

Retail trade down slightly

Retail turnover contracted in June

Retail turnover in Australia contracted by a seasonally adjusted 0.1% in June 2011, a significant improvement from the 0.6% decline in May. Compared to the same time last year, retail turnover rose 1.4%, slower than the 2.0% annual growth recorded in May.

Retail turnover in New South Wales, Victoria, South Australia and the Australian Capital Territory declined, while the other states and territory recorded increases. South Australia recorded the sharpest fall in retail turnover, decreasing 0.8%.

Consumers remained cautious

The drop in June's retail turnover largely reflected the 3.2% plunge in turnover in department stores retailing, which reflected the ongoing cautiousness among consumers. Furthermore, turnover in the household goods retailing and café, restaurants and takeaway food sub-sectors both fell by 0.7% in the month.

Policy implications

The June retail trade data indicates that the retail sector remains soft against a backdrop of consumer cautiousness, despite the gradual improvement in employment prospects. This, together with heightened uncertainty in the global economic outlook which largely reflects doubts of fiscal sustainability in the United States and some European economies, could prompt the Reserve Bank of Australia to hold off raising interest rates until later this year or the following year despite some emerging inflationary pressures from other sectors of the economy.

Chart 1: Trends in retail trade

