

Retail trade – August 2011

ECONOMIC ALERT

5 October 2011

Retail trade growth continues

Seasonally adjusted retail turnover in Australia increased 0.6% in August 2011, unchanged from July. Compared to the same time last year, retail turnover rose 2.1%, significantly higher than the annual growth rate achieved in July. New South Wales recorded the strongest growth in retail trade, rising 1.0% in the month. This is followed by Western Australia (0.9%) and Tasmania (0.8%).

The strong increase in retail trade in August is led by the household goods retailing and cafes, restaurants and takeaway food services sub-sectors, where retail sales rose 1.7% and 1.2%, respectively. Retail turnover in the clothing, footwear and personal accessory retailing and department stores sub-sectors, however, remained weak, contracting 0.3% and 0.8% respectively.

Policy implications

That the growth in retail trade has continued for the second consecutive month offers hope that consumer demand may be starting to pick up. However, significant downside risks remain as the labour market has recently showed signs of softening and the global economic outlook remains highly uncertain. When examined against the backdrop of heightened risk aversion and volatility in global financial markets and the increased likelihood of subdued economic growth in the United States and European economies, the rise in retail turnover in August is unlikely to convince the Reserve Bank of Australia to raise interest rates any time soon.

Chart 1: Trends in retail trade

