

### Retail Sales: November 2008

#### Key points

- > **Retail spending was flat in November, much better than expectations.**
- > **Spending at supermarkets and on motor vehicles were the big contributors, offset by lower petrol sales and spending on some durables.**
- > **While today's numbers are a positive and welcome, if not surprising given the anecdotes, it is difficult to go past the headwinds facing the sector.**

#### Assessment

##### Retail spending flat, but still surprises.

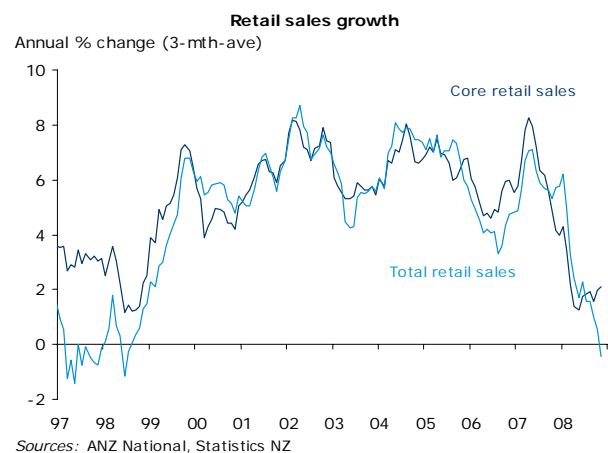
Headline nominal retail spending was flat in November, following a 1.3 percent fall in October. Excluding motor vehicle related sectors, spending rose a modest 0.3 percent, after a 0.8 percent rise in October. While today's numbers are far from 'strong' (and on an annual basis are down 4.1 percent), they were still much better than we, and the market, was expecting considering that credit card and electronic card transaction data both recorded large falls in the month (along with the weak anecdotes we had heard). In this regard we are taking the numbers today as a positive and welcome surprise, but within the context of an overall trend that is still weak.

**Spending was dominated by food and cars.** A \$32 million increase in supermarket sales (which we suspect is partly due to a 0.8 percent rise in food prices in the month) and a \$37 million rise in motor vehicle retailing were the biggest contributors to spending in November. The latter partly rebounded from the massive \$91 million fall in October. These two components have been particularly volatile of late, but also happen to make up a third of all retail spending. Offsetting these rises was a \$44 million fall in fuel retailing, lower spending on some durables components, and a \$15 million fall in accommodation spending. The weakness in the latter was also mirrored in the Accommodation Survey released at the same time, which reported a 4 percent fall in total guest nights in the 12 months to November.

**Looking at the big picture, headwinds for the retail sector remain strong.** Despite positives coming from lower interest rates, tax cuts, and a big fall in fuel prices, the outlook for the retail sector remains a challenging one. It is little wonder that this sector was one of the most pessimistic in the most recent NZIER OSBO survey. A sharply weaker labour market now represents the next leg of vulnerability for households and the domestic economy, which will only be exacerbated by the de-

leveraging process the economy is undertaking. Today's numbers up the ante, in our view, of a sharper fall in December, some of which can be considered a reflection of the retailing picture, but also a fair bit of statistical noise inter-month.

	Core Retail Sales (% change)		Total Retail Sales (% change)	
	nominal m/m	Trend m/m	nominal m/m	Trend m/m
May-08	0.7	0.1	-1.2	-0.1
Jun-08	0.1	0.1	0.9	-0.1
Jul-08	0.0	0.2	-0.7	-0.1
Aug-08	0.8	0.2	0.3	-0.1
Sep-08	-0.4	0.2	0.4	-0.1
Oct-08	0.8	0.2	-1.3	-0.1
<b>Nov-08</b>	<b>0.3</b>	<b>0.2</b>	<b>0.0</b>	<b>-0.1</b>
<b>ANZ</b>	<b>-0.5</b>	<b>-</b>	<b>-0.9</b>	<b>-</b>
<b>Market</b>	<b>0.0</b>	<b>-</b>	<b>-0.9</b>	<b>-</b>



#### Implications

**This data has limited implications for monetary policy.** We do not think today's numbers will deter the RBNZ from cutting interest rates aggressively next week. Much interest will be on the December retail sales result and the electronic card transactions data tomorrow will give a reasonable indication of how the key Christmas shopping period fared. Anecdotes suggest that while the volume of transactions was still robust, the actual money spent was not.

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- Placed in statutory management or receivership.

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ANZ (part of ANZ National Bank Limited), Level 7, 1 Victoria Street, Wellington 6011, New Zealand Phone 64-4-802 2000 Fax 64-4-496 8639 <http://www.anz.co.nz> e-mail [ecnmcs@anz.com](mailto:ecnmcs@anz.com)

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