

## Retailers: festive season update

*The “Golden quarter” is a critical period for retailers and consists of the run up to Christmas and the increasingly important Black Friday period. With a few recent tailwinds, retailers were optimistic going into this period. In this article we examine recent trading updates from the retailers to gauge whether their optimism was justified.*



**Jana  
van Rooyen**

The “Golden quarter” is a critical period for retailers and consists of the run up to Christmas, and the increasingly important Black Friday period. Going into this period we saw consumer optimism turn positive in South Africa which was supported by tailwinds including the formation of the GNU, the absence of loadshedding, and the start of the long-awaited interest rate cutting cycle as inflation eased.

Going into the festive season, we expected increased spending on the back of easing inflation, lower interest rates, and cash withdrawals from the introduction of the two-pot retirement regime.

When the two-pot retirement system was implemented last September, an initial survey by retirement fund managers found that many of their members would request withdrawals to repay debt. The debt problem in SA is undeniable, given that income growth has not kept up with the significant cost increases over the past few years. Consumers were using short-term unsecured credit and personal loans to pay for necessities as up to two-thirds of take-home pay was allocated towards debt repayments. There is some evidence that withdrawals were partly used for debt repayment, evidenced by easing growth in household credit in December.

However, with the improved macro backdrop, the mood changed, and two-pot withdrawals looked to support retail spending as well. Expectations were that cR60 billion of cash from two-pot withdrawals would be made in 2024 and an additional R40 billion in 2025. That implied a potential uplift in retail sales of almost 4% (on an annualised basis). The consensus was that given our typical spending habits over the festive season, discretionary retailers would be bigger beneficiaries than staples.

### SPEED READ

- **Going into the festive season, we expected increased spending on the back of easing inflation and cash withdrawals from the introduction of the two-pot retirement regime.**
- **The BankservAfrica Economic Transactions Index recorded higher daily volumes on Black Friday, suggesting that this day remains a firm favourite.**
- **November Retail Sales data from StatsSA revealed that general retailers, furniture and appliances and clothing benefited the most from Black Friday sales.**
- **Further data from BankservAfrica reported that SA consumers prioritised their spending on essentials over the Christmas period.**
- **Mr Price, Checkers and Lewis all echoed the retail sales data, posting good festive season results.**

Local apparel retailers were also more optimistic that because global e-commerce giants such as Temu and Shein would be subject to more effective tax and duties, the playing field will be more level. We study the slew of recent trading updates to establish whether that optimism materialized.

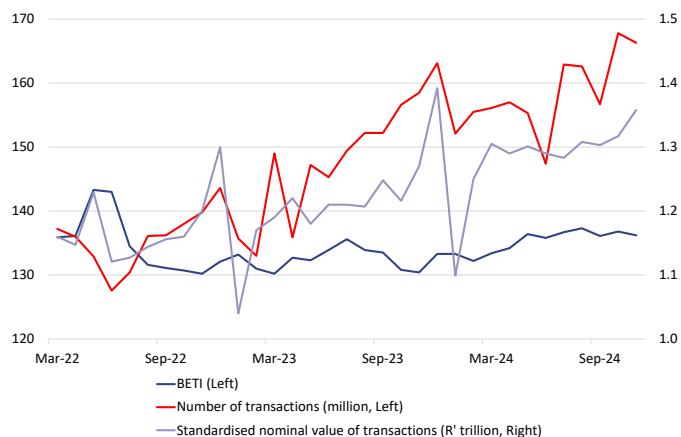
### Black Friday

One of the indexes that we follow to track growth trends in South Africa is the BankservAfrica Economic Transactions Index (BETI). Unfortunately, at the time of writing, December data was not yet available. In November the index moderated slightly, down from October but still 4.4% higher compared to last year. This could suggest that withdrawals from the two-pot reform were made immediately in October in anticipation of good deals.

Following an all-time high in October, the number of transactions cleared through BankServAfrica in November receded from October numbers but still grew 5% over the year. Unlike the BETI and the number of transactions, the standardised nominal value of transactions increased by 3.2% from October to November. This suggests that consumers opted for higher value items during November and over Black Friday.

Furthermore, there were higher daily volumes recorded on Black Friday, suggesting that this day remains a favourite.

### BANKSERVAFRICA TRANSACTION DATA



According to BankServAfrica, the number and value of transactions have been trending up during the past year.

