

## Retail trade declines as cautious consumers cut back further

### Retail turnover contracted in October

Retail turnover in Australia contracted by a seasonally adjusted 1.1% in October 2010, following the revised rise of 0.1% in September. Annual growth in retail turnover fell to 2.2% in October from 3.7% in September.

Retail turnover in the Northern Territory dropped by a seasonally adjusted 4.9% in October, the highest among all the states and territories. This was followed by New South Wales, Queensland, Victoria, Western Australia and South Australia. Tasmania was the only state to have recorded an increase in retail turnover, which rose 0.5%. Retail turnover in the Australian Capital Territory rose 0.6%.

### Expenditure on non-essentials faced the cut

Turnover in the cafés, restaurants and takeaway food sub-sector declined by a seasonally adjusted 4.8% in October, a significant worsening from the 1.1% contraction recorded in September. Turnover in the clothing, footwear and personal accessory retailing sub-sector contracted 4.6%, a sharp reversal of the 2.4% growth in September. The departmental store sub-sector recorded a 1.1% decline in turnover, down from a 0.6% contraction in September. Food retail, which accounts for around 40% of total retail turnover, managed a 0.6% increase.

The further cut back in eating out and shopping at departmental stores in October compared to a month ago, as well as the broad-based slowdown in growth in the other retail sub-sectors (Chart 1), suggest that Australian consumers have become even more cautious in spite of improvements in the labour market over recent months, possibly weighed down by higher mortgage payments and the softening of house prices. Similar conclusions are reached from Ai Group's Australian PSI.

Chart 1: Trends in retail trade

