



Summary

Monthly Change (Trend):

Queensland	↑	0.5%
Rest of Australia	↑	0.5%

- Nominal retail turnover (trend) in both Queensland and the rest of Australia rose 0.5% in February.
- In seasonally adjusted (sa) terms, retail turnover nationally rose by 0.7% in February, well above a market expectation of a 0.3% rise. In sa terms, retail turnover in Queensland rose by 0.8%, following a 0.7% rise in the previous month.

Analysis

Queensland's trend monthly retail trade grew by 0.5% for the fifth consecutive month in February 2006 (see Chart 1). Trend growth in Queensland matched that of the rest of Australia in February. In sa terms, retail turnover growth in Queensland (0.8%) marginally outperformed the rest of Australia (0.7%).

Despite an easing from the high rates of growth reached in mid-2005, trend monthly retail turnover growth in February 2006 (0.5%) remained above growth in the same month last year (0.3%). Further, solid monthly growth thus far in the 2005-06 financial year has resulted in the highest annual trend retail turnover growth in February 2006 (7.3%) achieved since September 2004. Annual growth in Queensland was also significantly higher than that of the rest of Australia (3.9%).

In terms of industries in Queensland, contributions to trend monthly growth in nominal retail turnover in February (Chart 2) was broad based, with only clothing and soft good retailing and recreation goods being largely unchanged over the month.

The recent pickup in annual retail turnover growth is consistent with relatively strong consumer sentiment and labour market conditions. Annual growth in nominal average weekly ordinary time earnings (AWOTE) strengthened to more than 5% in mid-2005, preceding some strengthening in annual growth in retail turnover and total consumer spending in late 2005 (see chart 3). Retail turnover growth has also been supported by a relatively low unemployment rate in Queensland over the past year and a half, as well as strong population growth.

Constraining factors to consumer spending going forward include the future direction of petrol prices, the \$A exchange rate and interest rates. While the negative influence of petrol prices on retail trade has been subdued in recent months, with unleaded petrol prices remaining below their peak reached in September 2005, the recent fall in the Australian dollar may place upward pressure on \$A petrol prices, which may impact discretionary retail spending. While it is too early to ascertain whether the recent \$A depreciation will place upward pressure on selected retail prices, it should be noted that strong global competition has been important in placing downward pressure on imported retail items over the past couple of years. Finally, any rise in interest rates may influence consumer spending going forward, with the RBA indicating a 'mild tightening bias' in their latest Statement on Monetary Policy.

Table 1. Nominal retail turnover, February 2006

States/Australia	% Change			
	Monthly		Annual	
	Trend	SA*	Trend	SA*
Queensland	0.5	0.8	7.3	6.8
New South Wales	0.4	0.5	3.5	3.2
Victoria	0.3	0.5	2.9	3.6
South Australia	0.6	0.8	2.7	2.5
Western Australia	0.7	1.9	7.5	8.7
Tasmania	0.6	0.4	8.3	7.7
Rest of Australia	0.5	0.7	3.9	4.1

* Seasonally Adjusted

Chart 1. Nominal retail turnover (Monthly % change, trend)

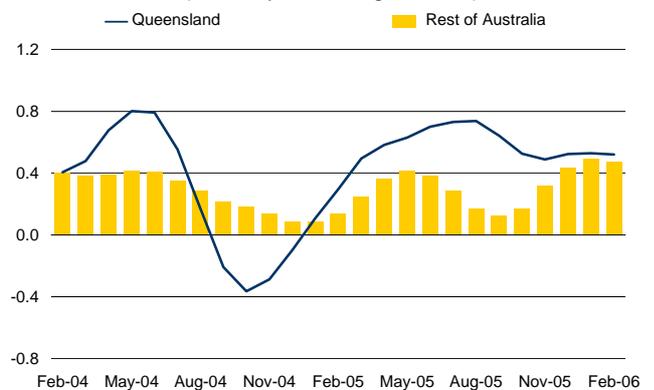
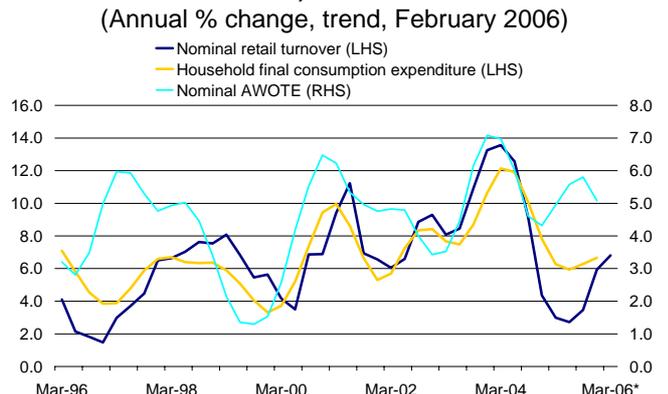


Chart 2. Nominal retail turnover by industry group (% point contribution to growth, trend, February 2006)



Chart 3. Nominal retail turnover, consumption and income, Queensland (Annual % change, trend, February 2006)



* Mar-06 quarter is estimate for retail trade annual growth based on first 2 months of quarter