

Sector Chart Book: Internal Trade*

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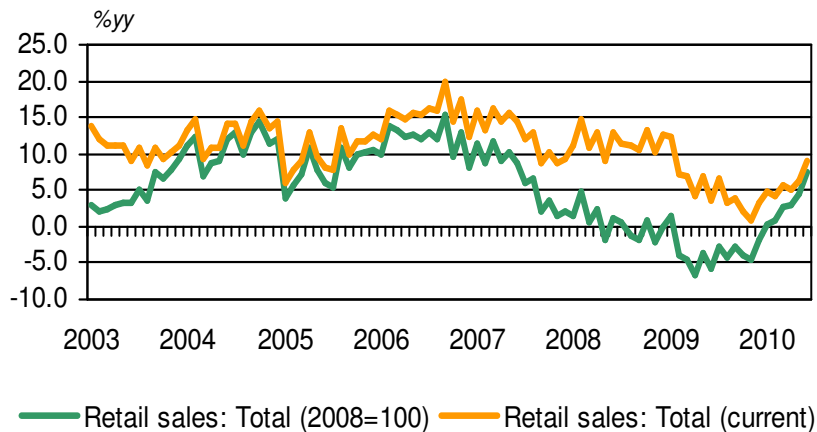
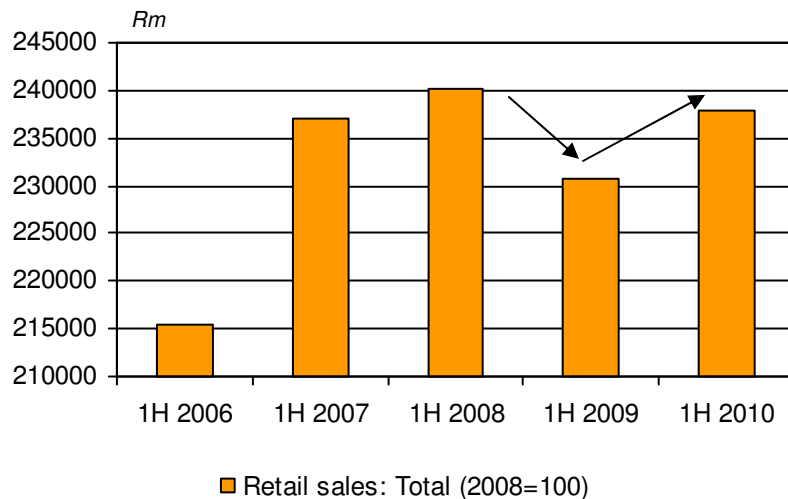
****Internal Trade refers to the retail, wholesale and motor trade sectors***

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Retail sector: Sales recovery gaining momentum

Growth in retail sales gains momentum...



- ❖ In the six months to June 2010 the level of real retail sales (sales volume) was estimated at R237.9 billion, 3.1% higher than in the same period last year
- ❖ In June, sales volume growth accelerated to 7.4%yy up from 4.5%yy in May while nominal sales grew by 9.1%yy up from 6.2%yy in May
- ❖ A firm upward trend has emerged

Source: StatsSA



Sales growth is not only stronger but more broad based...

% change year-on-year	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10
Retail sales: Total (constant) Rm	0.4	0.8	2.7	2.9	4.5	7.4
Retail sales: Total (current) Rm	4.8	4.2	5.8	5.0	6.2	9.1
General dealers (2008=100) Rm	-0.2	1.9	0.7	3.5	3.0	7.0
General dealers (current) Rm (37.9)	5.2	6.4	5.1	7.2	6.2	10.1
Food, beverages and tobacco in specialised stores (2008=100) Rm	-1.7	0.2	8.0	-1.5	2.3	3.4
Food, beverages and tobacco in specialised stores (current) Rm (10.3)	3.5	4.3	12.3	2.1	5.7	6.8
Pharmaceutical and medical goods, cosmetics and toiletries (2008=100) Rm	5.6	6.8	8.2	7.3	12.1	7.9
Pharmaceutical and medical goods, cosmetics and toiletries (current) Rm (4.6)	16.1	16.5	13.4	11.2	16.1	12.8
Textiles, clothing, footwear and leather goods Rm (2008=100)	8.8	6.4	10.5	6.7	6.3	13.1
Textiles, clothing, footwear and leather goods (current) Rm (19.1)	12.1	8.5	11.9	7.9	6.7	13.4
Household furniture, appliances and equipment (2008=100)	2.5	6.3	9.9	19.2	17.6	17.7
Household furniture, appliances and equipment (current) Rm (5.6)	1.3	3.1	6.3	14.5	11.6	11.5
Hardware, paint and glass (2008=100) Rm	-16.8	-13.5	-8.7	-10.2	1.0	-2.5
Hardware, paint and glass (current) Rm (8.6)	-12.3	-9.3	-4.2	-6.2	5.4	1.6
All other retailers (2008=100)	-1.3	-4.8	-2.7	-2.4	1.7	5.4
All other retailers (current) Rm (13.8)	1.8	-2.9	-1.4	-2.9	0.4	4.0

