

Retail trade – August 2009

ECONOMIC ALERT

30 September 2009

KEY POINTS

Value of total turnover

- Retail turnover in seasonally adjusted terms rose by 0.9% in August 2009, significantly better than market expectations of a 0.5% rise. This follows a revised decrease of 0.9% in July 2009 and a decrease of 0.8% in June 2009.

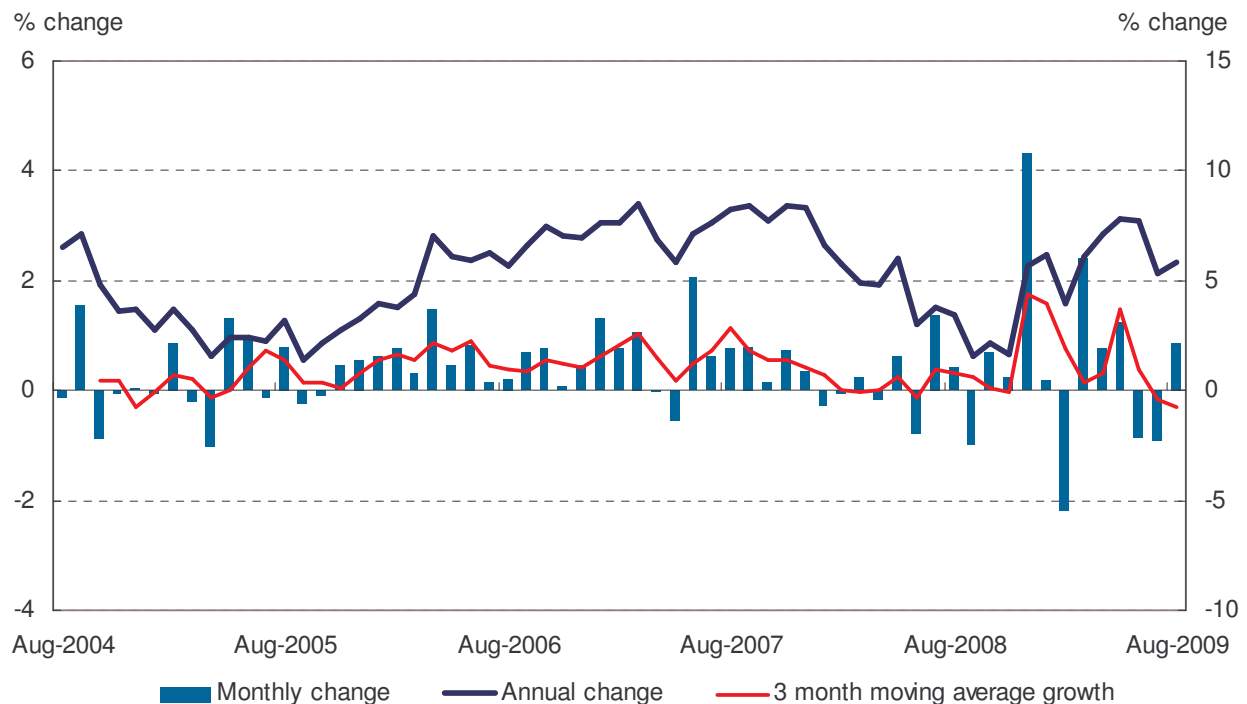
The sub-sectors

- In seasonally adjusted terms, Food retailing (+1.8%), Household goods retailing (+0.9%), Department stores (+2.4%) and Cafes, restaurants and takeaway food services (+1.9%) had an increase in August 2009. Other retailing decreased 3.0% and Clothing, footwear and personal accessory retailing saw no change.

The states

- In seasonally adjusted terms all states, except the Northern Territory (-0.7%), had an increase in August 2009. States with the largest increases were Queensland and Tasmania (both +1.4%), South Australia (+1.1%) and New South Wales (+0.8%).

Chart: Monthly, three month & annual growth in retail turnover (seasonally adjusted)



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Policy implications

- While retail turnover in August was stronger than expected, the increase follows two months of decline. In quarterly growth terms, which abstracts from volatility in the monthly data, retail turnover remains relatively soft. This softness most likely reflects the peaking of the impact on consumer demand of the Federal Government's cash payments to taxpayers.
- However, notwithstanding recent and prospective 'bumpy' economic data, the RBA has noted that such developments are in line with its recent upwardly revised economic forecasts.
- The RBA's view is that the economic outlook is improving. This view is based on the better than expected capital expenditure expectations for 2009-10, a solid June quarter national accounts outcome and rising consumer confidence which is, in part, being driven by the likelihood that unemployment is likely to rise to a peak of around 7% rather than the 8.5% forecast by the Treasury in May. This latter factor, combined with a return to rising household wealth driven by housing prices and share prices is likely to help sustain growth in consumer demand over coming quarters.
- This and the significant gap between the current cash rate of 3.0% and the 'neutral rate of around 4-5%, suggest that the RBA will lift the official cash rate towards the end of 2009.