

Will the 2018 festive season deliver for SA retail?

Retailers, brands and shopping centres across South Africa are gearing up to make the most of 2018's festive season.



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Dawie Roodt, chief economist for the Efficient Group, told South African Council of Shopping Centres (SACSC) said that more money was spent over the 2017 festive season compared to the rest of 2017. "Consumers spend more over the festive period – not because of improved circumstances but mostly because of factors such as better marketing and relatively low interest rates. Developments such as Black Friday have also contributed to the spending 'binge'," he said.

South Africa's fluctuating economy has also meant that most of the country's consumers remain cash-strapped. Finance Minister Tito Mboweni said that government is prioritising regaining SA's investment grade rating on its debt as part of its plans to revive a stagnant economy.

"It's priority number one because we have to get out of the status that we are in and back to proper investment grading and we are working hard at this. We need to demonstrate action around the fiscal stance and the budget standpoint of South Africa and show that we are taking steps to reduce the debt that is accumulating. We need to take serious steps to show that we are moving to restructuring the economy and reigniting growth," he said.

Retailers under strain

According to SACSC, Daniel Silke – a keynote speaker, political economy analyst, futurist and author – said that retail will be under strain this Christmas as shoppers digest a tough year where utility costs and interest rates have squeezed disposable income further.

“There is some relief in the drop in the petrol price although the longer-term pressures are more likely to have a dampening effect than allow for splurges. Consumers will be looking again at value-related purchases and gifting - so retailers catering to that market segment will be less affected. Of concern is the effect of load-shedding on the broader sector which may benefit online traders as opposed to malls where erratic power cuts leave shoppers in the dark.

"I expect online to grow well over the season putting a strain on some bricks and mortar retailers. This will potentially affect the performance of those who do not have a competitive online offering. Whilst this season may well be muted in terms of spend, it might not be as bad as many think. But consumers will be shifting their spend to value categories as they navigate very tough conditions," he said.

He added that this Christmas season will also be vital for some retailers who have struggled in recent years and are in the process of restructuring their offerings. "They will be watching turnover and sales with a possible view towards further cost-cutting in the New Year."

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