



MEDIA STATEMENT

National Retail Association

7 December 2009

Christmas Trading Forecast 2009

The National Retail Association (NRA) is Australia's largest and most representative retail organisation with over 3500 members and affiliates located across all Australian states and territories. Its membership includes most of Australia's national chains including Myer, Kmart, Target, Best and Less, Country Road, the Just Group, Super Cheap Auto, the Reject Shop, City Beach, and many others.

Most of the key determining factors point to a strong sales performance by the retail sector across the make or break Christmas/New Year trading season.

Interest Rates

Despite recent upward movements in interest rates the cost of home loans to consumers is the lowest in the lead up to this Christmas than in has been for many years.

<u>Year</u>	<u>Official Cash Rate</u>
December 06	6.25%
December 07	6.75%
December 08	4.25%
December 09	3.75%

Year	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Average rate across year	3.27%	6.65%	6.40%	5.81%	5.46%	5.25%	4.81%	4.56%	5.04%	5.92%

While the margin between the cash rate and the home loan rate charged by the banks is increasing it is apparent that consumers with a mortgage continue to benefit from historically low interest rates. After showing restraint during the economic downturn, retailer expectation is that consumers will be motivated to spend strongly during this years festive season.

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Retail Sales Growth

Retail sales growth across the year has been unexpectedly positive and while the withdrawal of the stimulus has slowed the rate of growth, the improving economic outlook and a peaking of the unemployment rate will contribute to strong growth across the Christmas trading period.

<u>Month in 2009</u>	<u>Growth in Retail Trade Over the Same Month in 2008</u>
March	6.2%
April	6.9%
May	7.4%
June	7.6%
July	4.6%
August	5.0%
September	5.0%
October	4.5%

(Growth data excludes restaurants, cafe and take-away food sales from ABS Data)

The October retail sales data disclosed particularly strong levels of growth in NSW. The turn-around in NSW is an important indicator for performance by the national chains across the Christmas trading period. The rate of growth of retail sales as at October 09 is also significantly higher than in October 08 in the case of most states with NSW the stand-out:

State	NSW	Northern Territory	Tas	Victoria	ACT	QLD	WA	SA
Annual growth in sales at Oct 2009	8.8%	7.3%	7.1%	5.1%	4.6%	3.9%	3.6%	1.6%
Annual growth in sales at Oct 2008	-1.2%	11.6%	6.3%	3.7%	1.0%	2.8%	2.0%	8.3%

Employment

There is evidence that the labour market has reached a turning point with total employment increasing in September and October 2009. Consumers will enter this years Christmas season with much more optimistic prospects about job security than was the case in December 2008. While the unemployment rate is higher this December (5.8% compared with 4.6% in December 2008) the outlook for job prospects going forward is considerably more optimistic than it was last year.

Consumer Confidence

While measures of consumer confidence show that consumer confidence has slipped a little over the last month or so because of interest rate rises, generally levels of confidence remain very high and indices remain well above their five year averages.

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Savings

Low interest rates and the cash hand outs by the federal government has enabled many consumers to focus on debt reduction across 2009. High levels of consumer confidence and an optimistic outlook for 2010 will encourage consumers to spend this Christmas.

The enduring focus of Christmas and gift shopping is on kids and young people. When household incomes are under stress spending by parents and partners on each other tends to diminish.

Early evidence this year points to an upswing in relationship strengthening presents and a shift to the more enduring and traditional gifts. After a difficult trading year jewellers have invested substantially in marketing and promotional campaigns and should benefit through the sale of jewellery, pendants, bracelets, watches and similar gifts.

Exchange Rate

The substantial escalation in the value of the Australian dollar over the last year will make a significant contribution to price competitiveness. In January this year the Australian dollar was worth US 64cents. The A\$ is now trading at 92 US cents an upward revaluation of over 40%. Imports can account for up to 80% of a retailers stock, hence the positive fluctuation in the Australian dollar creates the capacity for more aggressive and broader discounting this Christmas season.

Petrol Prices

Petrol prices remain relatively stable and will not negatively impact the available discretionary spend during the Christmas season.

Forecast

Retail sales for December 2009 are forecast to grow by 5.5% over the same period in 2008. This means that across the nation consumer are expected to spend almost \$27 billion across all retail categories.

The breakdown is as follows:

NSW	\$8.2 billion	31%
Victoria	\$6.7 billion	25%
Qld	\$5.5 billion	21%
WA	\$2.9 billion	11%
SA	\$2.0 billion	7%
Tas	\$602 million	2%
ACT	\$488 million	2%
NT	\$261 million	1%

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Food	\$9.3 billion	34%
Department stores	\$3.1 billion	12%
Clothing and footwear	\$2.5 billion	10%
Household/Entertainment	\$5.2 billion	19%
Other	\$4.1 billion	15%
Cafes/Restaurants	\$2.6 billion	10%

Best Sellers

Some of the hot selling items for Christmas this year:

Electronics and Gaming

Apple iPod touch and iPods generally

DJ Hero Bundle with turntable

Nintendo Wii fit and Hannah Montanah

X Box and accessories

Star War Force Trainer

Lego Mind storm

Bratz Hair Magic

Tickle Me Elmo

Lucky The Wonder Pup

Apple White Unibody Macbook

Young People Fashion

Subi denim shorts and jeans for girls

American apparel leotards for girls

Sass and Bide singlets for chics

Zoo York and Von Zipper Tees for guys

Billabong boardies for guys

Lee shorts

Havaianas thongs

End.

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