

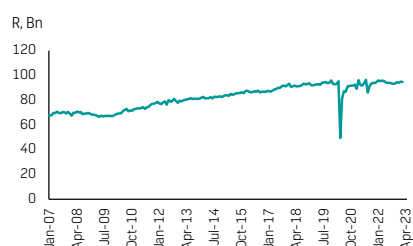


# Flash Note: Retail sales

May 2023

## Retail sales volumes decline for a fourth consecutive month

Figure 1: Retail sales declined by 1.6% y/y in March

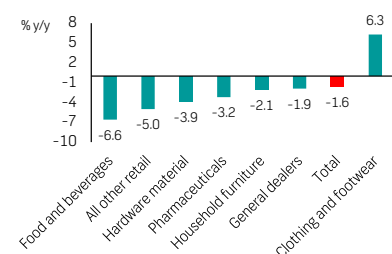


Source: Stats SA, FNB Economics

Retail sales volumes for March declined by 1.6% y/y, from a 0.7% decline in the previous month. This marks a fourth consecutive month of annual decline, and a fifth in the last seven months. On a month-on-month basis, the seasonally adjusted volumes slid by 0.7%, following a 0.3% decline in February (revised lower from -0.1%) and a 1.4% increase in January (revised lower from 1.5%). As such, quarterly sales increased by 0.8% compared to 4Q22, suggesting a mild positive contribution to 1Q23 GDP growth by the retail trade sector. This, together with high frequency production data (mining and manufacturing output), as well as the latest labour market data, signal some resilience in the economy, and a potential upside surprise to GDP growth in 1Q23.

## Retail sales outlet performance

Figure 2: Performance by category



Source: Stats SA, FNB Economics

The weak performance was broad-based, with six out of seven categories recording a decline in annual volume sales. The largest declines were recorded among Food and beverages retailers (-6.6% y/y, contributing -6 pts); Hardware, paint and glass retailers (-3.9%, 0.3 pts); and all other retailers (-5.0%, -0.5pts). On the opposite end, a stronger performance by Clothing and footwear retailers persisted, with 6.3% y/y growth in volumes, contributing 1.0 pts.

## Outlook

Although the 1Q23 volume sales data is better than initially anticipated, longer-term trends suggest waning consumer resilience. Year-to-date, volume sales are lower by 1.0% compared to the same period last year. Overall, we expect that the sharp increase in production and operational costs induced by load-shedding will eventually weigh on corporate margins and consequently, employment and wage gains. While non-labour income remains resilient, the outlook is less optimistic, mainly due to weaker corporate earnings prospects and their impact on dividend payouts. These, combined with elevated inflation and rising debt servicing costs, as well as depressed consumer confidence, suggest a muted household consumption expenditure growth prognosis. Nevertheless, the credit market remains active, with consumers accumulating consumption credit at a faster pace, which could provide auxiliary support to household consumption. However, this may also increase the risk of credit defaults due to slower income growth and the accumulation of more expensive lines of credit, resulting in strained household financial positions down the line.

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