

Slight acceleration in retail sales growth in April

There was a slight improvement in the y-o-y growth rate of retail sales at constant prices in April, to 1.8%, from 0.8% in March. The April growth rate was however well down on the 2.8% growth in the first four months of the year. Furthermore, on a m-o-m seasonally adjusted basis, there was no change in retail sales.

To some extent the outcome is slightly reassuring in the sense that one had feared that the spate of public holidays during April and the disruptions caused by the platinum mining strike might have resulted in a much weaker figure. In the event, the number was at the higher end of consensus forecasts.

It is difficult to discern any major impact on different industries within the retail sector caused by the mining strike, but what is noticeable is the negative growth in sales of pharmaceuticals and medical goods, cosmetics and toiletries, for the first time in many years. There was also a significant reduction in the growth of sales of textiles, clothing and footwear. There was also a disappointing continuing decline in the growth of sales amongst dealers in hardware, paint and glass, down to 0.2% in April, from significantly higher growth rates in earlier months. Again, the suggestion is that an absence of wage earning ability has caused lower income persons to refrain from spending on anything other than food. On the other hand, there was a slight acceleration in growth in sales of furniture and appliances, suggesting a stabilisation of the unsecured lending space in recent months at a significantly lower level than previously.

Retail inflation, measured as the difference between growth in sales at current prices and growth at constant prices, rose to 5.0% in April, from 4.8% in March. This is in tandem with the overall rising trend of CPI inflation.

From a monetary policy perspective, the modest growth in retail sales in April provides very little guidance to the Reserve Bank on whether or not to raise interest rates in the second half of the year. Growth remains very subdued, but inflation is rising perceptibly.

Source : Econometrix 18/06/2014 vol. 16614