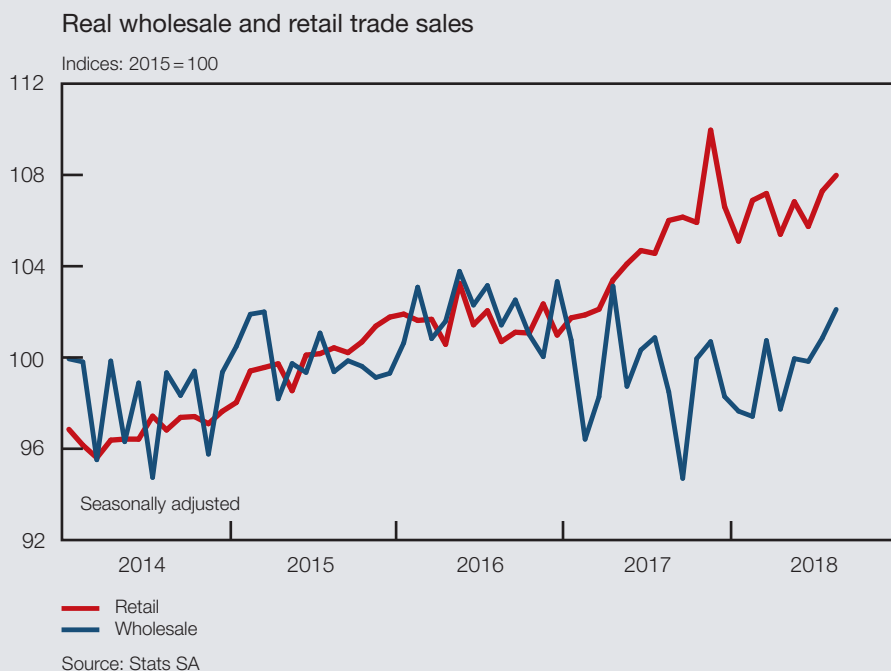


Box 1 Explaining the divergence between real wholesale and retail trade sales

Historically, real wholesale and retail trade sales correlated fairly well and were generally closely aligned to the business cycle. The current downward phase of South Africa's business cycle, which commenced in December 2013, has been affected by continued global economic and policy uncertainty following the global financial crisis as well as domestic idiosyncratic developments along with low business and consumer confidence. During this period, both real wholesale and retail trade sales initially moderated before diverging; real wholesale trade trended lower from mid-2016 while real retail trade sales grew fairly briskly from the start of 2017.



The divergence between real wholesale and retail trade sales could be attributed to different subcomponents constituting wholesale and retail trade sales, as well as their relative weights – as not all wholesale trade activity is measured in retail trade and vice versa – exacerbated by the effect of prevailing domestic economic conditions on specific subcomponents.

The broad-based upward trend in real retail trade sales from the beginning of 2017 was driven by growth in three subcomponents in particular, namely household furniture, appliances and equipment; textiles, clothing, footwear and leather goods; and all other retailers.

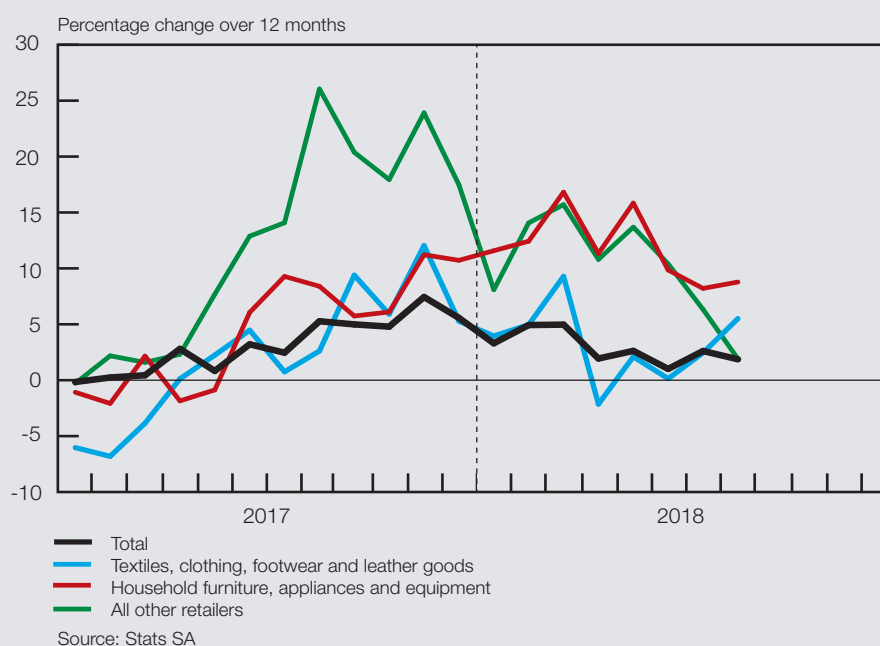
Subcomponents of wholesale and retail trade sales

