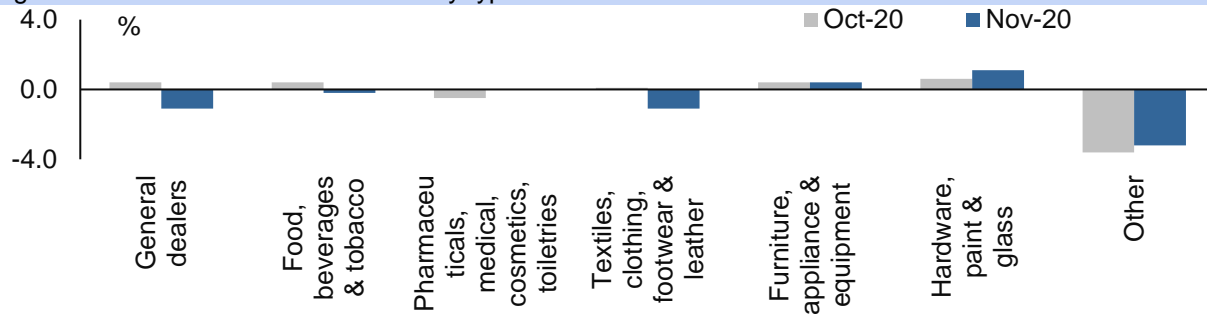


Retail sales update: The contraction in retail activity accelerated to -4.0% y/y in November



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Figure 1: Contributions to retail sales by type of retailer



Sources: Stats SA, Investec

- Retail trade sales contracted at a higher rate in November, decreasing by -4.0% y/y (in line with Investec's forecast), after easing moderately in October to -2.3% y/y (revised). Base effects were partly responsible for the disappointing reading, with November 2019 seeing relatively strong growth in retail sales as consumers took advantage of Black Friday deals.
- The catchall category, 'all other retailers', which makes up 12.8% of the retail basket, continued to be the largest negative contributor to the headline outcome. Specifically, activity in this segment plunged by a further -26.1% y/y in November, detracting a marked -3.2% from the top line reading.
- General dealers and textiles, clothing, footwear and leather goods' retailers also experienced declines in activity on a year-on-year basis in November (-2.5% and -5.6% respectively) and accordingly, together sliced a further -2.2% off the headline reading.
- While the trading environment has improved notably from levels experienced in Q2.20, when a large part of the economy was essentially shut down, momentum has slowed.
- This was 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 and whose annual comparison has a very close relationship with GDP). Specifically the BETI decelerated to 0.8% y/y in November, following October's 1.9% y/y increase. Indeed, Black Friday, a highly anticipated event in the retail calendar, proved largely unsuccessful this year, disappointing many retailers who were looking to claw back lost revenue. Overall, while the share of online sales increased, the value of card transactions fell by -52.0% y/y, after climbing by a marked 106% y/y in 2019, according to BankservAfrica data.
- Retailers continue to face challenges in their operating environment, according to the BER. Specifically demand still remains subdued as many consumers continue to face financial uncertainty and thus remain mindful of their purchases. The winding down of covid-19 assistance measures by government, will weigh further on those who have lost their jobs during the pandemic and those individuals in lower income brackets. The official unemployment rate is sitting at 30.8% and consumer credit health remains weak, with indebtedness elevated. Additionally, global supply chain hindrances remain.
- Renewed restrictions imposed by government during the festive season, likely, markedly impacted retail activity, particularly in hotspot regions. Thus, we are anticipating a lacklustre end to the year. The imminent vaccination rollout offers some optimism for 2021, however a return to pre-pandemic levels of activity will likely be protracted.

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

	October 2020	November 2020
Year on year %	-2.3	-4.0
Month on month %, seasonally adjusted	-0.5	1.8
3-month %, seasonally adjusted	7.0	4.3

4 Source: Stats SA

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