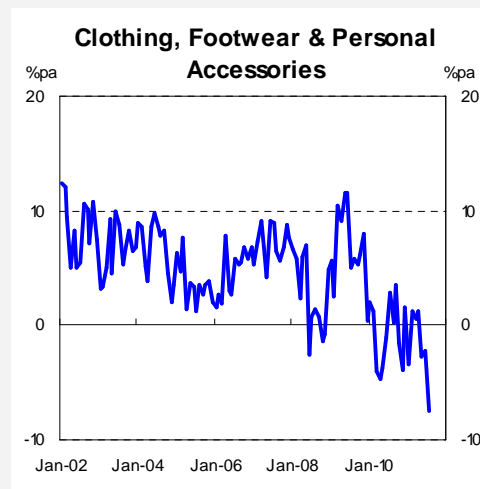
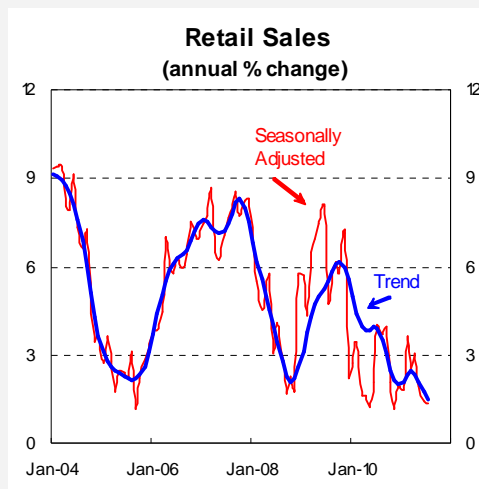


# DATA SNAPSHOT

## Retail Trade: Few Bright Hues in Retail Spending

1 September 2011

- Unlike the bright hues in the new season's fashion colours, the underlying trend in retailing remains far from bright. Retail spending might have lifted 0.5% in July, but annual growth of 1.4% has not been weaker in eleven years. Further, the trend annual rate, which smoothes the retailing data further, fell to 1.5%, the lowest since the series goes back to the early 1980s.
- The rise in retail trade in July also predates the turmoil in global markets in August and the increased uncertainty over the global economic outlook. This turmoil and uncertainty is likely to prolong, if not deepen, household caution, and keep retailing in the doldrums for longer.
- Across the retailing sectors, only one category recorded a fall in July – clothing, footwear & personal accessories. Over the last three months, this category has declined by 6.5% - the worst performance over three months in nearly eleven years.



Unlike the bright hues in the new season's fashion colours (think tangerine), the underlying trend in retailing remains far from bright. Retail spending might have lifted 0.5% in July, after a fall of 0.7% over the May-June period, but annual growth of 1.4% has not been weaker in eleven years. Further, the trend annual rate, which smoothes the retailing data further, fell from 1.7% to 1.5%, the lowest since the series goes back (to 1982).

The rise in July also predates the turmoil in global markets in August and the increased uncertainty over the global economic outlook. This turmoil and uncertainty is likely to prolong, if not deepen, household caution. It means little significant recovery in retail spending is likely in coming months, especially with consumer sentiment wallowing in pessimistic territory.

### Retailing Sectors

Across the retailing sectors, only one category recorded a fall – clothing, footwear & personal accessories. It fell by 4.2% in July. Over the last three months, this category has declined by 6.5% - the worst performance over three months in nearly eleven years. Annual growth also deteriorated to 7.5%, the worst outcome in ten years.

The strongest rise occurred in the other retailing category of 1.9%. This category covers mostly small-ticket goods from chemists, newsagents and the like. Annual growth of 7.2% in this category is the strongest in almost three years.

Other categories witnessed a rise in retailing in July, but annual growth was mostly weaker.

- Department store sales rose by 1.2% in the month, but are down 2% on a year ago.
- Cafes, restaurants & takeaway food services rose by 1.1% in the month, but is down 3.1% on a year ago.
- Food retailing was up 0.8% in July, but is up 4.1% on a year ago.
- Household good retailing was flat in the month and was down 0.3% on a year ago.

#### States

Across the States, NSW recorded a spike of 1% in retail spending in July, but it is only the first rise in five months.

Growth in the month was also recorded in SA (+0.8%), NT (+0.8%), WA (+0.7%), TAS (+0.7%), VIC (+0.3%) and the ACT (+0.1%).

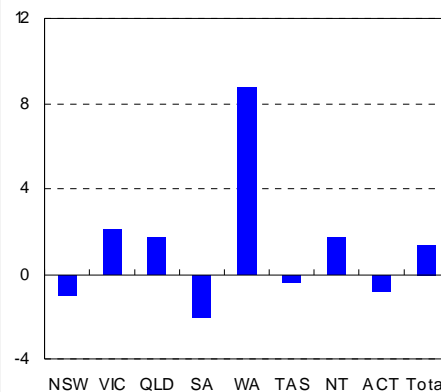
QLD was the only State to record a decline, of 0.2%.

#### Outlook for Interest Rates

Today's batch of data – retail sales and private business investment – highlighted the opposing forces in the economy. On the one hand, household caution and a high Australian dollar are squeezing some sectors of the economy, like retailing. But on the other hand, the strong lift in private business investment is underpinning economic activity.

The Reserve Bank needs to assess the different forces in the economy. Our view is that their assessment will lead them to leave rates on hold in coming months.

**Retail Sales by States & Territ.**  
(annual % change)



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