

Shoprite earnings rise 11% in 'challenging' year

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In what it described as a challenging year, Shoprite Holdings, reported an 11.3% increase in headline earnings per share for the year to June, to of 675c.



Analysts say high unemployment and slow income growth have checked household expenditure, already crimped by higher utility costs and rising debt.

As the country's main engine of growth, consumer spending accounts for about 65% of gross domestic product and a slowdown would have a marked effect on the growth outlook for South Africa. Other retailers have also reported tougher trading conditions.

Turnover at Shoprite, South Africa's largest supermarket chain, rose 12% to R92.747bn, from R82.731bn a year earlier. The company raised its trading margin to a record 5.8%.

Shoprite's chief executive Whitey Basson said growth within South Africa was hampered by widespread labour unrest, rising costs fuelled by a weak rand, falling commodity prices and consumers' lack of disposable income because of their high levels of indebtedness.

"The country's low growth created many challenges for the retail industry, a situation exacerbated by the government's sluggish pace at creating an environment in which business could flourish," he said.

"At the same time a lack of job opportunities increased the dependence of millions of South Africans on government grants of which the annual increase did not keep pace with inflation," he added.

Over 800 stores, more coming

At the end of June, its supermarket operations in South Africa consisted of a network of 801 stores split between its three chains, Shoprite, Checkers and Usave. Together they increased sales by 9.8% to R70.926bn.

Internal food inflation during this period averaged 4.3%, slowing from 4.9% in 2012 and compared with an official food inflation figure of 6.1%.

Turnover in Shoprite slowed to 7.3% from 11.6% previously, partially caused by the increased pressure on consumers' disposable income in the second half of the year.

Checkers, on the other hand, defied the general trend, increasing turnover by 10.7% in its supermarkets and hyper-stores. Usave, which focuses on small-format, no-frills stores, continued its expansion in South Africa, bringing the national total number of stores to 243. During the period its turnover increased by 21.4%.

In terms of expansion, a further 109 supermarkets in South Africa will be opened in 2014, the group said.

In an environment in which trading conditions deteriorated markedly, the furniture division grew turnover by 4.7%, compared with 11.1% in 2012.

At Shoprite's supermarket operations outside South Africa - where it trades from 192 stores in 16 countries - turnover increased by 27.9%, and by 15.3% on a same-store basis, with the major impetus coming from Nigeria, Zambia and Angola. "We managed to open 19 new supermarkets and we have a further 20 confirmed for next year," Basson said.

A total dividend of 338c per ordinary share was declared.

Looking ahead, Basson said consumers would be even more exposed to the impact of the weaker rand as it worked itself through the economy.

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