A few interesting highlights to note from BankServAfrica's in-store card transaction data:

1. A single card recorded a transaction count of 197, adding up to R127,556 in total purchases.
2. The highest amount spent on a single card amounted to R6.6 million with 22 separate transactions.
3. The single highest transaction of R580,000 was at a car rental company.

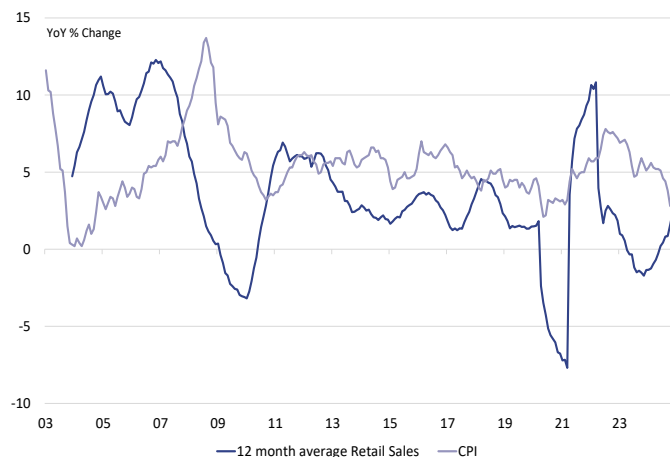
If I were this active on my card swipes, I would expect a call from my bank either saying there is fraud on my account, or I am in serious debt. The statistics are eye-watering!

### November Retail Sales

We further analyse retail sales across the economy to see which categories gained from the improved consumer spending habits. Once again, no December figures are yet available from StatsSA. November, however, supports retailer comments about good Black Friday sales with both momentum and volumes increasing.

A deeper dive into the underlying categories of the retail sales data shows that general retailers, furniture and appliances, and clothing have benefited the most from Black Friday sales. As Willie mentioned in last week's Money Morsel: "We like to clothe ourselves in SA" with

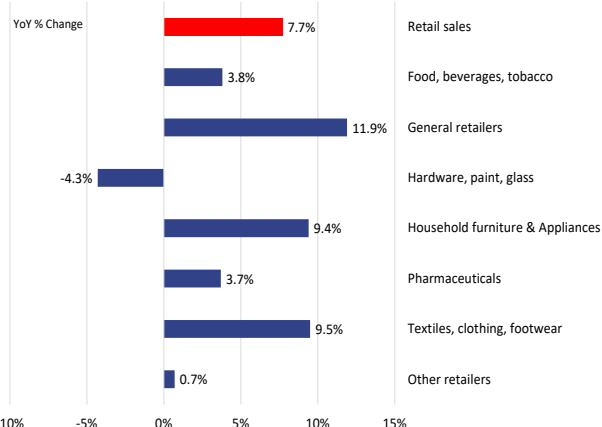
### SA RETAIL SALES



As inflation has eased, SA retail sales momentum has turned positive.

textile, clothing and footwear up 9.5% which bodes well for apparel retailers.

### NOVEMBER RETAIL SALES BY CATEGORY



General retailers, household furniture & appliances, and textiles, clothing and footwear benefited the most from improved purchasing power. These categories showed the most impressive growth for the twelve months ending November 2024.

### Christmas Cheer

BankServAfrica card data reported that SA consumers prioritised their spending on essentials, such as food, other necessities, and transport over the Christmas holiday, with grocery stores and supermarkets recording the highest spend. One shopper, however, was feeling very festive and spent R175,000 at a jewellery store in one card swipe.

Demand for cash remained high as SA consumers traditionally prefer cash over the festive season. The total value of cash orders processed increased by almost 4% in December.

According to BankservAfrica’s 3D-Secure online card authentication service, online shopping was strong with volumes increasing by 30% YoY. The preference for e-commerce is growing steadily in South Africa, although the overall contribution to retailers total SA sales is still modest. Grocery stores and large retailers were beneficiaries of the high volumes over the festive period. Checkers Sixty60 delivered online sales growth of 47% while Woolies Dash grew sales by 49% over the six months to the end of December. Mr Price Group (“MRP”) and The Foschini Group (“TFG”) also recorded exceptional online sales growth of 22% and 49% respectively in their Q3 FY2025 updates.

### Trading Updates From Retailers

From the BankservAfrica and StatsSA retail sales data, we expected general retailers such as Shoprite Group, apparel retailers and furniture retailers to have a “shiny” Golden Quarter. However, results were a mixed bag. It appears that consumers with more cash opted for value. Retailers that cater for higher LSM consumers such as Woolworths’ Fashion, Beauty & Home (FBH) division and Truworths were left in the dust.

