

Summary

Monthly Change (Trend):

| | | |
|-------------------|---|------|
| Queensland | ↑ | 0.6% |
| Rest of Australia | ↑ | 0.4% |

- Nominal retail turnover (trend) rose 0.6% in Queensland in July 2006, stronger than the 0.4% rise in the rest of Australia.
- In seasonally adjusted (sa) terms, retail turnover in Queensland rose by 0.9% in July, also well above the 0.5% growth recorded in the rest of Australia.
- In sa terms, retail turnover nationally rose 0.6% in July 2006, slightly above the market expectation of a 0.5% rise.

Analysis

Queensland's nominal trend retail turnover increased 0.6% for the fourth consecutive month in July 2006. In comparison, retail trade growth in the rest of Australia moderated 0.1 percentage point for the second consecutive month, to be 0.4% in July (see Chart 1).

In annual terms, trend retail turnover in Queensland grew 7.2% in July, with only Western Australia (up 9.1%) recording stronger annual growth in the month. Queensland has recorded strong annual growth of 7.0% or above in each month of 2006. In the rest of Australia, retail turnover rose 5.8% over the year to July 2006 (see Table 1).

With respect to industry groups in Queensland, food retailing (0.3 percentage point) and, to a lesser extent, department stores, household goods, other retailing and clothing and soft goods retailing (all 0.1 percentage point) all contributed to trend retail turnover growth in July (see Chart 2). This is the seventh consecutive month in which food retailing has been the leading contributor to monthly retail trade growth. It should be noted that increased spending on food retailing could be somewhat attributed to higher food prices, rather than increased sales volumes.

Favourable conditions for consumers have supported retail trade in recent months, including strong population growth and positive labour market conditions, with the trend unemployment rate declining 0.2 percentage point to 4.5% in July. Relatively strong annual growth in average weekly earnings for full time adults and the introduction of income tax cuts in July have supported incomes, while modest growth in house prices have supported household wealth. In addition, the extension of several end-of-financial-year clearance sales may also have had a positive impact on nominal retail turnover in July.

Looking ahead, strong wages growth and excellent labour market conditions should support retail turnover in the coming months. However, the key risks to retail turnover going forward remain ongoing high petrol prices and the impact of recent interest rate rises. These have the potential to adversely impact on discretionary incomes and consumer sentiment, and therefore retail turnover growth.

Table 1. Nominal retail turnover, July 2006

| States/Australia | % Change | | | |
|--------------------------|------------|------------|------------|------------|
| | Monthly | | Annual | |
| | Trend | SA* | Trend | SA* |
| Queensland | 0.6 | 0.9 | 7.2 | 7.1 |
| New South Wales | 0.4 | 0.3 | 4.9 | 5.3 |
| Victoria | 0.3 | 0.0 | 5.4 | 5.3 |
| South Australia | 0.3 | 1.0 | 4.5 | 3.8 |
| Western Australia | 0.8 | 1.6 | 9.1 | 9.9 |
| Tasmania | 0.2 | 1.6 | 5.9 | 6.9 |
| Rest of Australia | 0.4 | 0.5 | 5.8 | 5.9 |

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

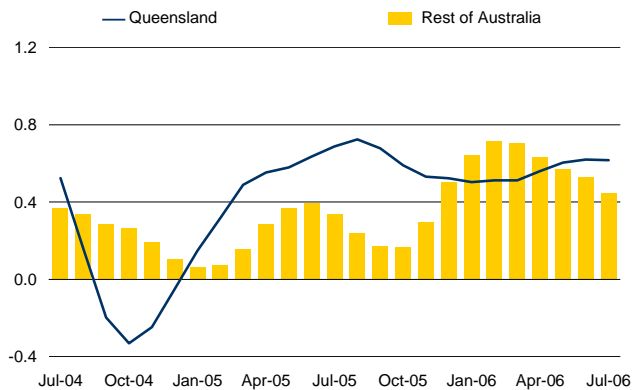


Chart 2. Nominal retail turnover by industry group
(% point contribution to growth, trend, July 2006)

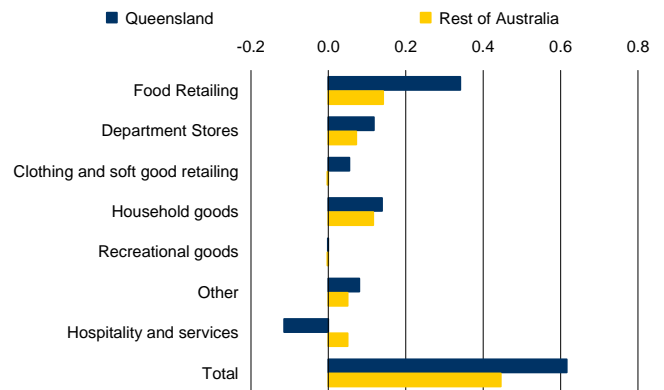


Chart 3. Nominal retail turnover by State
(Annual % change, trend, July 2006)