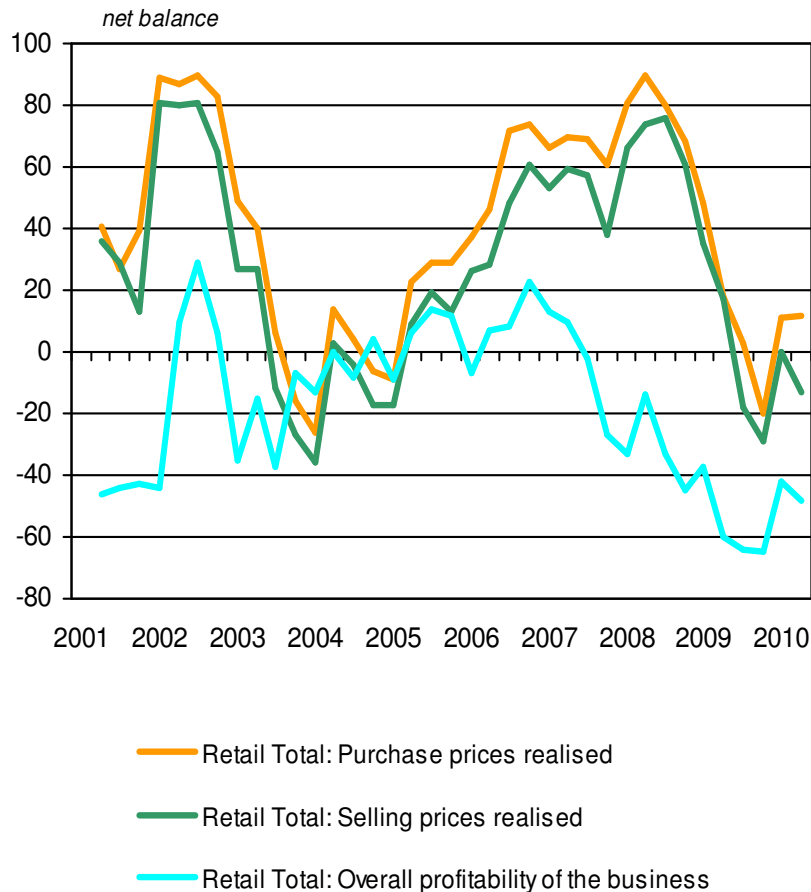
Source: StatsSA



Sales growth is not only stronger but more broad based (2)...

- ❖ Of the 7 major retail sub-sectors only hardware, paint and glass experienced a decline in annual volume growth in June
- ❖ Retailers of pharmaceuticals and cosmetics which proved resilient throughout the recession, continue to post strong revenue and volume growth
- ❖ After experiencing severe sales revenue and volume declines, retailers of household furniture, appliances and equipment have experienced a strong recovery
- ❖ Retailers of textiles, clothing and footwear, general dealers and retailers of food and beverages are also experiencing accelerating sales growth

However, retail profitability is seemingly under pressure...



