



MEDIA STATEMENT

5 October, 2010

RBA does the right thing – now the banks must fall in line

The National Retail Association today applauded the Reserve Bank’s decision to leave interest rates on hold, and called on the major banks to recognise the same fragility in the economy that had prompted the RBA to hold its position.

NRA executive director Gary Black said retailers were facing their most difficult trading conditions in decades, and the RBA decision confirmed that growth in the economy was not uniform.

However, Mr Black said he was concerned by recent comments from major banks indicating they may press ahead with rate rises regardless of the central bank’s decision.

“The Reserve Bank has refused to bow to pressure from the major banks to increase rates, instead recognising that strong results for the mining sector are not reflected in other areas.

“Rather than pressing ahead with their threatened rate increases, the major banks must understand that the retail sector – Australia’s largest employer – continues to struggle.”

Retail trade figures released by the Australian Bureau of Statistics today showed growth in the sector of just 2.2 per cent since August last year, in seasonally adjusted terms. This growth excludes turnover in the cafe, restaurant and take-away food sector which grew by 15 per cent in August 2010 compared with August 2009.

“Take a walk through any shopping centre and talk to store owners and you will very quickly learn that the economy is not roaring along as the banks seem to believe, based on recent comments.

“With 80 per cent of Australia essentially a service economy, and with the majority of the population relying on this service economy for their livelihoods, the banks’ threats of higher rates are greatly damaging heading into the most important trading period of the year.”

RETAIL SALES ANNUAL GROWTH – (seasonally adjusted excluding cafe and restaurants)

Category	Food	Household Goods	Clothing, Footwear & personal accessories	Department Stores	Other Retailing	Australia Total
Year to April 2010	0.28%	0.94%	-4.78%	-4.73%	1.51%	0.81%
Year to May 2010	2.37%	-0.22%	-3.62%	-5.82%	0.77%	0.24%
Year to June 2010	1.76%	-0.1%	-0.85%	1.6%	1.02%	0.83%
Year to July 2010	3.67%	0.46%	2.23%	0.29%	2.81%	2.44%
Year to Aug 2010	2.35%	0.87%	-0.01%	-0.41%	6.52%	2.22%

Mr Black said the retail sector had still not recovered from the sluggish start to 2010 caused by three consecutive interest rate increases at the end of last year.

“Everyone in the retail sector was just grateful to survive through the first half of this year, with the expectation that during the second half of the year retail trading conditions would improve as part of the growing economy.

“However the feedback we’re receiving from members is that while there was some growth in July, that tapered off through August and conditions took a turn for the worst in September.

“Members are now telling us that these are the worst trading conditions they have experienced in three decades.”

Recent ABS employment data showed full-time employment in retail was still six per cent below where it was three years ago in August 2007 (and this deficit is around 15 per cent in Queensland). Total retail sector employment is still 8,000 jobs below August 07 levels.

While there has been some growth in part-timework, this shift away from full-time employment clearly indicates a retail sector in generally poor health and lacking confidence about the future.

As in July, NSW and Victoria continued to be the strongest performing states while Tasmania was again the weakest.

RETAIL SALES BY STATE \$ millions – (seasonally adjusted)

State	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Year to March 2010	3.29%	1.21%	-1.91%	0.41%	2.37%	-1.08%	-0.09%	4.24%
Year to April 2010	1.84%	2.67%	-1.04%	3.63%	4.27%	-0.32%	5.22%	2.70%
Year to May 2010	2.32%	2.81%	-2.40%	1.83%	0.86%	-0.87%	3.96%	1.31%
Year to June 2010	2.83%	3.57%	-0.72%	1.46%	1.20%	-1.35%	5.50%	2.16%
Year to July 2010	4.88%	6.53%	2.49%	3.72%	0.07%	-1.05%	4.44%	1.92%
Year to Aug 2010	5.01%	5.80%	1.15%	3.17%	2.77%	-1.54%	3.81%	1.75%

The state by state data is beneficially impacted by the inclusion of turnover in the cafe and restaurant sector. If this turnover is removed the mainstream retail growth is halved. For example in NSW and Victoria in August 2010 sales in the cafe and restaurant sector increased by 19% over the same data for August 2009.

The NRA is Australia’s largest and most representative retail organisation with more than 3000 members and affiliates located across all states and territories. Its membership includes the majority of Australia’s national retail chains and extends across the retail take-away food and fast food sectors.

Gary Black is available for interviews. Contact Malcolm Cole on 0408 612 603