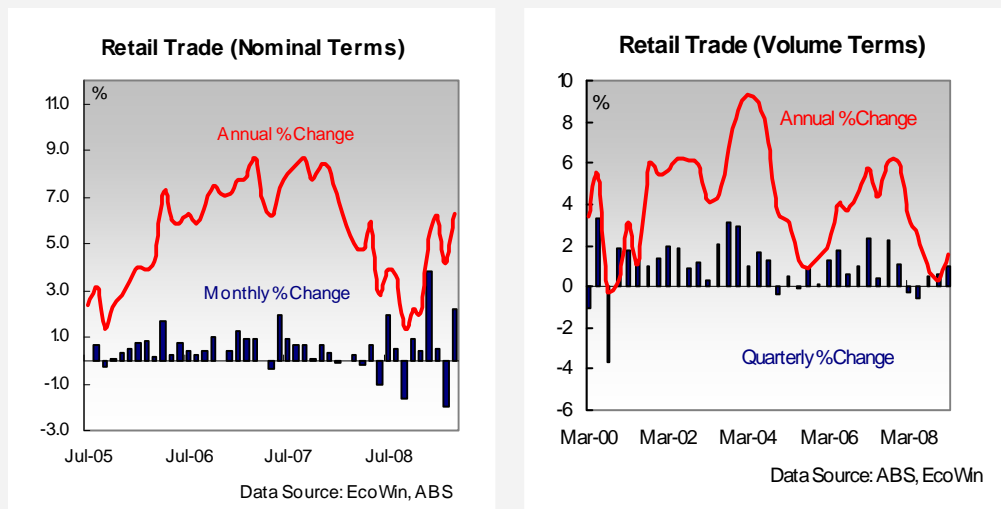


DATA SNAPSHOT

Retail Sales – March 2009

Wednesday, 6 May 2009

- Retail sales (in nominal terms) rose strongly in March, by 2.2% to be 6.3% higher over the year. The monthly outcome beat market expectations for +0.5% and the current yearly pace is the strongest since January 2008.
- Data today also showed that retail volumes were robust in the March quarter. They were up 1.0% versus expectations for an increase of 0.8%. It was the third straight quarter of gains (in Q4-08 and Q3-08 retail volumes rose by 0.6% and 0.5% respectively).
- Consumers were driven back to shopping malls given the government cash handouts, lower petrol prices and sharply lower interest rates. Today's outcome supports this month's RBA decision to leave interest rates on hold.



All industries, except for household goods, posted increases in volumes in the March quarter. The largest gains were seen in clothing & soft good retailing (+3.7%), cafes, restaurants and takeaway food services (+3.0%). Volumes in food retailing rose 1.3% and that in department stores were up 0.7%. Household good volumes fell 2.1%.

When including prices, the largest gainers were clothing & soft good (+4.3%), department stores (+1.6%) and food (+1.8%). In the month of March, department stores (+13.2%) and clothing & soft good retailing (+6.4%) far outpaced the other categories.

The data shows that consumers were driven back into shopping malls as the fiscal payments offset consumers' wariness about the outlook for the economy and financial markets. Meanwhile, petrol prices had continued to fall sharply in the March quarter (by 9.3%) and mortgage rates were already at very low levels by historical standards. The improvement in the share market in March (of 7.1%) also would have helped provide a boost to sentiment.

Looking ahead, retail spending could still be supported by the government cash handouts, the improvement in equity markets from their lows and the fact that petrol prices are still sharply well below last year's levels. But with the unemployment rate set to move higher and a sharp pull-back in business spending expected, we believe that the RBA would still be inclined to lower interest rates. Next month is considered a 'live date' as it follows key data including employment, housing finance, another month's worth of retail figures and some partial indicators of GDP (i.e. business investment, inventories and company profits).

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