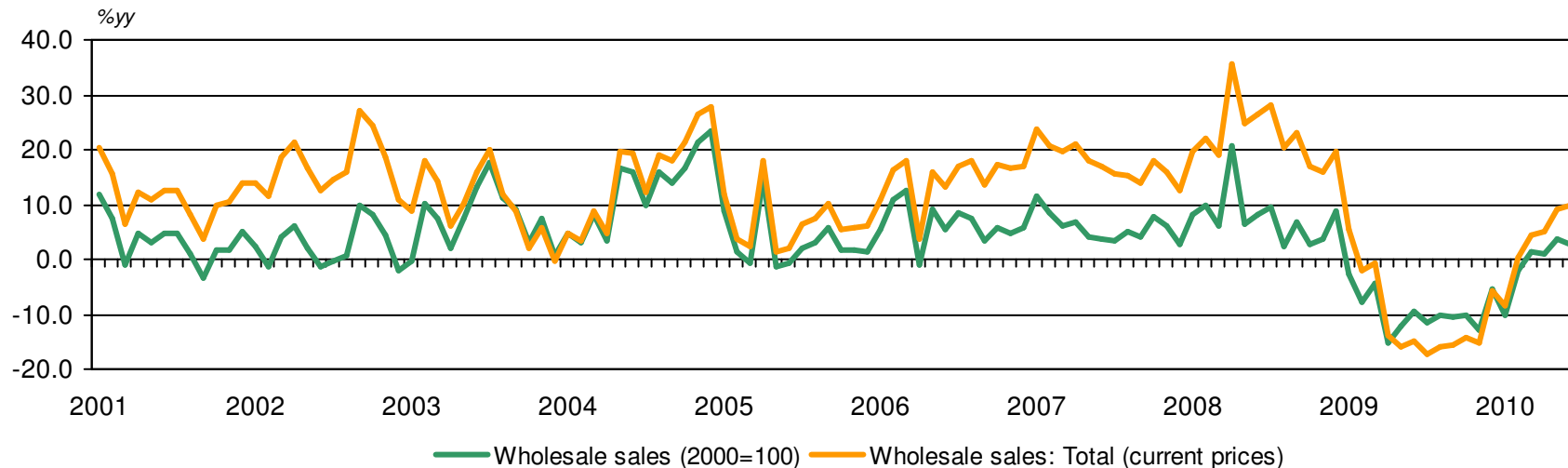
- ❖ Respondents to the Q2 2010 retail industry survey conducted by the Bureau for Economic Research (BER) reported an increase in average purchase prices (input costs) realised
- ❖ Input cost pressure was felt largely by semi-durable goods retailers
- ❖ However, a net majority of retailers also reported a decline in selling prices realised
- ❖ As a result the net majority of retailers reporting declining business profitability remains large
- ❖ The decline in selling prices is in line with very low goods price inflation within the South African consumer inflation basket

Source: BER



Wholesale sector: Nascent recovery

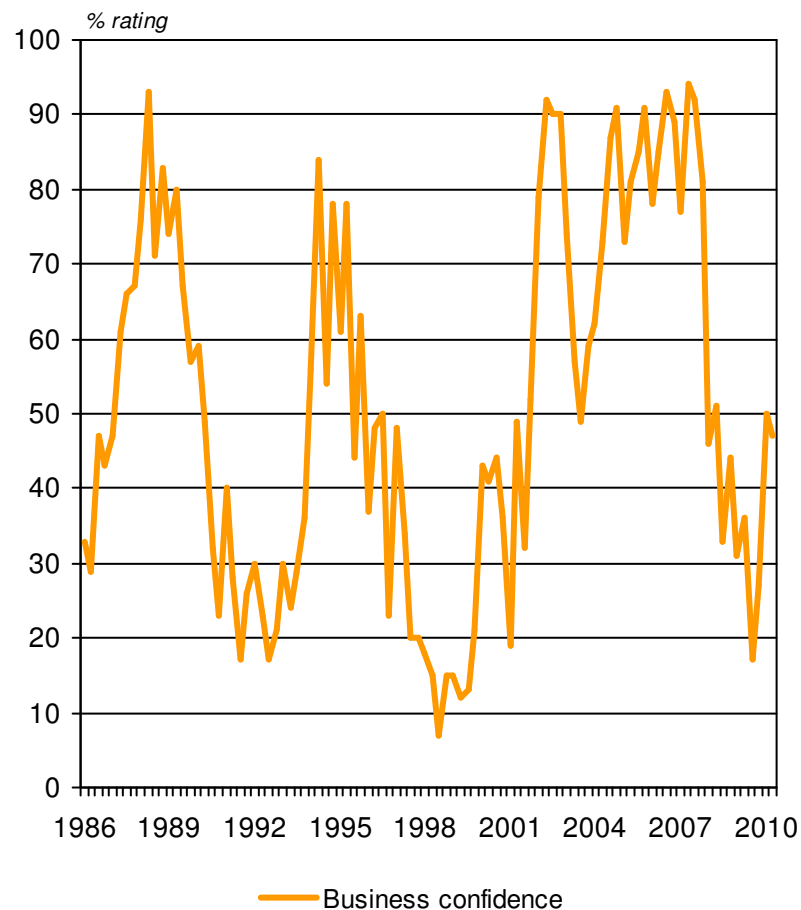
Nascent recovery taking shape in the wholesale sector...



