

Retail sales update: Retail sales grew by 2.1% y/y in September, buoyed by the textile and pharmaceutical categories



Wednesday 17 November 2021

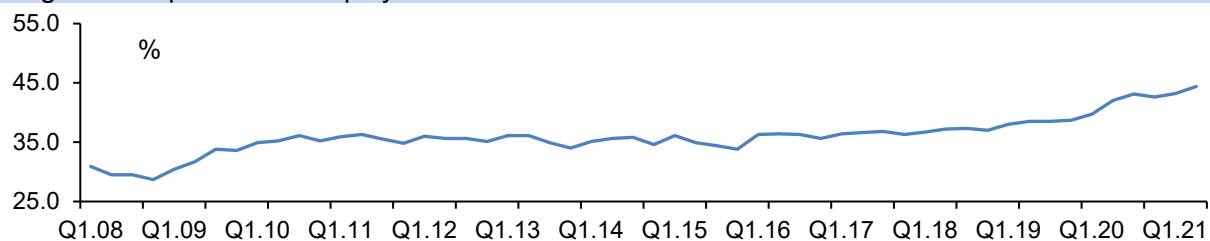
Figure 1: Key growth rates in retail trade sales (constant prices)

| | August 2021 | September 2021 |
|---------------------------------------|-------------|----------------|
| Year on year % | -1.5 | 2.1 |
| Month on month %, seasonally adjusted | 4.9 | 5.1 |
| 3-month %, seasonally adjusted | -3.9 | -5.4 |

Source: Stats SA

- Retail trade sales grew by 2.1% y/y in real terms in September, following August's -1.5% y/y (revised) contraction. The result, which was notably stronger than consensus expectations (Bloomberg) of a 0.7% y/y lift, was largely underpinned by robust annual growth from the textiles, clothing, footwear and leather goods category and the pharmaceuticals and medical goods, cosmetics and toiletries grouping.
- Specifically, combined they contributed 2.3% points to the top line outcome, on the back of growth of 11.3% y/y and 10.4% y/y respectively.
- However, when measured on a quarter on quarter seasonally adjusted basis, the measure used to calculate GDP retail sales fell by -5.4%, dragged down by July's marked decline, triggered by the riots and unrest in parts of the country in July. Accordingly, it is expected to detract from Q3.21's GDP reading.
- Consumers have not yet recovered fully from the effects of the pandemic. Indeed, household debt is still elevated, above 66.0% of disposable income, according to data from the SARB while rising administered prices, particularly electricity and fuel costs continue to further dilute limited disposable income. Furthermore, consumer confidence remains subdued especially pertaining to the economic outlook.
- According to an online survey conducted by TransUnion between the 10th and 16th of August (the survey included 1,100 adults in South Africa) over 60% of respondents "(i)ndicated their household income was currently negatively impacted due to COVID-19". Although the survey took place soon after the damaging looting and unrest, which led to job losses, lost earnings and dampened confidence, the proportion of those citing the negative effects of COVID-19 on household income remained largely unchanged from responses collated earlier on in the year. Indeed, a substantial number of consumers remain unable to meet debt obligations. Specifically, according to the survey "forty-one percent reported they've been in arrears for a bill or loan in the past three months".
- Moreover, according to the results of the BankservAfrica Economic Transactions Index (BETI) for September, which "measures economic transactions processed by BankservAfrica via the National Payments System (NPS)" the index logged a quarterly decline of 0.6% in September 2021, the first quarterly BETI decrease since July 2020.
- Although conditions have improved from those experienced in the second quarter of last year, retailers continue to face a myriad of challenges. Persistent global supply chain constraints have resulted in longer lead times and stock shortages which have driven up input costs. Moreover, rising administered prices continue to weigh on profits.
- The country's improved vaccination rate accompanied by the easing of stringent lockdown restrictions, however, should benefit retailers during Q4.21 as the holiday season approaches.

Figure 3: Expanded Unemployment Rate Trend



Source: Stats SA

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