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March retail sales growth to slow, despite February gains

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RETAIL sales growth for March scheduled to be released this afternoon by Statistics South Africa (Stats SA) expects to take a knock following disappointing growth in key economic indicators such as manufacturing, mining and credit during the month.

This is despite a surprise growth in February, which increased by 3.8% year-on-year and by 2.7% month-on-month.

Lately key economic indicators have been showing signs of strain as a result of sluggish domestic growth of less than 3.5% GDP growth in 2011.

Liberty Retail SA consumer economist Tendani Mantshimuli says despite the surprise retail sales growth in February, the reality is that the trend is more downward, especially taking into consideration the state of employment.

"The trend in employment is also down, which means that growth in this sector will not be supported by household income.

"We don't expect growth given the problem of unsecured lending, which consumers use to service their debts rather than spending," she said.

Some economists argue that the growth in retail sales and consumer spending will likely slow down, given that the rate of improvement in household balance sheets has diminished since interest rates have remained unchanged between November 2010 and June 2012 and are under increased pressure.

Senior economist at RMB Treasury Carmen Nel is convinced that we will start to see moderation in retail growth from the surprise spend in February.

Nel says there are a number of factors which will lead to some moderation for retail growth in March, especially food prices which have been rising slightly.

"Households' over-indebtedness will certainly take a part in dragging retail sales growth down," Nel said.

She predicts growth to moderate to 3.3% year-on-year, from 3.8% in February and also cautions that month-on-month growth improvement of 2.7% recorded previously is expected to come in lower.

But Investec Group analyst Kamilla Kaplan predicts growth to accelerate further to 5% year-on-year.

"The retail sales are likely to show Easter-led robust growth, while rand weakness mitigates the effect of lower global commodity prices on inflation.

"In March, the configuration of school, religious and public holidays provided an extended break for consumers and this will have influenced spending behaviour.

"An advance indication of increased spending stems from the sharp rise of 11.3% year-on-year in the average value of ATM cash withdrawals in March as per the Spark Cash Index," she said.

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NICE BUT NO SALE: A shopper may think twice about her purchases given the spiral of debt the economy and the public are struggling to recover from. PICTURE: GALLO IMAGES