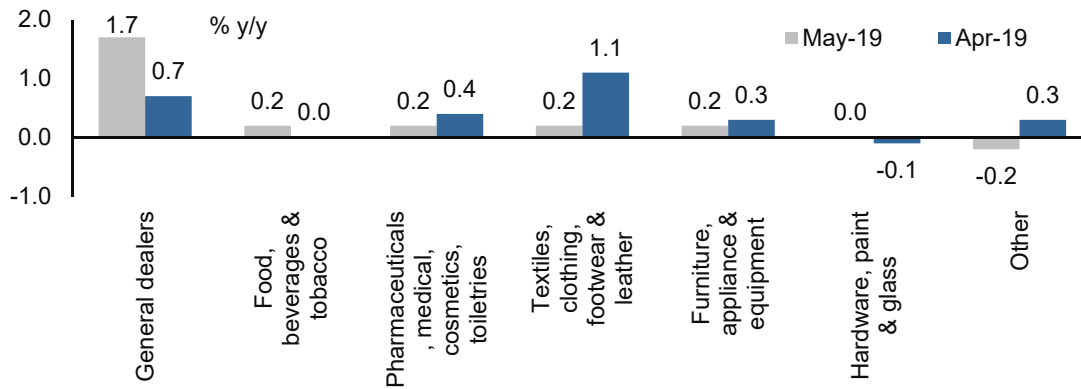


Retail sales update: Retail trade sales grew by 2.2% y/y in May, buoyed by the general dealers' category

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Figure 1: Contributions to retail sales by type of retailer



Sources: Stats SA, Investec

- Retail trade sales grew by 2.2% in May, albeit at a slightly slower pace than April's 2.7% y/y (revised) lift. However, the outcome was ahead of market expectations of a 1.7% y/y increase.
- A disaggregation of the data reveals that most of the retail categories continued to experience growth in May, with the general dealers' segment, which occupies a hefty 42.3% of the index rising by a notable 4.0% y/y, following months of tepid growth. This category in turn boosted the topline result by 1.7%.
- The "all other retailers" grouping however, slid by 1.8% y/y in May, after rising by 2.5% y/y in April, thereby slicing 0.2% off the headline outcome.
- Although, April and May's readings point to a likely improved performance from the retail sector in Q2.19, the consumer-spending environment still remains precarious, with debt to disposable income ratios hovering above 72%, constraining household balance sheets.
- This is illustrated by the persistently low retail inflation readings, which remain notably below consumer price inflation levels, demonstrating retailers' inability to pass on price increases in a muted demand environment.
- Furthermore, real final consumption expenditure by households contracted for the first time in three years in the first quarter of 2019, dipping by -0.8% on a quarter on quarter seasonally adjusted annualised basis (qqsa) , this versus Q4.18's 3.2% qqsa lift. The slide was predominantly underpinned by a "(n)otable decline in spending on durable and semi-durable goods", according to the SARB as "(g)rowth in the real disposable income of households was weighed down by lacklustre employment growth, an increased tax burden and slower wage growth".

Figure 2: Retail trade sales by type of retailer (at constant prices)

	April 2019			May 2019	
	Weight	% y/y	Contribution	% y/y	Contribution
General dealers	43.0	1.8	0.7	4.0	1.7
Food, beverages and tobacco in specialised stores	7.5	0.1	0.0	2.7	0.2
Pharmaceutical and medical goods, cosmetics and toiletries	7.7	5.1	0.4	2.9	0.2
Textiles, clothing, footwear and leather goods	16.3	6.1	1.1	1.3	0.2
Household furniture, appliances and equipment	4.6	5.8	0.3	3.2	0.2
Hardware, paint and glass	8.0	-1.8	-0.1	-0.1	0.0
Other retailers (jewellery, sports and entertainment)	13.0	2.5	0.3	-1.8	-0.2

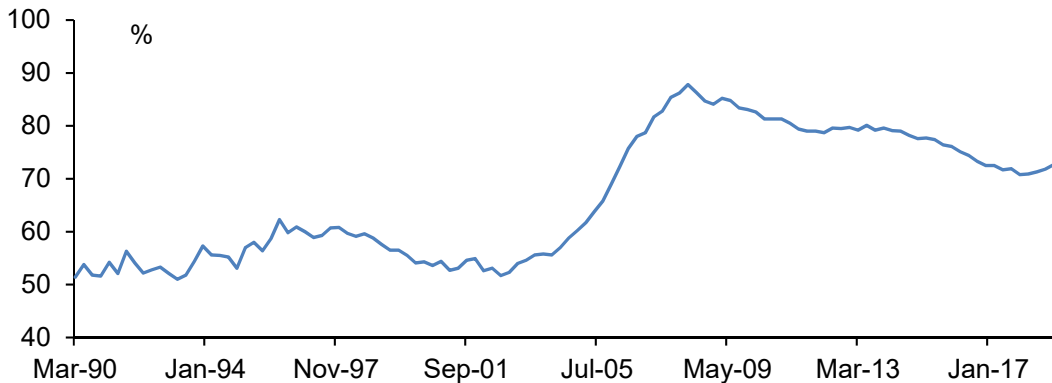
Source: Stats SA, Investec

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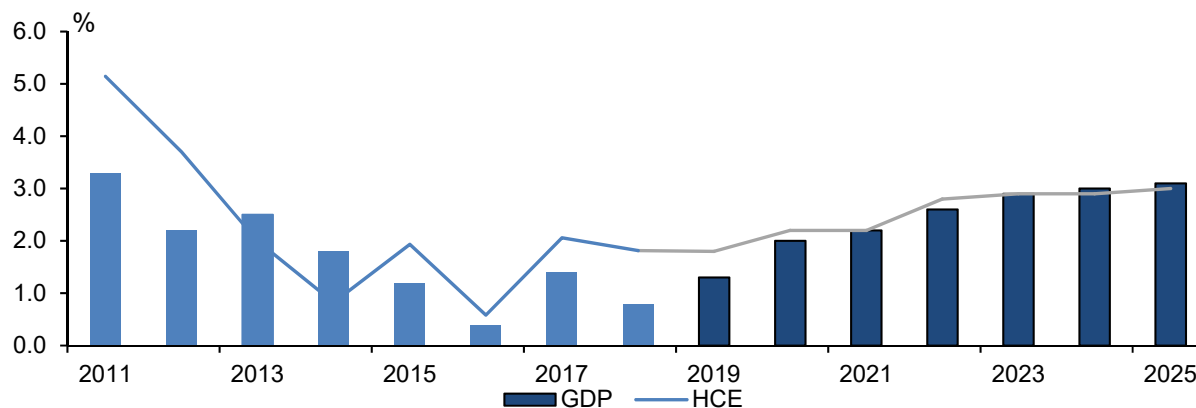
Figure 3 : Household debt % disposable income



Source: SARB

- Results from the BER’s Q2.19 retail confidence survey suggest that “(c)onsumer demand conditions remain constrained”, with “(t)radng conditions ... extremely challenging”. Although, “Retailers are cautiously optimistic that conditions will improve in 2019Q3”, it cautioned that “(t)he numerous headwinds facing the consumer will likely continue to weigh on retail volume growth, and overall consumer spending, over coming months”.
- Years of weak growth, constricted by a myriad of factors, including poor governance and regularity barriers leading to lower, and eventually depressed business confidence, has gradually weakened consumer’s financial health, with consumption growth anticipated to remain constrained over the medium term, only improving gradually over the 2020 to 2025 period.

Figure 4: Household Consumption Expenditure versus GDP, History and Forecasts - y/y % (constant)



Source: SARB, Investec

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