



Pick'n Pay Expects Little Inflation Effect on Sales (Update1)

By Holger Elfes

June 20 (Bloomberg) -- Pick'n Pay Stores Ltd., South Africa's second-largest food retailer by market value, said rising inflation will have little effect on sales this year.

"Sales are still rising in our stores," **Gareth Ackerman**, chairman of majority owner Pick'n Pay Holdings Ltd., said today in an interview at the CIES World Food Business Summit in Munich. He saw no reason to cut the Cape Town-based company's growth forecast for this year.

The South African Reserve Bank has raised interest rates six times in the past year to quell inflation, which reached an annual 10.4 percent in April. The inflation outlook is of "serious concern," and consumers should reduce their debts, central-bank Governor **Tito Mboweni** said June 12.

"In the hierarchy of needs, the two most important are a roof over your head and food," said **Syd Vianello**, a retail analyst at Nedcor Securities in Johannesburg. "So food retailers will always outperform other retailers in terms of profits in a rising-interest-rate environment."

Sales growth from Pick'n Pay's existing stores is probably between 12 percent and 13 percent, Vianello said. Still, climbing inflation "undoubtedly results in consumers switching to basic essentials rather than buying luxury goods," he said.

The company, which also has stores in Australia, Zimbabwe, Swaziland, Namibia and Botswana, is seeking further expansion possibilities in the region, Ackerman said.

Pick'n Pay slipped 10 cents, or 0.4 percent, to 26.90 rand in Johannesburg trading, giving the company a market value of 13.6 billion rand (\$1.7 billion). The stock has slid 29 percent in the past six months.

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