- ❖ Wholesale sales revenue (nominal sales) growth accelerated to 9.7%yy in June from 9.2%yy in May and have been positive since February
- ❖ The major drivers of the wholesale revenue growth have been wholesalers of liquid and gaseous fuels, household goods excluding precious stones and wholesale trade in metal ores
- ❖ Volume growth has also been positive since March 2010 following double digit declines for most of 2009

Source: StatsSA

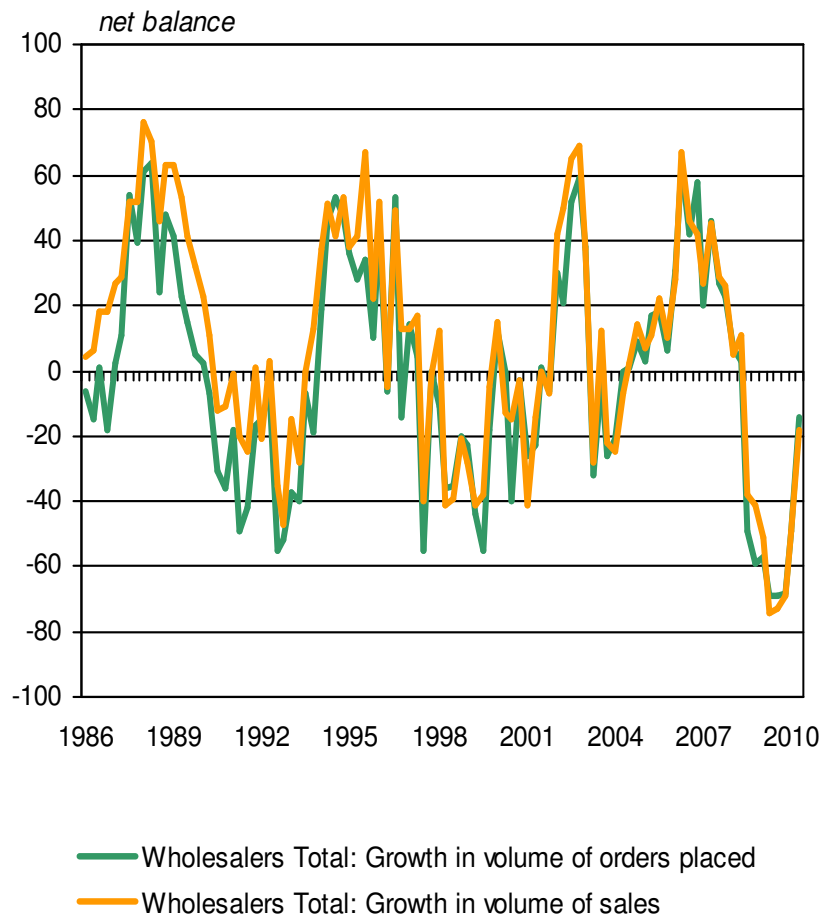
Business confidence among wholesalers eases slightly...



