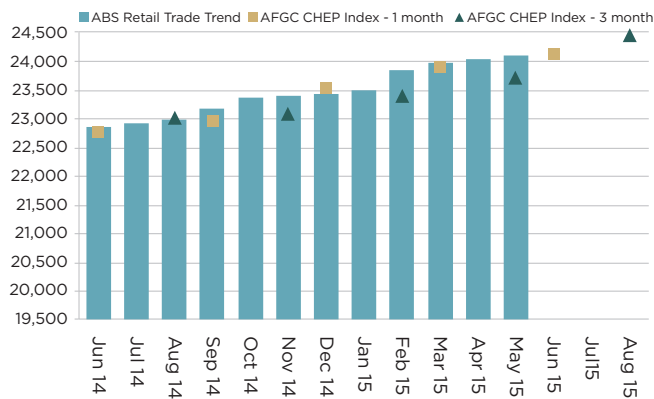


# AFGC CHEP RETAIL INDEX

EDITION 18, JULY 2015

## AFGC CHEP Retail Index points to lift in retail sales

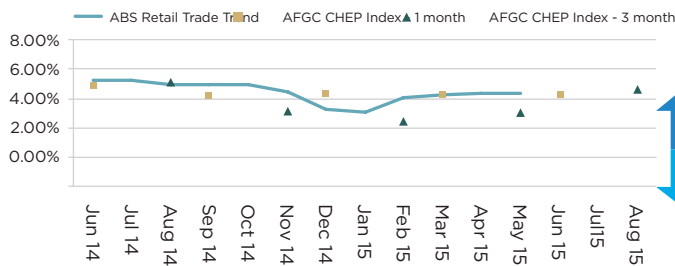
### Retail Trade Turnover – \$Millions



### Turnover (\$Millions)

March 2015 – 24,019  
May 2015 – 23,876

### Year on Year Growth



### Year on Year Result

June 2015  
4.2% increase in Retail Index

June Quarter 2015  
4.3% increase in Retail Index

August 2015  
4.7% increase in Retail Index

September Quarter 2015  
4.6% increase in Retail Index

\*Chart movements in nominal (current price) terms.

Analytics by **Deloitte**.

The eighteenth edition of the AFGC CHEP Retail Index suggests that there will be a slight pick-up in year-on-year growth in retail sales.

The Index was 4.2 per cent higher in June 2015 compared with June 2014. On a quarterly basis, the Index was 4.3 per cent higher in the June quarter 2015 compared with the June quarter 2014. Growth in the Index is expected to lift over the next few months of 2015, to 4.7 per cent over the 12 months to August 2015 and 4.6 per cent over the 12 months to the September quarter 2015.

ABS Retail Trade trend data shows that year-on-year growth in nominal retail trade was 4.4 per cent over the year to May 2015.

The sales result for retailers over the year to May 2015 was stronger than the forecast in the previous AFGC CHEP Retail Index. The growth of 4.4 per cent over the year to May 2015 compares to the prediction of 3.1 per cent growth.



### Overview

The AFGC CHEP Retail Index provides unique insight into the performance of the Australian retail market. Aggregating a combination of robust data sources, the AFGC CHEP Retail Index forecasts with a high degree of accuracy, activity in the Australian retail sector.

### Distribution

The next issue is due out in October 2015 with results for September 2015 and the December quarter.

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# COMMENTARY ON AFGC CHEP RETAIL INDEX

	Edition 14		Edition 15		Edition 16		Edition 17	
Retail Turnover Trend	Jun 14	Aug 14	Sep 14	Nov14	Dec 14	Feb 15	Mar 15	May 15
ABS	23,176	23,290	23,441	23,630	23,658	23,984	24,088	24,183
AFGC CHEP Index	23,111	23,316	23,269	23,359	23,759	23,608	24,019	23,876
Turnover Accuracy	99.7%	100.1%	99.3%	98.9%	100.4%	98.4%	99.7%	98.7%
Year on Year Movement Accuracy	99.6%	100.2%	99.2%	98.7%	101.1%	98.5%	99.9%	98.7%

The AFGC CHEP Retail Index is suggesting a slight lift in the rate of growth of retail sales in the months ahead.

Following a slowdown in retail sales growth from a peak of 5.8 per cent in September 2014, Australian Bureau of Statistics data shows that retail sales growth (in trend, nominal terms) lifted from 4.0 per cent in the month of February 2015 to 4.4 per cent in month of May 2015. A further lift in retail sales growth would therefore represent a continuation of the recent trend of improving retail sales growth.

There have been some encouraging developments for retailers of late. In particular, the Reserve Bank lowered interest rates further in both February and May, providing another boost to the disposable incomes of Australian households. At the same time, the annual rate of jobs growth has picked up while rising housing prices have increased household's wealth, particularly in Sydney and Melbourne. Consumer sentiment also rose following a relatively well received Federal Budget in May.

However, with the Australian economy growing at a below average pace, there continues to be a number of headwinds to retail sales growth, and consumer sentiment has recently fallen back below average. Retail sales growth has therefore found some support of late, but is yet to pick up to an above average rate of growth.

At the sectoral level, the latest ABS trend data indicates that household goods retailing continues to be the strongest performing sector on the back of low interest rates and a strong lift in new home building. Low interest rates also appear to be supporting some other discretionary categories, including clothing sales which have strengthened of late. However, department stores continue to perform poorly. Food retailers have seen sales growth slow to just below 4.0 per cent since late last year.

By state, retail sales growth above the national average is being seen in New South Wales, Victoria, South Australia and the ACT. In contrast, retail sales growth in the mining jurisdictions of Western Australia, Queensland and the NT continues to be below the national average, as these jurisdictions deal with the slowing in mining-related construction activity as major projects reach completion. However, there have been some signs of improvement in Western Australia and Queensland since the end of last year, with the rate of retail sales growth lifting slightly in recent months.

Looking ahead, as Australia's boom in mining-related construction continues to unwind, that will act as a continuing headwind to the pace of Australia's economic growth. While there has been some improvement in the labour market of late, there will need to be further improvement for unemployment to fall and income growth to pick up. The latter will be necessary for retail sales growth to show a sustainable improvement over time but may not be seen while there remains weakness in the broader economy. Recent falls in the Australian dollar will help the broader economic outlook but may place upward pressure on the retail prices of some imported goods.

The good news is that interest rates are set to stay low for some time, with the potential for further rate cuts ahead. Retail sales growth should therefore continue to find support from very low interest rates.

On balance, that may result in the recent signs of a moderate improvement in Australian retail sales growth continuing in the months ahead. That result would be consistent with the latest AFGC CHEP Retail Index data.