

Retail trade – May 2009

ECONOMIC ALERT

1 July 2009

KEY POINTS

Value of total turnover

- Retail trade increased by 1.0% in May 2009 (seasonally adjusted). This follows increases of 0.3% in April 2009 and 2.2% in March 2009.
- Supported by successive Government stimulus packages, annual growth in retail turnover lifted to 7.1% in April 2009.
- In original terms, Australian turnover fell by 0.8% in April 2009, compared with a 12.2% increase in March.

The sub-sectors

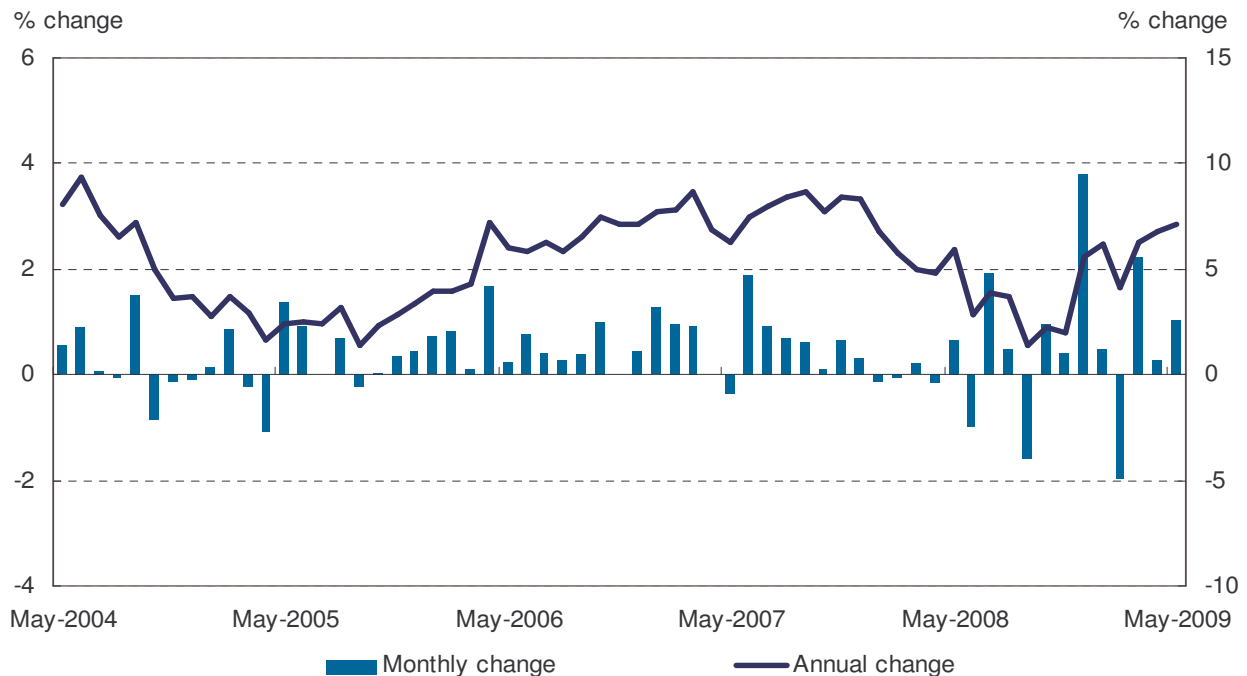
- In seasonally adjusted terms, all industries, except Household good retailing, which saw a fall of 2.0%, had an increase in turnover in May 2009. Industries with the largest increases were Department stores (5.5%), Clothing and soft good retailing (2.9%) and Cafes, restaurants and takeaway food services (1.4%).

The states

- Western Australia recorded the largest increase in turnover in May (3.5%), followed by South Australia (1.8%), Queensland (1.5%), and Victoria (0.7%). Both New South Wales and the Northern Territory were virtually unchanged and Tasmania had a decline of 0.1%.

N.B. The retail trade trend series was suspended in November 2008, as it is not possible for the ABS to determine the trend in retail turnover through the period affected by the Government's stimulus packages and other influences associated with global economic conditions.

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



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Policy implications

- Retail turnover grew by twice as much as the 0.5% increase anticipated by the markets, suggesting that the government's taxpayer payments received in April and early May provided a boost to consumer spending in the month.
- The solid improvement in retail turnover over the past two quarters, along with signs of rising housing finance approvals has reflected better household sentiment in part supported by lower interest rates, the first home buyer grant boost and the government's cash payments.
- The Reserve Bank Board has continued to signal that it will watch the economic data as it evolves over coming months, before making a decision on any further reductions in the official cash rate. The lift in retail turnover and housing sector data will sustain the Board's willingness to wait further. However, should the expected rise in unemployment over the next few months begin to damage consumer sentiment it will likely cut rates modestly further to insure a sustained improvement in consumer spending.