Trading updates from PEP and MRP in the early part of the festive season pointed to double-digit growth in sales over October and the start of November, suggesting that consumers used some of their two-pot withdrawals for discretionary spending.

Cash was king, which confirmed the BankservAfrica data, with MRP reporting in their Q3 FY2025 update that cash sales outpaced credit sales. Their retail sales for this period were +10.6% YoY which was far better than that for the total market of +6.4%, according to Retailers’ Liaison Committee (“RLC”) data. December sales growth was impressive at 12.8%. Usually, this type of sales growth would suggest that volume was driven by markdowns, but management said that there were more full priced sales. Consequently, we expect margins, and in turn earnings, for H2 2025 to be much better, which should translate into dividend growth well above inflation.

The results for TFG’s Africa segment were lacklustre, revealing a preference for value. Retail sales growth for Q3 was just 5.3%, weaker than the overall market. Woolies’ FBH division mirrored this with sales growth slowing to 2.5%, and a further deceleration in sales to just +0.9% in the last eight weeks of the festive season.

Looking at this from a different angle, listed property companies specialising in retail property such as Vukile pointed to shoppers in the lower income areas spending cash on clothes and other household goods. Attacq’s festive update also confirmed that the two-pot cash withdrawals

supported discretionary retail categories, which gives credence to the company updates.

Consistent with the trend that consumers prioritised essentials over Christmas, Shoprite’s Checkers brand had good interim results with sales growth of 13% whilst Woolworths Food also had a good festive season update, showing growth of 11%. Comparing like-for-like sales and in-store inflation, Checkers is still growing volumes ahead of Woolworths. On the other hand, the Shoprite and Usave brands did not fare as well as their Checkers division with growth of 6%. With Pick ‘n Pay converting more of their stores to Boxer, resulting in exponential growth in their store footprint, Shoprite may finally have some stiff competition.

As we saw in the SA retail sales data, furniture growth in November was strong. Lewis confirmed this trend with robust cash sales in the last quarter, well ahead of their year-to-date performance.

We can safely conclude that many consumers took the opportunity from pension reform to dip into their retirement savings. If they didn’t pay off some debt, they spent it on food, clothes and furniture. Yet despite the optimism and strong period, retailers have cautioned about the outlook, citing the uncertainty from international political developments which could impact local inflation and interest rate expectations. Indeed, the Reserve Bank cited just such concerns after they cut interest rates by a further 0.25% last week. Added to that, the return of loadshedding last weekend is a shot across the bow that there is little room for complacency. There is still much work to be done in SA.

Nonetheless, we still believe that SA is heading towards a higher growth rate. Yet consumers remain cautious so we continue to prefer those retailers focused on the value end of the market, such as Mr Price, Shoprite, and Boxer.

### SOLID ADVICE

**BLACK FRIDAY  
SPECIAL!!**

**Stay at home and save  
100%.**

*With cash strapped SA consumers spending up to 62% of their income on debt, the data revealed that most waited for a Black Friday special to spend on non-essentials such as furniture and clothing/ footwear.*



Having examined the case for SA in our last seminar, our next presentation will focus on the prognosis for offshore investments.



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### HARVARD HOUSE GROUP



3 Harvard Street, Howick, 3290, South Africa



P.O. Box 235, Howick, 3290, South Africa



+27 (0) 33 330 2164

### Topic:

**Re-examining the case for offshore**

#### Natal Midlands

Date: 13 March 2025

Venue: Christ Church Howick, 23 Mare Street, Howick

Morning Time: 10am for 10.30am

Evening Time: 5.30pm for 6pm

#### Johannesburg

Date: 11 March 2025

Venue: Rosebank Union Church, Cnr Winne Mandela Drive and St Andrews Road, Hurlingham

Time: 7am for 7.30am

#### Cape Town

Date: n/a

Venue: SSISA Conference Centre, Boundary Road, Newlands, Classroom 1, 3rd Floor

Time: 7.30am

Venue: ABRU Motor Studio, Lourensford Wine Estate, Somerset West

Time: 5.30pm for 6pm



+27 (0) 33 330 2617



[admin@hhgroup.co.za](mailto:admin@hhgroup.co.za)



[www.hhgroup.co.za](http://www.hhgroup.co.za)

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