

Retail sales slump continues, dropping 4% in November

South Africa's retail trade sales decreased by 4% year-on-year in November 2020, falling for the eighth consecutive month.



According to the Stats SA report, the main negative contributors to the 4,0% decrease were: all 'other' retailers (contributing -3,2 percentage points); retailers in textiles, clothing, footwear and leather goods (contributing -1,1 percentage points); and general dealers (contributing -1,1 percentage points).

Muted Black Friday shopping activity

FNB senior economist Siphamandla Mkhwanazi points out that the 4% decline was noticeably bigger in comparison to the 2.3% decline recorded in October (revised down from 1.8% y/y), which suggests that shopping activity during Black Friday was more muted in 2020 compared to the previous years.

"Nevertheless, sales volumes rebounded by 1.8% on a month-on-month and seasonally adjusted basis, following a decline of 0.5% m/m in October (as consumers delayed some of their purchases in anticipation of specials)," Mkhwanazi adds.

The largest negative annual growth rates were recorded for: all 'other' retailers (-26,1%); and retailers in textiles, clothing, footwear and leather goods (-5,6%). Once again, hardware material and household furniture were the strongest performing categories, recording 14% y/y and 7.8% y/y respectively.

"We attribute these trends to the pandemic-induced loss of buying power and changes in consumer behaviour (as people spend more time at home and limit their spending to essential goods)," says Mkhwanazi.

Seasonally adjusted retail trade sales increased by 1,8% in November 2020 compared with October 2020. This followed month-on-month changes of -0,5% in October 2020 and 1,1% in September 2020. In the three months ended November 2020, seasonally adjusted retail trade sales increased by 4,3% compared with the previous three months.



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Sales outlook

"In all, retail sales volumes have performed better than initially expected, supported by the Temporary Employer/Employee Relief Scheme (TERS) payments, the government's extended social grants programmes and the low interest rate environment. However, this support is now subsiding.

"Pressure on volumes will be exacerbated by the resurgence of Covid-19 infections and the subsequent reintroduction of lockdown in December. These factors, combined with rising food and fuel prices, bode ill for the short-term retail sales outlook. In the same breath, the longer-term outlook remains uninspiring, weighed on by rising unemployment and generally low consumer sentiment," concludes Mkhwanazi.

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