica's Economic Transaction Index (BETI), (which tracks the volume and value of South Africa's electronic payments interbank transactions routed through BankservAfrica and whose annual comparison has a very close relationship with GDP) plunged to the lowest level on record during the three months ending May 2020 "(w)ith the actual total value of transactions in real terms lower than any period since April 2005."
- BankservAfrica's June index reading showed some improvement, on the continued gradual lifting of lockdown constraints, however, the path to recovery of the retail sector and the economy as a whole is likely to be arduous, underpinned by the consumer's diminished ability and inclination to spend.

Figure 2: BankservAfrica Economic Transaction Index – q/q % change



Source: BankservAfrica

Retail sales update: Retail trade sales plunged by an unprecedented 50.4% y/y in April under the stringent level 5 lockdown

22nd July 2020



Important Disclaimer – please read

For the purposes of this disclaimer, Investec shall include Investec Bank Limited, its ultimate holding company, a subsidiary (or a subsidiary of a subsidiary) of that entity, a holding company of that entity or any other subsidiary of that holding company, and any affiliated entity of any such entities. “Investec Affiliates” shall mean any directors, officers, representatives, employees, advisers or agents of any part of Investec.

The information and materials presented in this report are provided to you solely for general information and should not be considered as an offer or solicitation of an offer to sell, buy or subscribe to any securities or any derivative instrument or any other rights pertaining thereto.

The information in this report has been compiled from sources believed to be reliable, but neither Investec nor any Investec Affiliates accept liability for any loss arising from the use hereof or makes any representations as to its accuracy and completeness. Any opinions, forecasts or estimates herein constitute a judgement as at the date of this report. There can be no assurance that future results or events will be consistent with any such opinions, forecasts or estimates. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied is made regarding future performance. The information in this report and the report itself is subject to change without notice. This report as well as any other related documents or information may be incomplete, condensed and/or may not contain all material information concerning the subject of the report; its accuracy cannot be guaranteed. There is no obligation of any kind on Investec or any Investec Affiliates to update this report or any of the information, opinions, forecasts or estimates contained herein.

Investec (or its directors, officers or employees) may, to the extent permitted by law, own or have a position or interest in the financial instruments or services referred to herein, and may add to or dispose of any such position or may make a market or act as a principal in any transaction in such financial instruments. Investec (or its directors, officers or employees) may, to the extent permitted by law, act upon or use the information or opinions presented herein, or research or analysis on which they are based prior to the material being published. Investec may have issued other reports that are inconsistent with, and reach different conclusions from, the information presented in this report. Those reports reflect the different assumptions, views and analytical methods of the analysts who prepared them. The value of any securities or financial instruments mentioned in this report can fall as well as rise. Foreign currency denominated securities and financial instruments are subject to fluctuations in exchange rates that may have a positive or adverse effect on the value, price or income of such securities or financial instruments. Certain transactions, including those involving futures, options and other derivative instruments, can give rise to substantial risk and are not suitable for all investors.

This report does not contain advice, except as defined by the Corporations Act 2001 (Australia). Specifically, it does not take into account the objectives, financial situation or needs of any particular person. Investors should not do anything or forebear to do anything on the basis of this report. Before entering into any arrangement or transaction, investors must consider whether it is appropriate to do so based on their personal objectives, financial situation and needs and seek financial advice where needed.

No representation or warranty, express or implied, is or will be made in relation to, and no responsibility or liability is or will be accepted by Investec or any Investec Affiliates as to, or in relation to, the accuracy, reliability, or completeness of the contents of this report and each entity within Investec (for itself and on behalf of all Investec Affiliates) hereby expressly disclaims any and all responsibility or liability for the accuracy, reliability and completeness of such information or this research report generally.

The securities or financial instruments described herein may not have been registered under the US Securities Act of 1933, and may not be offered or sold in the United States of America or to US persons unless they have been registered under such Act, or except in compliance with an exemption from the registration requirements of such Act. US entities that are interested in trading securities listed in this report should contact a US registered broker dealer.

