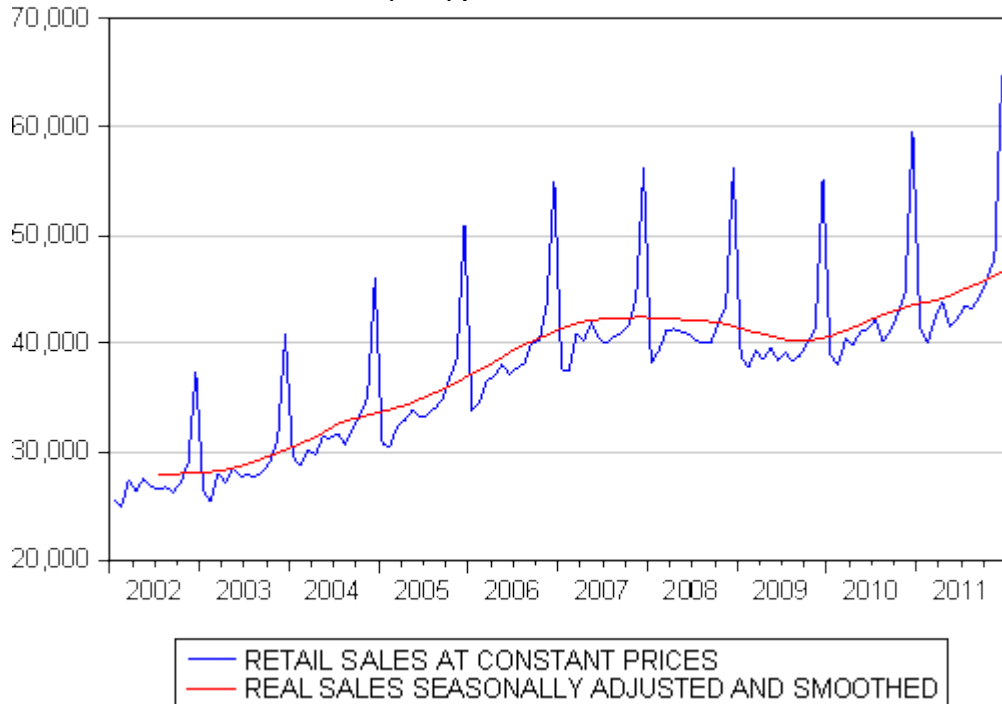


Retail spending: We told you so

Stats SA has confirmed the strength of retail sales volumes in December 2011. Strong intimations of this had been provided by cash in circulation and by the trading statements of the retailers themselves – and indeed by the share prices of the retailers themselves to which we have drawn attention. As we show below, retail sales volumes have recovered strongly from the mild recession of 2008-09. As we also show, the growth cycle in retail volumes, having seemingly peaked in mid 2011, appears to have picked up momentum again. Real growth in December was of the brisk order of an 8% annual rate.

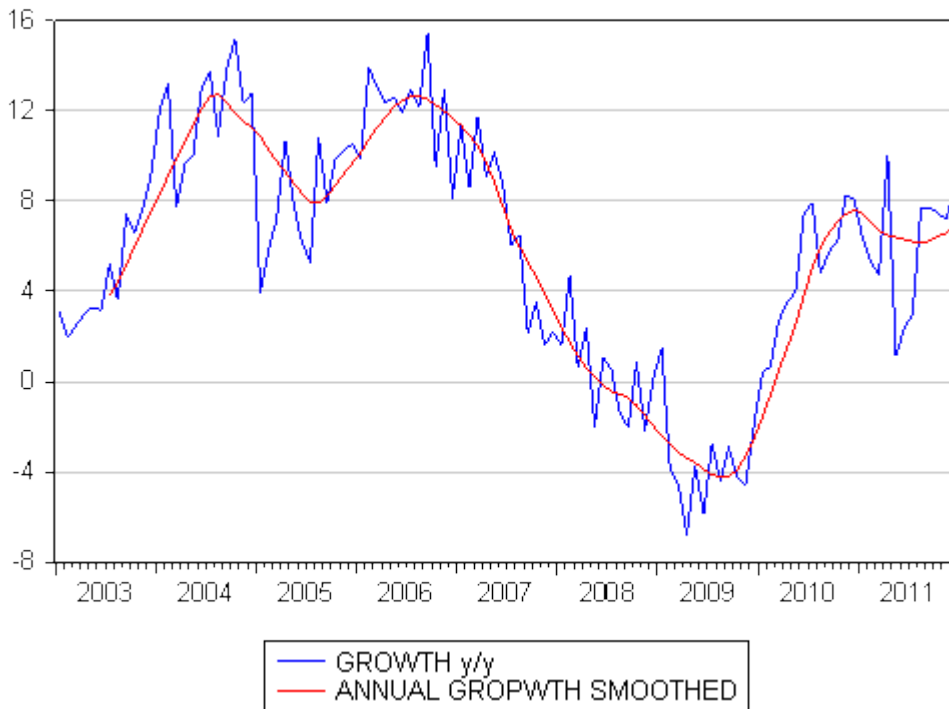
On a seasonally adjusted basis, growth in retail volumes for the three months up to December was at an even more impressive 16.4% annual rate, up strongly from growth recorded in November 2011. In money of the day terms, retail sales were 13.25% up in December on a year before and retail prices were 4.23% up on a year before (compared to headline inflation of 6.1%).