- ❖ Wholesale business confidence eased to 47 in Q1 2010 from 50 in the previous quarter
- ❖ This means that in Q2 2010 the pessimists among wholesalers slightly outnumbered the optimists
- ❖ However, wholesale business confidence remains much higher than it was in 2009 indicative of a relative improvement in business conditions

Source: BER

Wholesalers are signaling a marginal improvement in demand conditions...



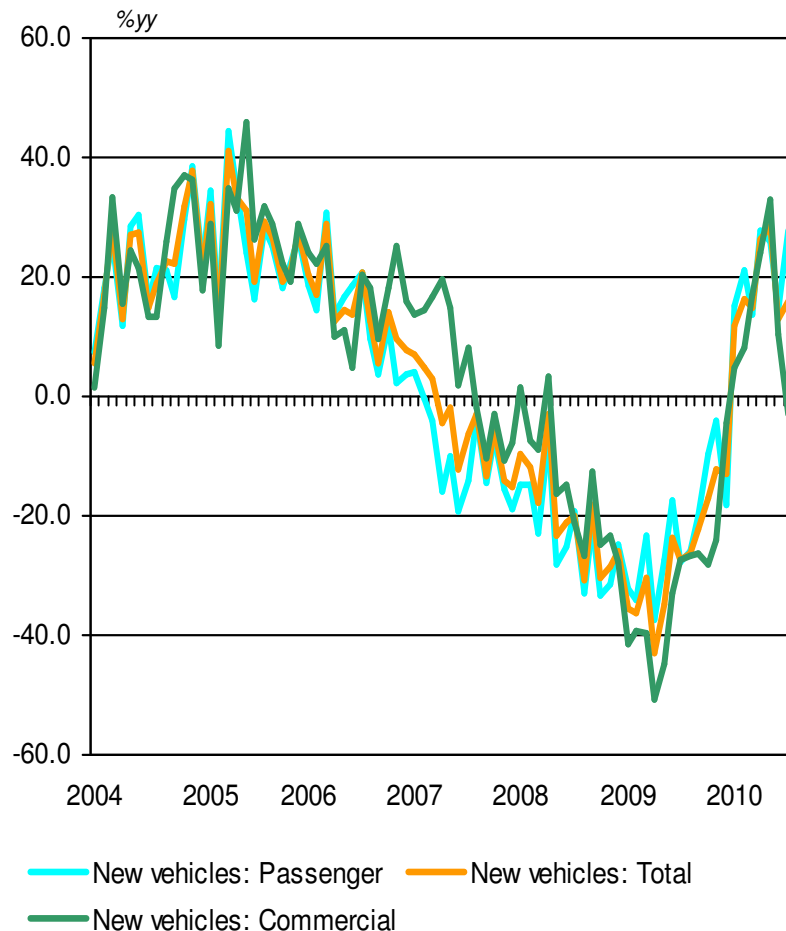
- ❖ Wholesalers are still signaling declining sales volumes and orders placed
- ❖ However, the net majority of wholesalers reporting a reduction in sales volume growth and in orders placed is substantially lower than what prevailed in 2009
- ❖ There is also a lower net majority who rate present stock levels as being too high relative to expected demand

Source: BER



Motor trade: Robust passenger car sales drive overall recovery but commercial sales are weak

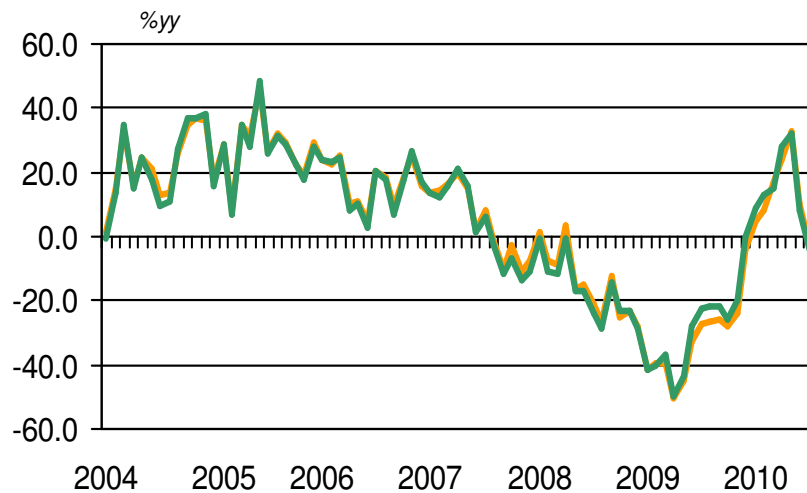
New passenger car sales drive a strong recovery in vehicles sales...