Wholesale		Retail	
Categories	Weight*	Categories	Weight*
Food, beverages and tobacco.....	15.4	Food, beverages and tobacco in specialised stores.....	8.0
Textiles, clothing and footwear.....	2.5	Textiles, clothing, footwear and leather goods	16.4
Construction and building materials.....	5.6	Hardware, paint and glass.....	8.1
Other household goods.....	13.0	Household furniture, appliances and equipment	4.1
Precious stones, jewellery and silverware ...	2.8	General dealers	43.9
Solid, liquid and gaseous fuels and related products	20.4	Pharmaceutical and medical goods, cosmetics and toiletries.....	7.5
Metal and metal ores.....	2.6	All other.....	11.9
Machinery, equipment and supplies	12.5		
Other intermediate products, waste and scrap.....	4.4		
Agricultural raw materials and livestock	8.3		
Contract or fee basis.....	3.9		
Other goods.....	8.6		

* Weights as at August 2018

Source: Stats SA

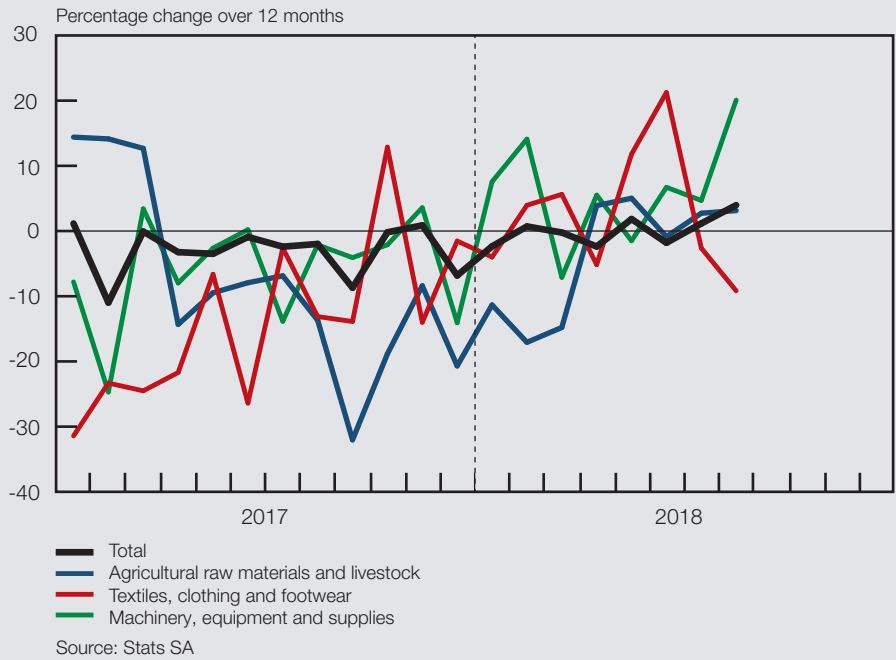
Real retail trade sales



The 'all other retailers' category grew the most in 2017, driven by retail trade sales by *other specialised stores*, particularly of gold coins (Krugerrands) and diamonds, as well as *online sales*. Sales by these two subcategories are not measured as part of wholesale trade. The strong growth in real retail trade sales of household *furniture, appliances and equipment* as well as *textiles, clothing, footwear and leather goods* – much of which are imported – was supported by the sharp moderation in price inflation of these goods in 2017, in the wake of the appreciation in the exchange value of the rand throughout 2016.

Growth in real wholesale trade contracted from mid-2016 up to the end of 2017. Real wholesale trade of agricultural raw materials and livestock – not measured in retail sales – contracted notably in 2017 as farmers began rebuilding herds following the severe drought of the preceding two years.

Real wholesale trade sales



Real wholesale trade of textiles, clothing and footwear also contracted in 2017, as cheaper imported products not coming through the wholesale channel and probably adversely affecting the domestic textile and clothing industry disproportionately showed up in retail sales. The wholesale trade categories; *solid, liquid and gaseous fuels and related products* as well as sales of *machinery, equipment and supplies* – both with fairly large weightings and not measured in retail sales – moved broadly in line with total real wholesale trade over the period. Weak sales of these products likely reflected subdued domestic economic activity and fixed investment, following a prolonged period of low business confidence.

It is worth noting that Statistics South Africa only publishes total real wholesale trade sales and not its subcomponents in the absence of appropriate deflators. The South African Reserve Bank deflates 5 of the 12 wholesale trade subcomponents for which appropriate deflators are available, namely sales of agricultural raw materials and livestock; food, beverages and tobacco; textiles, clothing and footwear; solid, liquid and gaseous fuels and related products; as well as machinery, equipment and supplies. Nominal wholesale and retail trade sales also diverged in 2017, but the divergence was not as pronounced as that between real wholesale and retail trade sales.

Nominal wholesale and retail trade sales

