

A report compiled by Citadel Investment Strategists

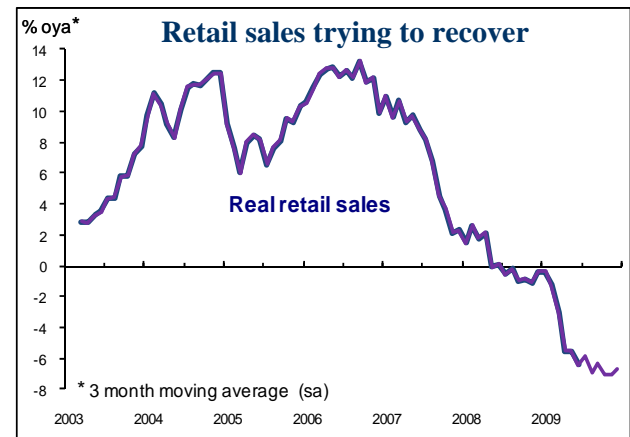
Retail sector slowly improving

Local retail sales picked up towards the end of 2009 but the sector still struggled to get out of recession (see graph). Fourth quarter real sales, seasonally adjusted, were slightly down on the 3rd quarter. Indications are that household consumption expenditure remained lackluster in the 4th quarter. The slow pace of recovery from the recession may prompt the SA Reserve Bank to cut the repo rate again in 2010.

The improvement in retail sales towards the end of the year suggested that the financial position of many households stabilised or improved somewhat in 2009. The 5% cut in interest rates since December 2008 and only very moderate borrowing from households the past year improved the cash flow of many households.

For the retail sector 2009 was a tough year and real retail sales were 5% down on 2008. Job losses in the sector topped 291 000 during the year. All the underlying sectors showed a decline in sales in 2009. The less interest sensitive sectors like general dealers, food and pharmaceuticals weathered the recession best.

A sustained recovery in retail sales will depend on the behaviour and financial health of households. Households will probably remain hesitant about spending while the labour market is under pressure and disposable income still relatively weak. As a result business will find 2010 challenging although the outlook is better than a year ago.



- Seasonally adjusted real retail sales increased almost 5% in December, compared to November. Sales declined 5% over the past year.
- Fourth quarter real retail sales (seasonally adjusted) were slightly lower than in the 3rd quarter.

	December 2009			November 2009		
	% oya	% mom	3m ann	% oya	% mom	3m ann
Real retail sales (seasonally adjusted) *	-5.0%	4.8%	12.4%	-7.8%	-2.9%	-7.5%

* Data seasonally adjusted on Datastream. Source: Statistics SA

Dave Mohr (Davem@citadel.co.za) Salomi Odendaal (Salomio@citadel.co.za) Date: 17 February 2010