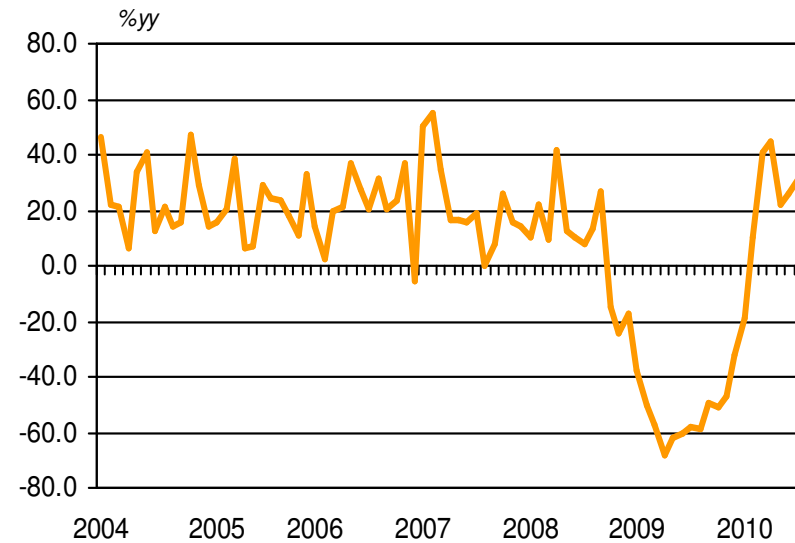
Source: NAAMSA

- ❖ The strong recovery in vehicle sales continues
- ❖ Total new vehicle sales increased by 15.8%yy in July to 35555 driven by passenger car sales that grew by 27.7%yy to 24033
- ❖ The monthly growth for new passenger car sales also accelerated indicating no loss of momentum
- ❖ However, sales of new commercial vehicles disappointed falling by 3.0%yy in July

New commercial vehicle sales disappoint...



— New vehicles: Commercial Total
— New vehicles: Light commercial



— New vehicles: Extra heavy commercial

- ❖ The contraction in commercial vehicles is due to declining growth of light commercial vehicles and bus sales and slow growth in heavy commercial vehicle sales
- ❖ In contrast, extra heavy commercial vehicles are showing continued sales growth

Source: NAAMSA



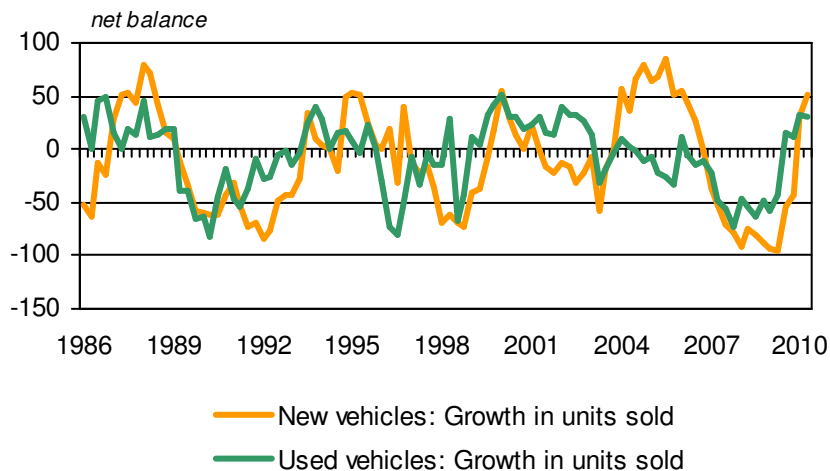
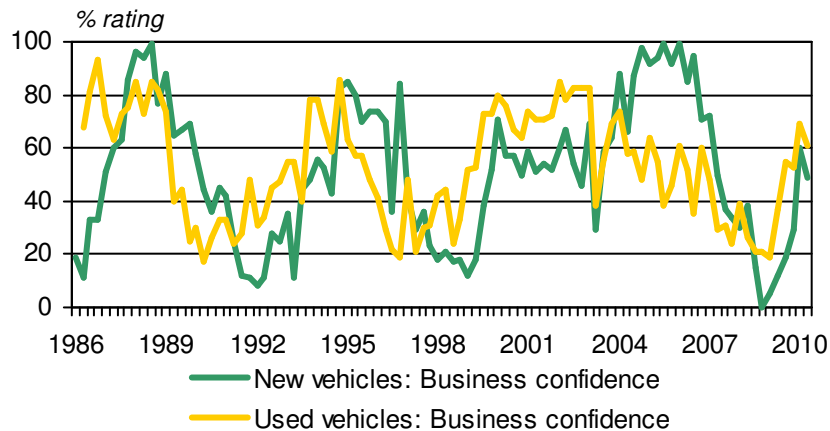
Overall, South African vehicle exports are much stronger than last year ...

