

Shoprite expects diesel costs to remain high

By Nqobile Dlodla

8 Mar 2023

South Africa's biggest supermarket group Shoprite expects diesel costs to operate generators to remain elevated given rolling power cuts, pressuring its margins, but says new store openings will drive growth in 2023.



Source: Shoprite Group

Like its peers, Shoprite is grappling with severe load shedding, forcing it to crank up diesel generators and spend more on backup power supplies, adding to soaring costs for raw materials, transport and packaging.

In the six months to 1 January, the retailer said it spent R560m on diesel to operate generators, a R465m increase from 2021.

This reduced its trading margin to 5.7% from 6.1%, although trading profit rose by 8.6% to R6bn while sales jumped by 16.8% to R106.3bn, supported by bumper holiday sales and 225 new store openings.



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Due to extra spending on diesel "We are not reporting the level of profit and dividend growth normally associated with such a notable achievement in terms of sales growth," chief executive Pieter Engelbrecht said.

Keeping costs in check

To help minimise costs, Shoprite has plans to contain food wastage as a result of load shedding and the level of maintenance needed to run assets like fridges, Engelbrecht told investors. "So what we can control, we'll control to make sure that we don't have to pass more of those costs to the consumer," he added.

Many consumers have turned to cheaper private-label products and alternative brands as they grapple with once-in-a-generation levels of inflation and high-interest rates and transport costs.



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Products at Shoprite were 9.4% more expensive in the period, with Engelbrecht saying he expects the retailer's selling price inflation to be in the mid-teens in the second half.

The retailer is hoping that growth in the year will be buoyed by 238 new planned stores, including 94 bought from Walmart-owned Massmart and a number of new baby, Checkers Food convenience and clothing stores.

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