

SA retail growth slows in June, with clothing outperforming other segments

South African retail sales for June 2018 grew by 2.9% year-on-year excluding the effects of inflation, marking the weakest pace of growth since October 2017. This is according to the Mastercard SpendingPulse June 2018 report, which provides a macro-economic analysis of retail spending trends in South Africa.



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June's retail sales volume was slightly below the 3% year-on-year gain recorded in May 2018 and signals the third consecutive month that the rate of growth has decelerated in South Africa's retail sector. Total retail sales growth, including the effects of inflation, grew 5.8% year-on-year.

Price inflation

"While real spending in the retail sector remains in positive territory, we did see the rate of growth continue to slow in June. Retail price inflation also ticked up for the first time in a year, after bottoming out in May. This may further weigh on consumers in the coming months as they already face tight wallets due to weak wage growth and rising unemployment," says Michael McNamara, senior principal, data and services at Mastercard.

"Slowing GDP growth in the first quarter, rising fuel prices and a strengthening US dollar also contribute to a challenging macro-economic environment," McNamara says.

Segment performance

Clothing was the best-performing segment of the retail market in June, with sales excluding the effects of inflation rising 4.4% year-on-year. Overall, June sales were 8.4% above average for this time of year. Sales including the effects inflation were also up, growing 6.3% year-on-year.

The Pharmaceutical, Medical Goods, Cosmetics and Toiletry category once again performed well with sales excluding the effects of inflation growing 4.2% year-on-on-year for June 2018. Including the effects of inflation, sales grew 7.2%, meaning that inflation contributed only three percentage points to growth, compared to 3.6 percentage points in May.

In the Food and Beverages sector, sales excluding the effects of inflation grew 3.8% year-on-year in June, showing an improvement over the 1.5% growth rate of the first quarter in 2018. Sales including the effects of inflation grew 8.9%.



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16 Jul 2018



General dealer underperformance

Confirming a trend evident in most months of 2018, the General Dealer sector once again underperformed the rest of the retail market. General Dealer sales volumes excluding the effects of inflation fell 2.9% year-on-year for June 2018. Including the effects of inflation, General Dealer sales rose 3.6% year-on-year.

“As the benefit from lower food and oil prices runs its course, growth in consumer spending is expected to face an additional headwind from a higher value-added tax, which increased from 14% to 15% in April,” says McNamara.

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