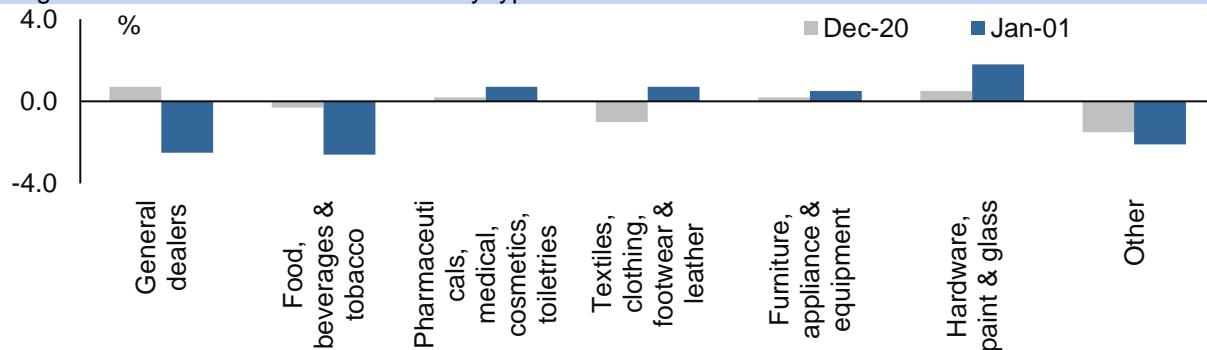


Retail sales update: The contraction in retail activity accelerated to -3.5% y/y in January, weighed down by tighter lockdown restrictions



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Figure 1: Contributions to retail sales by type of retailer



Sources: Stats SA, Investec

- The contraction in retail trade sales accelerated to -3.5% y/y in January 2021, following December's -1.2% y/y (revised) slide, weighed down by renewed, tighter lockdown restrictions, enforced by government to control the second wave of covid-19 infections.
- This is evinced by BankservAfrica's January Economic Transactions Index (BETI), which tracks the volume and value of South Africa's electronic payments interbank transactions routed through BankservAfrica. Specifically, the value of transactions fell by 2.3% m/m in January, following December's 1.8% m/m lift and is the fourth steepest monthly decline in the last five years, while the volume of transactions was down -2.5% compared to a year ago.
- A disaggregation of January's retail sales data indicates that the largest negative contributions stemmed from the food, beverages and tobacco in specialised stores and general dealers' categories, which combined sliced 5.1% points off the headline reading. Additionally, the catchall category, "all other retailers" continued to report a decline in activity of -15.1% y/y, detracting a further -2.1% points off the top line number.
- Conversely, hardware, paint and glass retailer sales grew by 25.3% y/y, adding 1.8% points to January's headline outcome. Indeed, DIY and home improvement remain a key trend as people continue to work from and spend considerably more time in their homes, owing to lockdown restrictions and a shift in consumer behaviour generally.
- Consumer Confidence as measured by the BER's Consumer Confidence Index increased modestly in Q1.20, aided by the move back to level 1 (announced on the 28th February), but remained depressed at -9.
- Indeed, consumers continue to face financial uncertainty, with real average and overall salaries paid contracting in January 2021, according to the BankservAfrica Take-home Pay Index (BTPI). Specifically, the "(r)real average salary was R13 030, which represents a -2.4% decline from December 2020 and a -0.2% year-on-year decrease."
- Additionally, recent fuel price hikes, with a further increase building for April coupled with the recently announced 16% electricity tariff (due to come into effect in April) will dilute disposable incomes even further.
- While structural constraints, specifically heightened rotational load shedding, continue to impede growth, going forward, the pace of recovery in household consumption expenditure and overall GDP will depend largely on the efficacy and speed of the government's vaccination rollout programme (which up to now has been slow, compared to other countries).

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

	December 2020	January 2021
Year on year %	-1.2	-3.5
Month on month %, seasonally adjusted	-0.8	-1.6
3-month %, seasonally adjusted	2.7	0.9

Source: Stats SA

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