

Festive retail sales may help give GDP a boost

The retail sector is set to make a positive contribution to third-quarter GDP as retailers adapt to the difficult economic conditions and as they look forward to the festive season for relief.

While the sector is expected to remain muted, end-of-year sales and Black Friday next week are set to drive retail sales higher in the fourth quarter.

In the third quarter of 2017, seasonally adjusted retail trade sales were up by 1.4% (about R220bn) compared with the second quarter while the retail sector did better than expected in September with an increase of 5.4% year on year.

"Economic growth has been sluggish and is adversely impacting growth in the retail sector. However, retailers are adjusting to the challenging environment, and they are also getting better at delivering the right deals for cash-pressed consumers," Boston Consulting Group MD Stefan Salzer said.

"As consumers become more price- and value- conscious, the key to winning them over is having the right price and promotions strategy in place in the build-up to the festive season and the new year."

Portfolio manager at Cratos Wealth Ron Klipin said low volume growth was an issue. "So affordability is the central theme under these dire economic times. Retailers like Mr P, Ackermans and Pep are leading the pack and filling this niche.

"Loyalty programmes and specials will go a long way in driving volume.

"It is always prudent to diversify sources of income geographically, so acquisitions in foreign territories can be useful in staving off risk associated with currency and micro economics," he said.

Stanlib economist Kevin Lings said that many retailers across a broad range of categories were still offering bargains or specials.

Source: Business Day