For readers of this report in South Africa: this report is produced by Investec Bank Limited, an authorised financial services provider and a member of the JSE Limited.

For readers of this report in United Kingdom and Europe: this report is produced by Investec Bank Plc (“IBP”) and was prepared by the analyst named in this report. IBP is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority and is a member of the London Stock Exchange. This report is not intended for retail clients and may only be issued to professional clients and eligible counterparties, and investment professionals as described in S19 of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005.

For readers of this report in Ireland: this report is produced by Investec Bank plc (Irish Branch) and was prepared by the analyst named in this report. Investec Bank plc (Irish Branch) is authorised by the Prudential Regulation Authority in the United Kingdom and is regulated by the Central Bank of Ireland for conduct of business rules.

For readers of this report in Australia: this report is issued by Investec Australia Limited, holder of Australian Financial Services License No. 342737 only to ‘Wholesale Clients’ as defined by S761G of the Corporations Act 2001.

For readers of this report in Hong Kong: this report is distributed in Hong Kong by Investec Capital Asia Limited, a Securities and Futures Commission licensed corporation (Central Entity Number AFT069) and is intended for distribution to professional investors (as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) only. This report is personal to the recipient and any unauthorised use, redistribution, retransmission or reprinting of this report (whether by digital, mechanical or other means) is strictly prohibited.

Retail sales update: Retail trade sales plunged by an unprecedented 50.4% y/y in April under the stringent level 5 lockdown

22nd July 2020



For readers of this report in India: this report is issued by Investec Capital Services (India) Private Limited which is registered with the Securities and Exchange Board of India.

For readers of this report in Singapore: this report is produced by IBP and issued and distributed in Singapore through Investec Singapore Pte. Ltd. ("ISPL"), an exempt financial adviser which is regulated by the Monetary Authority of Singapore as a capital markets services licence holder. This material is intended only for, and may be issued and distributed in Singapore only to, accredited investors and institutional investors, as defined in Section 4A of the Securities and Futures Act, Cap. 289 ("SFA"). This material is not intended to be issued or distributed to any retail or other investors. ISPL may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Singapore recipients of this document should contact ISPL at the above address in respect of any matters arising from, or in connection with, this report.

For readers of this report in Canada: this report is issued by IBP, and may only be issued to persons in Canada who are able to be categorised as a "permitted client" under National Instrument 31-103 Registration Requirements and Exemptions or to any other person to whom this report may be lawfully directed. This report may not be relied upon by any person other than the intended recipient.

The distribution of this document in other jurisdictions may be prohibited by rules, regulations and/or laws of such jurisdiction. Any failure to comply with such restrictions may constitute a violation of United States securities laws or the laws of any such other jurisdiction.

This report may have been issued to you by one entity within Investec in the fulfilment of another Investec entity's agreement to do so. In doing so, the entity providing the research is in no way acting as agent of the entity with whom you have any such agreement and in no way is standing as principal or a party to that arrangement.

This publication is confidential for the information of the addressee only and may not be reproduced in whole or in part, copies circulated, or disclosed to another party, without the prior written consent of an entity within Investec. Securities referred to in this report may not be eligible for sale in those jurisdictions where an entity within Investec is not authorised or permitted by local law to do so. In the event that you contact any representative of Investec in connection with receipt of this report, including any analyst, you should be advised that this disclaimer applies to any conversation or correspondence that occurs as a result, which is also engaged in by Investec and any relevant Investec Affiliate solely for the purposes of providing general information only. Any subsequent business you choose to transact shall be subject to the relevant terms thereof. We may monitor e-mail traffic data and the content of email. Calls may be monitored and recorded. Investec does not allow the redistribution of this report to non-professional investors or persons outside the jurisdictions referred to above and Investec cannot be held responsible in any way for third parties who effect such redistribution or recipients thereof. © 2019