Retail sales update: Retail trade sales lift by 2.4% y/y in April, buoyed largely by the textiles segment

12th June 2019

- Retail trade sales growth accelerated somewhat in April to 2.4% y/y, this following March’s marginal 0.1% y/y (revised) lift and was ahead of consensus expectations of a modest 1.2% y/y increase.
- The improved momentum was broad based, with five of the seven retailer categories experiencing growth. The textiles, clothing, footwear and leather goods segment made the largest positive contribution, adding 1.2% to the top line result, on the back of growth of 6.4% y/y. Additionally, the general dealers category, with its dominant weighting in the index at 43%, added a modest 0.5% to the headline reading.
- However, the BER’s latest consumer confidence release for Q2.19, (which although edged up moderately by 3 index points), revealed that the “(m)ajority of consumers still rate the present time as inappropriate to purchase big-ticket items”, suggesting “(t)hat consumers remain cautious”.
- Furthermore, retail inflation fell to 2.0% y/y in April from 2.6% y/y in March, markedly below consumer price inflation. This provides further evidence of a constrained consumer-spending environment, which continues to impede retailers’ ability to pass on price increases, prompting them to continuously look for innovative cost reduction strategies, in order to compete.
- High unemployment, which is sitting at 27.6%, coupled with rising living costs continues to weigh on household balance sheets, this amid softening economic growth prospects.
- A meaningful lift in consumer and business confidence is required to drive private sector fixed investment and therefore growth and employment before we see any significant pick-up in consumer spending.
- Key policies need to be continuously reviewed, successfully implemented and transparently laid out, in order to foster policy certainty amongst South Africans and propel a lift in sentiment.

### Table 1: Contributions to retail sales by type of retailer

<table>
<thead>
<tr>
<th>Category</th>
<th>Weight</th>
<th>% y/y</th>
<th>Contribution</th>
<th>Weight</th>
<th>% y/y</th>
<th>Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>General dealers</td>
<td>43.0</td>
<td>1.8</td>
<td>0.8</td>
<td>43.0</td>
<td>1.2</td>
<td>0.5</td>
</tr>
<tr>
<td>Food, beverages and tobacco in specialised stores</td>
<td>7.5</td>
<td>-2.4</td>
<td>-0.2</td>
<td>7.5</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Pharmaceutical and medical goods, cosmetics and toiletries</td>
<td>7.7</td>
<td>-4.5</td>
<td>-0.3</td>
<td>7.7</td>
<td>5.3</td>
<td>0.4</td>
</tr>
<tr>
<td>Textiles, clothing, footwear and leather goods</td>
<td>16.3</td>
<td>-1.6</td>
<td>-0.2</td>
<td>16.3</td>
<td>6.4</td>
<td>1.2</td>
</tr>
<tr>
<td>Household furniture, appliances and equipment</td>
<td>4.6</td>
<td>-0.3</td>
<td>0.0</td>
<td>4.6</td>
<td>4.6</td>
<td>0.2</td>
</tr>
<tr>
<td>Hardware, paint and glass</td>
<td>8.0</td>
<td>-0.3</td>
<td>0.0</td>
<td>8.0</td>
<td>-2.3</td>
<td>-0.2</td>
</tr>
<tr>
<td>Other retailers (jewellery, sports and entertainment)</td>
<td>13.0</td>
<td>0.7</td>
<td>0.1</td>
<td>13.0</td>
<td>2.3</td>
<td>0.3</td>
</tr>
</tbody>
</table>

Sources: Stats SA, Investec
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