

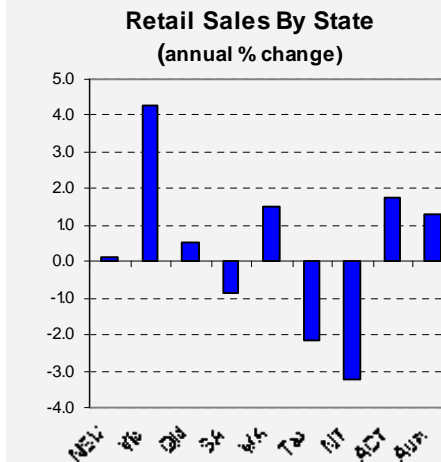
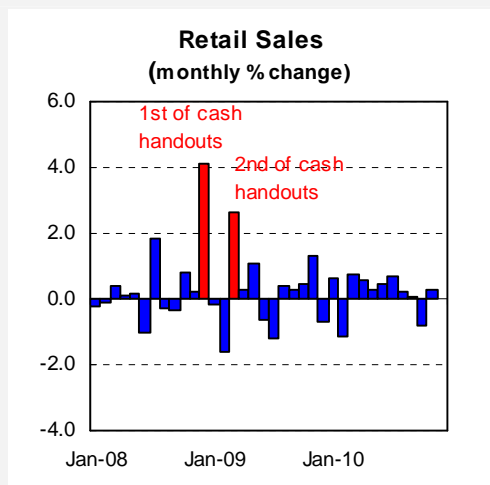
# DATA SNAPSHOT

## Retail Sales Show Lacklustre Gain

Monday, 10 January 2011

### Retail

- Retail sales continue to struggle. Retail sales were in line with market consensus expectations, rising 0.3% in November. But it follows a sharp decline of 0.7% over September and October. The result is a further sign that households remain cautious, given the interest rate hike from the RBA in early November, and anecdotal reports suggesting consumers are turning to online purchases of imported goods (which are not captured in this data).
- A further sign that retailing continues to flail is the unevenness across categories. Consumers increased their spending on department store and "other" retailing (which includes chemists, nurseries and jewellers). Meanwhile spending on food retailing was wound back in November after a solid increase in October.
- In annual terms, retail sales remain quite subdued, rising just 1.3% in the year to November, which compares to an annual rate of 6.2% in the year to September 2009, before the RBA embarked on this round of interest rate hikes.



### Retail Sales

Retail sales edged up 0.3% in November, led by strength in department store and other retailing (which both rose 0.8% for the month.) Sales at cafes, restaurants and takeaway establishments, as well as sales of clothing, footwear and personal accessories showed small increases in November, following on from sharp declines in the previous month. The weakest performer, by industry in November, was food retailing, which slipped 0.1%. However, with food prices likely to have spiked in December, due to the impact of the flood, food retailing may pick up and any softening in volumes is likely to be mild given food is not discretionary.

According to the ABS the states and territories with the strongest sales in November were ACT (+1.0), followed by NSW and Queensland which both saw increases of 0.6% for the month. At the other end of the spectrum, the poorest performing states were SA and NT, where retail sales fell 0.9% in November. On a year ago, Victoria is a frontrunner because housing is strong there.

We have heard a lot from retailers in recent weeks, and there's no doubt retailers have been doing it tough. However, anecdotal evidence suggests the post Christmas sales were strong this year, with the Australian Retailers Association estimating these sales could increase by as much as 3%. Despite this, over the longer-term, high interest rates and a shift to spending on-line on imports (which is not captured in this data) suggest retail sales will continue to under perform the wider economy. Although department store sales increased in November, the trend remains weak.

The RBA is likely to be comfortable with the continued caution from householders. Ultimately the RBA would prefer a more solid household balance sheet in the event that there is a commodity shock on the downside, or a broad slow down in the economy.

Jo Heffernan, Senior Economist  
Ph: (02) 9320-5751

## St.George Contact Listing

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### Economics & Strategy:

Chief Economist	Besa Deda	<a href="mailto:dedab@stgeorge.com.au">dedab@stgeorge.com.au</a>	(02) 9320 5854
Senior Economist	Kate King	<a href="mailto:kingk@stgeorge.com.au">kingk@stgeorge.com.au</a>	(02) 9320 5892
Senior Economist	Josephine Heffernan	<a href="mailto:heffernanj@stgeorge.com.au">heffernanj@stgeorge.com.au</a>	(02) 9320 5751
Market Economist	Amanda Tan	<a href="mailto:tanam@stgeorge.com.au">tanam@stgeorge.com.au</a>	(02) 9320 5816

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