



National Retail Association

MEDIA STATEMENT

30 April, 2010

RBA should declare a moratorium on new rates rises

The National Retail Association today called for a moratorium on new interest rate rises, saying it was too soon after recent increases for the Reserve Bank to boost rates again next Tuesday.

NRA Executive Director Gary Black said the full impact of the increases announced in March and April was yet to work its way through the economy, and was yet to be reflected in trade and other economic data.

“An interest rate increase at next week’s meeting would be nothing more than a stab in the dark by the RBA board,” Mr Black said.

“The ABS won’t release retail trade statistics for March until next Thursday, meaning the most recent trade data available to the Reserve Bank is from February – before it began the current run of interest rate rises.

“It can take up to a month for increases to be reflected in people’s home loan repayments, and even more time after that for consumers to tighten their spending. So makes no sense for the bank to move again on rates until it can measure the impact of its previous increases.”

Mr Black said if the RBA needed evidence of the time lag between interest rate increases and a slowing of economic activity, it should look at the impact of its triple increase in October, November and December last year.

The Bank announced a third consecutive monthly increase in December, but retail data later showed consumer spending had already collapsed – growing by just 0.2 per cent in a trading period which accounts for up to one quarter of total annual sales for many retailers.

“Even though retail spending had slowed to a crawl, the RBA still had its foot on the brake. That third increase in December is reflected in the 1.2 per cent fall in consumer spending recorded in February this year. We urge the RBA not to make the same mistake again, but to allow time for its previous increases to take effect.”

Mr Black said NRA members of various types and sizes were reporting slower-than-normal trading conditions, and many were struggling to cope with external factors such as increased rents, energy costs, higher outgoings and increased taxes such as land tax. Additionally it is the same employers that are being asked to face a double whammy in labour costs with both award modernisation and general pay increases coming into force on July 1, 2010.

“Many retailers are now informing us that they are already struggling to maintain existing staff levels. Another rate rise now will lead to job shedding and a reduction in job opportunities in the largest employing sector in the Australian economy, and importantly in a sector which employs one in every two young Australians. Given that one in five young people is already unemployed, the Reserve Bank is urged to look closely at the consequences of its decisions.”

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