

## May retail trade growth seen at 5.2% y/y

By <u>Ntsakisi Maswanganyi</u> 16 Jul 2012

Retail trade sales growth is expected to have improved in May to 5.2% year on year (y/y), from a y/y growth of only 1.0% in April, according to a survey of leading economists by *I-Net Bridge*.

Forecasts among the seven economists ranged from 0.3% to 9.0%.

Retail sales are a key gauge of consumer expenditure levels. It falls into a sector that contributes about 14% to the total value added to growth.

Given the exceptionally low base from last year and the uptick seen in private sector credit extended during May, retail sales would likely stay in positive territory, according to Absa Capital economist Ilke van Zyl. Absa saw retail trade sales expanding by 6.5% y/y in May.

"This however reflects no change on a monthly basis, as we adjusted for the fewer weekend days in May 2012 vs May 2011," she said.

"Private consumption expenditure is expected to be slower in 2012 than in 2011, and this pattern should continue to be reflected by the negative quarter-on-quarter growth rates currently recorded in the retail sales series," Van Zyl noted.

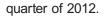
Retail economist at Liberty Tendani Mantshimuli said that generally, people's ability to spend had been diminished due to the slowing economic growth. Mantshimuli noted that despite 30-year low interest rates, consumers were still under immense pressure.

"Nominal wages are not going to increase as much as they have in the past. Administered prices still remain a problem and that is where most household spending goes - transport, rates and taxes, energy costs, medical and educational costs," she said.

Figures show that spending on durable goods lost some momentum in the first quarter of this year, and real spending on semi-durable goods also advanced at a somewhat slower pace in the first quarter compared with the fourth quarter of 2011.

Spending on non-durable goods accelerated in the first quarter, mainly on the back of spending on food, beverages and tobacco, and on petroleum products, Reserve Bank data showed.

Ernst & Young director for retail, Derek Engelbrecht, said growth in retail sales volumes slowed notably during the second



"Looking ahead, in the third quarter of this year we forecast a moderation in sales growth," he said.

The May retail trade sales data will be released by Statistics SA at 1pm on Wednesday, 18 July.

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