

Truworths Sales Drop Knocks South African Clothing Retail Stocks

2016-11-03 15:32:38.699 GMT

By Janice Kew

(Bloomberg) -- South African retail stocks fell as Truworths International Ltd. slumped to the lowest in more than two years after the clothing chain said sales declined, excluding outlets added through the acquisition of U.K. shoe-seller Office Retail Group Ltd. last year.

The eleven-member FTSE/JSE Africa General Retailers Index retreated 2.7 percent in Johannesburg, the most in seven weeks, led by Truworths. The Cape Town-based company's stock tumbled 5.5 percent to 66.97 rand by the close, the lowest since September 2014. The volume traded was almost four times the three-month daily average.

Like-for-like store retail sales, which exclude those attributable to Office, decreased by 5 percent, Truworths said in a statement Thursday. Product inflation was 16 percent, it said.

Truworths' local cash sales have "deteriorated significantly," and "given the unexpectedly high inflation, like-for-like volumes were down in the region of 21 percent," Zahira Osman, a Cape Town-based fund manager at Afena Capital, said in an e-mailed response to questions. "Truworths is the second listed clothing retailer to post disappointing numbers.

The recent Mr Price update also pointed to a poor operational performance." Mr Price Group Ltd. warned two months ago that first-half earnings would probably decline as the clothing and household- goods retailer experienced its weakest winter season in more than a decade. Mr Price's stock has slumped 20 percent since that announcement.

South Africans' discretionary spending is under pressure because of the poor performance of the economy, Osman said. South African consumers have been battling a range of challenges, including unemployment of 27 percent, the slowest economic growth since 2009 and rising interest rates.

--With assistance from Neo Khanyile.

To contact the reporter on this story:

Janice Kew in Johannesburg at jkew4@bloomberg.net

To contact the editors responsible for this story:

Matthew Boyle at mboyle20@bloomberg.net;

Robert Brand at rbrand9@bloomberg.net

John Viljoen, Pauline Bax