



Wednesday 14 July 2021

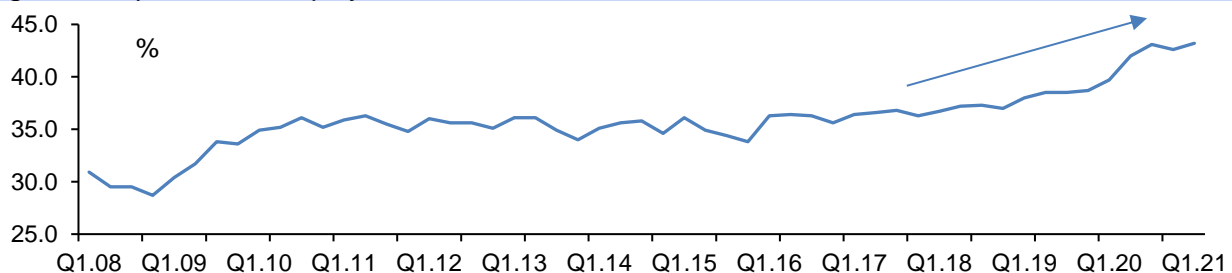
Figure 1: Key growth rates in retail trade sales (constant prices)

	April 2021	May 2021
Year on year %	95.7	15.8
Month on month %, seasonally adjusted	-0.6	2.1
3-month %, seasonally adjusted	2.5	-0.1

Source: Stats SA

- Retail trade sales rose by 15.8% y/y in May, ahead of consensus expectations of 12.3% y/y (Bloomberg). The lift was largely underpinned by base effects following May 2020's -11.9% y/y decline when lockdown restrictions were heightened, albeit less severe than April 2020.
- A disaggregation of the data indicates that all major sub-categories within the retail basket grew to some extent on an annual basis in May, with the catchall category, 'all other retailers' sector the largest positive contributor to the headline outcome.
- Measured on a month-on-month seasonally adjusted (mmsa) basis retail trade sales increased by 2.1%, following contractions of -0.6% and -4.4% mmsa in April and March respectively.
- According to the BER's retail trade survey for Q2.21 which reports on consumer expectations and activity, confidence amongst retailers climbed markedly in Q2.21, to a six year high, on "improved sales volumes and strengthened pricing power" leading to higher profitability. Specifically, retailers selling semi-durable and durable goods benefitted from expenditure by higher income segments of the market, who used accumulated savings (not used on leisure and transport during lockdown) to improve their work-from-home experience. The survey was however conducted between the 12 and 31 May, before lockdown restrictions were tightened.
- Lockdown restrictions, in response to spikes in infection rates and the subsequent loosening of measures when cases recede, have a direct impact on consumption patterns as evinced by BankservAfrica's Economic Transaction Index (BETI), which tracks the volume and value of South Africa's electronic payments interbank transactions routed through BankservAfrica. Specifically, the index which exhibited significant declines in Q2.20 when the most severe constraints were in place gradually improved in line with the easing of lockdown restrictions.
- The BETI for May indicates that the number of "actual transactions was 108.2 million, an improvement of 17.2% on a year ago". Moreover, the total number of estimated monthly payments have risen by 13.1% between May 2021 and May 2020, as a number of workers have returned to their jobs over the year.
- While the marked recovery in the salary base is positive for HCE, uncertainty around the current situation playing out in the country will weigh heavily on confidence, hindering the growth trajectory.

Figure 2: Expanded Unemployment Rate Trend



Source: Stats SA

Retail sales update: Retail environment improved in May, but recent lockdown restrictions and riots will weigh on Q3.21 confidence



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