Retail sales volumes at constant (2008) prices



Source: I-Net and Investec Wealth & Investment

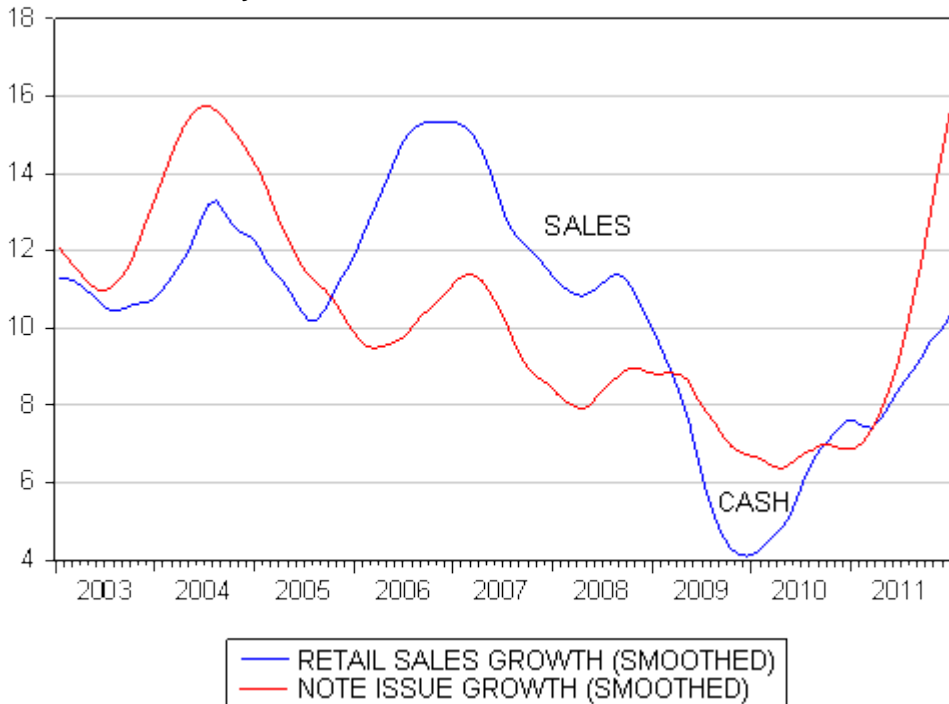
The retail volume cycle



Source: I-Net and Investec Wealth & Investment

In the figure below we show the relationship between the cash cycle and the retail sales cycle (both cycles represent smoothed growth). If the past is anything to go by, the recent surge in demand for and supply of cash bode well for retail sales growth in the months to come.

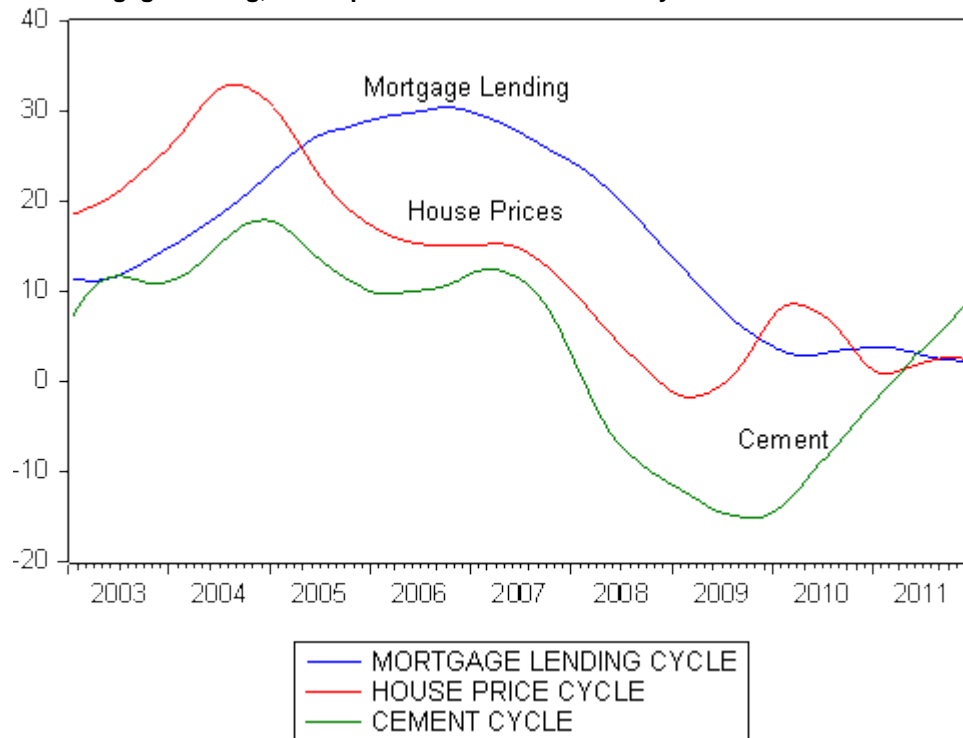
The retail and cash cycles



Source: I-Net and Investec Wealth & Investment

A further up to date hard number, in addition to the note issue and unit vehicle sales, has been released for January 2012. These are cement volumes sold in the month. These sales too have shown very strong recent growth despite weakness in mortgage lending and flat house prices. Perhaps house building activity as well as renovation activity have picked up. However information on building completions and renovations is months out of date (latest data is for November 2011) and we will have to wait for confirmation of any such improving trends.
Brian Kantor

The mortgage lending, house price and cement volume cycles



Source: I-Net and Investec Wealth & Investment