

Retail trade improves in July

Seasonally adjusted retail turnover in Australia expanded by a stronger than expected 0.5% in July 2011, a significant improvement from the 0.1% and 0.6% decline in June and May. Compared to the same time last year, retail turnover rose 1.4%, unchanged from the annual growth rate achieved in June.

In July, retail turnover increased in all states and territories, except Queensland, which experienced a 0.2% decline. Amongst the sub-sectors, food retailing rose 0.8% following a 0.4% gain in June. While clothing and footwear sales declined 4.2%, department stores (+1.2%), cafes and restaurants (+1.1%) and household good retailing (flat) all posted improved sales after weakness in June. The “other retailing” sub-sector, which typically contains many small-ticket discretionary items, posted a solid 1.9% rise following a 1.5% gain in June.

Policy implications

The improvement in the July retail trade data offers hope that consumer spending may be starting to rebound. However, significant downside risks remain as the labour market has recently showed signs of softening and the global economic outlook remains highly uncertain. Consequently, the rise in retail turnover in July is unlikely to convince the Reserve Bank of Australia to raise interest rates any time soon.

Chart 1: Trends in retail trade