	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10
Vehicle exports: Total no.	9137	14132	21296	17587	24180	20447
Vehicle exports: Total %yy	-14.7	-5.0	19.0	51.6	77.9	73.8
Vehicle exports: Total %mm	-44.1	54.7	50.7	-17.4	37.5	-15.4
Passenger car exports: Total no.	6775	9839	16160	14556	19440	16539
Passenger car exports: Total %yy	-11.8	-8.6	40.3	63.2	66.8	78.4
Passenger cars exports: Total %mm	-39.4	45.2	64.2	-9.9	33.6	-14.9
Commercial vehicle exports: no.	2362	4293	5136	3031	4740	3908
Commercial vehicle exports: %yy	-22.1	4.3	-19.5	13.0	144.6	56.4
Commercial vehicle exports: Total %mm	-54.3	81.8	19.6	-41.0	56.4	-17.6

- ❖ Total new vehicles exports grew by 73.8%yy to 20447 in June
- ❖ While both passenger and commercial vehicle exports have exhibited strong annual growth so far in 2010 from weak levels in 2009 it is passenger car exports that are showing growth momentum
- ❖ Average passenger car exports in 1H 2010 are higher compared to 2H 2009 in contrast to commercial vehicles were average exports in the six months to June 2010 are lower than in the previous six month period

Source: NAAMSA

Sentiment among vehicle dealers is very positive...



- ❖ Business confidence for both new and used vehicle dealers eased in Q2 2010
- ❖ However, it is still far higher than last years depressed levels
- ❖ The much improved sentiment reflects strong demand for new and used vehicles
- ❖ Large net majorities of both new and used vehicle dealers reported growing sales volumes and high levels of satisfaction with business conditions in Q2 2010

Source: BER



Bottom line...

- ❖ The internal trade sectors (retail, wholesale and motor trade) are on the recovery path with sales revenue and volumes resuming upward trends
- ❖ The recovery is strongest in motor trade with the retail recovery also gaining momentum
- ❖ The increasing breadth of the retail sector growth is encouraging as it points to a more sustainable recovery
- ❖ However retail survey data suggests that the profitability of retailers remains under pressure with low goods inflation negatively impacting profits
- ❖ Sentiment in the internal trade sectors abated somewhat in Q2 2010 but is mostly far better than what prevailed last year reflecting a relative improvement in business conditions



Bottom line...

- ❖ We expect the internal trade recovery to continue albeit gradually, supported by a gradual recovery in household consumption expenditure
- ❖ The drivers of household consumption expenditure are certainly healing
 - Consumer confidence is at levels consistent with strong growth in household spending
 - There has been a rapid moderation in inflation
 - Interest rates are at low levels that are likely to persist until 2H 2011
 - Household wealth is rising again (house prices)
- ❖ However, the following will act as speed bumps
 - Household indebtedness is still very high
 - Credit extension is falling
 - The labour market remains sluggish although mitigated by strong wage growth
- ❖ We expect GDP growth of between 3.0% and 3.5% in 2010 and in 2011 supported by a recovery in household consumption



End

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