

Publication

THE STAR - BUSINESS REPORT

Page

15

Date

Mon 20 Jan 2020

AVE (ZAR)

47974.04



■ TRADING

Fashion, home retailers report mixed updates

Black Friday changes spending habits

DINEO FAKU
dineo.faku@inl.co.za

FASHION and home retailers Mr Price, The Foschini Group (TFG) and Truworths last week reported a mixed bag of trading updates, reflecting the effects of the weak economy and self-inflicted problems.

TFG led sales growth ahead of its peers in the nine months to December, while sales at Mr Price recovered in November and December, and sales at Truworths rose by a meagre 1.2 percent to R10.6 billion for the 26 weeks to the end of December.

TFG said consolidated turnover grew by 5.9 percent for the nine months to December 2019, compared with a year earlier, in line with expectations in all regions, apart from TFG Australia, which exceeded expecta-

tions. The group said on Friday that same-store turnover grew by 4.1 percent, cash turnover jumped 11.2 percent and credit turnover declined by -1 percent as a result of its prudent approach to credit in the current constrained economic environment.

TFG said the turnover growth included a record Black Friday performance, which helped to offset the negative impact of load shedding in December.

Mr Price said earlier on Friday that it had continued to gain market share in November, an increasingly key trading month because of Black Friday.

Mr Price said it was hurt by load shedding and heavy downpours in December.

"Business activity in key weeks in December was materially affected by Stage 6 rolling power blackouts and



MR PRICE says it continued to gain market share in November, an increasingly key trading month because of Black Friday. | Reuters

prolonged periods of torrential rain in the inland areas, partially diluting the anticipated impact of the extra week of school holidays," the group said.

Statistics SA last week said November retail trade sales had jumped to their highest year-on-year growth since the Easter holiday in April, buoyed by the significant increase in Black Friday discounts.

Lulama Qongqo, an investment analyst at Mergence Investment Managers, said on Friday that the reports from the retailers showed that consumers were trying to stretch their

wallets as much as possible by looking for bargains and opting to buy necessities before buying discretionary items and it had been difficult to get price increases through.

Qongqo said although TFG's sales grew ahead of peers, it was clear that they were also struggling to get the historically high sales growth rates they reported in the past financial periods.

"Their sales run rate doesn't look great.

"Another reason for TFG's lower sales relative to history is that they've stopped discounting aggressively in an

attempt to protect profits," Qongqo said. She said Mr Price had shown some recovery in sales in November and December, after a few own goals in the first half of their financial year, not by a significant amount though.

"Single-digit revenue growth for an affordable retailer such as Mr Price, shows how little discretionary spend consumers have," said Qongqo.

On Friday, TFG shares closed 0.2 percent lower at R155.50, Mr Price dropped 1.91 percent to R188.73 and Truworths closed 0.74 percent lower at R47.15.