Australian retail sales and dollar are up

Wednesday, 04 July 2012

Australian retail sales advanced more than economists forecast in May on stronger spending at restaurants and department stores, sending the local dollar to a two-month high as traders pared bets on an interest-rate cut.

Sales climbed 0.5 percent to A$21.3 billion ($22 billion) from a month earlier, when they rose a revised 0.1 percent, the fifth straight monthly gain, the Bureau of Statistics said in Sydney today. Sales in April were previously reported to have dropped 0.2 percent. The May result compares with economists' forecast in a Bloomberg survey for a 0.2 percent gain.

The longest stretch of retail sales increases since 2010 may encourage Reserve Bank of Australia Governor Glenn Stevens to extend this week's rate pause after 75 basis points in reductions in May and June. Policy makers are trying to support confidence that has weakened among consumers who are saving, even as Australia recorded its best January-to-May period of hiring in five years.

Spending "was concentrated in the discretionary segment, adding to the overall strength of the report," said Celeste Tay, a Singapore-based economist at 4cast Ltd. Excluding food retailing, which accounts for 40 percent of the total and fell for the first time this year, retail sales rose by "a more robust 0.9 percent month-on-month," she said.

Sales at cafes and restaurants jumped 1.4 percent in May from a month earlier, and consumers spent 1 percent more at department stores, today's report showed. They spent 0.1 percent less at food retailers, it showed.