



AUSTRALIAN CHAMBER OF
COMMERCE AND INDUSTRY

MEDIA RELEASE

Thursday 4 February 2010

SLUMP IN RETAIL SPENDING SHOWS RECOVERY STILL TENTATIVE

Statement by Mr Peter Anderson, Chief Executive

Retail trade figures for December show spending in the crucial Christmas trading period slumped badly. Retail turnover contracted -0.7 per cent in the month and compared to the same period last year was only 2.1 per cent higher.

The full impact of the cash stimulus payments have run their course and retail data is now giving us a clearer read on the underlying strength of consumer demand. The picture suggests the recovery remains tentative with some time to go before more robust conditions return.

Retail trade has been very patchy since mid-2009. The December figures show no growth in aggregate spending in the seven months since May. Hopes that a lift in sales in November may be the first evidence of a sustained upswing in demand have been tempered. Anecdotal evidence from retailers suggests that sales were also lacklustre in January.

All this serves to highlight the prudence of the Reserve Bank in leaving rates on hold at its February Board meeting. There is a strong case for continuing to assess both the impact of the three rate hikes delivered before Christmas and the broader strength of the household sector before tightening policy further.

Difficult trading conditions in the retail industry also underpin the need for caution with respect to the pending minimum wage review. The retail sector is the nation's largest employer and heavily award dependent. In addition to the loss of jobs, underemployment in the industry is at 15.2 per cent and would be exacerbated by an unsustainable increase in award rates.

For further information:

Greg Evans	Director, Industry Policy & Economics	02 6273 2311 / 0407 204 559
Brett Hogan	Director of Communications	03 9668 9950 / 0407 273 884

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MR 018/10

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