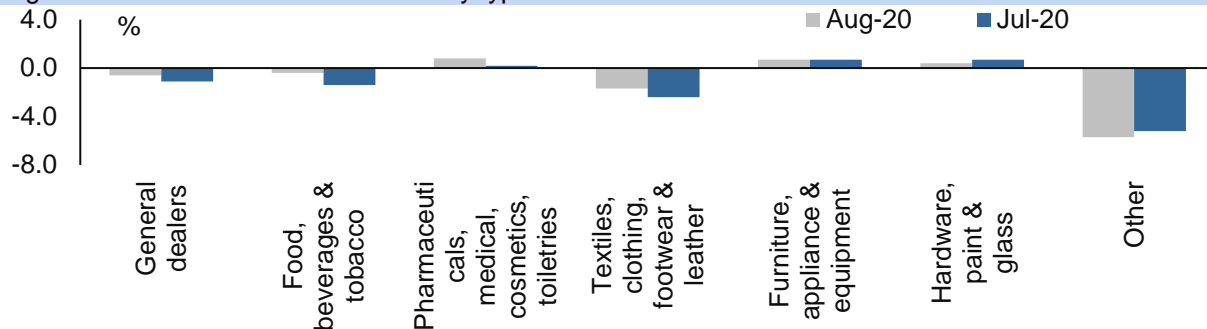




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Figure 1: Contributions to retail sales by type of retailer



Sources: Stats SA, Investec

- The contraction in retail trade sales eased notably to -4.2% y/y in August, following July's -8.6% y/y (revised) decline. This outcome was stronger than Bloomberg's consensus (median) estimate of -6.8% y/y and is in line with the further gradual opening up of the economy, allowing more people to return to work and earn an income.
- Indeed, total BankservAfrica take-home salaries paid to employees via the National Payments System is estimated to have decreased by 4.7%, "(w)hich is the smallest drop since April 2020," according to BankservAfrica.
- August's -4.2% y/y decline was largely underpinned by the continued sharp decline in the catchall category, 'all other retailers', which makes up 13.0% of the retail basket. Specifically, activity in this segment plunged by a further -32.3% y/y in August, detracting a marked -4.2% from the headline reading. Additionally, the textiles and clothing grouping sliced a further -1.7% off the top line result, on the back of a notable -10.1% y/y decline in sales.
- Positive results were achieved by the pharmaceuticals, household furniture, appliances and equipment and hardware, paint and glass categories however, averting a larger fall in retail trade activity during the month.
- Indeed, the trading environment has improved from levels experienced in Q2.20, when a large part of the economy was essentially shut down and accordingly retailer confidence levels have increased notably, as evinced by the BER's latest retail survey results. However, a return to robust levels of activity will likely take some time and retailers are "(n)ot expecting conditions to improve much further in the fourth quarter," according to the BER's retail survey. Specifically, highly constrained consumers, with many facing financial uncertainty are likely to remain cautious and mindful of their purchases.
- Black Friday, an important event in the retail calendar "(c)ould still help local retailers struggling to make up lost lockdown revenue, especially for those with an online presence," according to South Africa's largest payment gateway, DPO South Africa's PayGate.
- Accordingly, it is essential that retailers establish a digital presence or upgrade their e-commerce capabilities to remain relevant and competitive and adjust to new consumer behaviour patterns.
- We anticipate a protracted recovery in household consumption expenditure (HCE) and thus South Africa's economy as a whole.

Figure 2: Key growth rates in retail trade sales (constant prices)

	July 2020	August 2020
Year on year %	-8.6	-4.2
Month on month %, seasonally adjusted	0.6	4.0
3-month %, seasonally adjusted	8.0	16.7

4 Source: Stats SA, Investec

Retail sales update: The contraction in retail activity eased to -4.2% y/y in August

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