

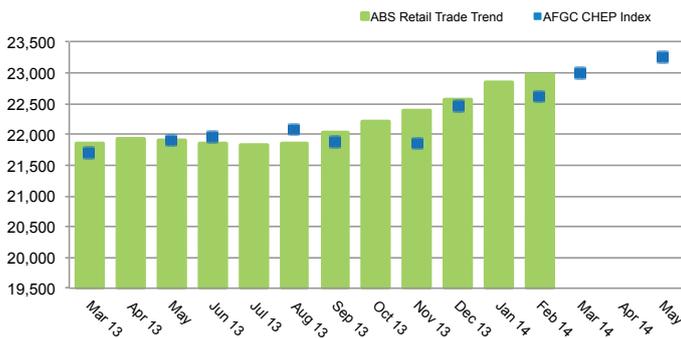


AFGC CHEP RETAIL INDEX

Edition 13
April 2014

Retail sales continue to strengthen

Retail Trade Turnover – \$Millions



Year on Year Growth



*Chart movements in nominal (current price) terms.

Analytics by **Deloitte.**

Turnover (\$Millions)

March 2014 – 23,011

May 2014 – 23,263

Year on Year Result

March 2014

5.8% increase in Retail Index

March Quarter 2014

5.8% increase in Retail Index

May 2014

6.6% increase in Retail Index

June Quarter 2014

6.6% increase in Retail Index

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 release of the AFGC CHEP Retail Index will be in July 2014, with predicted results for June 2014 and the September 2014 Quarter.

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The thirteenth edition of the AFGC CHEP Retail Index shows that year-on-year growth in retail sales continued to lift in the early months of this year, and a further strengthening is expected.

The Index was 5.8% higher in March 2014 compared to March 2013, lifting significantly from a rise of 4.2% between December 2013 and December 2012. On a quarterly basis, the Index was also 5.8% higher in the March quarter 2014 compared to the March quarter 2013. Growth in the Index is expected to strengthen further, with a rise of 6.6 per cent over the 12 months to May 2014, as well as over the 12 months to the June quarter 2014.

Australian Bureau of Statistics (ABS) Retail Trade trend data has also lifted in recent months, consistent with the CHEP Retail Index. The latest data shows that year-on-year growth in nominal retail trade picked up to 5.9% over the year to February 2014.

Retailers experienced a better sales result over the year to December 2013 than forecast in the previous AFGC CHEP Retail Index. The growth of 5.1% over the year to December 2013 compares with the prediction of 4.2% growth.

*A collaborative project between the Australian Food and Grocery Council and
CHEP Australia Limited.*

Continued overleaf



AFGC CHEP RETAIL INDEX

Retail Turnover Trend	Edition 9		Edition 10		Edition 11		Edition 12	
	Mar 13	May 13	Jun 13	Aug 13	Sep 13	Nov 13	Dec 13	Feb14
ABS	21,854	21,896	21,865	21,863	22,041	22,397	22,568	22,986
AFGC CHEP Index	21,702	21,915	21,953	22,074	21,890	21,845	22,480	22,625
Turnover Accuracy	99.3%	100.1%	100.4%	101.0%	99.3%	97.5%	99.6%	98.4%
Year on Year Movement Accuracy	99.3%	100.2%	100.4%	101.0%	99.3%	97.4%	99.6%	98.2%

Commentary on AFGC CHEP Retail Index

The last edition of the AFGC CHEP Retail Index indicated that the Christmas period in 2013 had likely been better than expected. Indeed, latest ABS retail data have confirmed that retail sales picked up strongly late last year, with retailers benefiting from an extended period of low interest rates.

Australian Bureau of Statistics data shows that retail sales growth (in trend, nominal terms) has steadily picked up from 1.9% in June 2013 to 5.9% in February 2014. The current pace of retail sales growth is the strongest for more than four years.

The Australian retail environment has brightened as record low interest rates free up disposable income for spending. Low interest rates have also kick started a recovery in the housing market, with strengthening house prices along with a strongly performing Australian sharemarket increasing household wealth and supporting consumer confidence. That has encouraged increased spending out of current income, with the high household savings rate edging down in late 2013.

Retail performance has generally improved across all sectors since the middle of last year. Food retailers have seen sales growth pick up to be in line with the broader retail benchmark, while clothing retailers are continuing to see strong sales growth of around 7%. Household goods retailers have seen an improvement in sales growth to around 5%. The only retail sector still struggling is department stores, which has not recorded any sales growth over the past year, and continues to lose market share.

Retail performance across the States is also changing. As resources construction activity slows, the major mining states have fallen behind the rest of the nation. Western Australia is now seeing weak retail sales growth of around 2½% over the past year, compared with retail sales growth of around 7% in Victoria and almost 8% in NSW.

While retail sales have lifted in recent months on the back of low interest rates, wealth gains and housing gains, continuing retail strength will not be sustainable without an improvement in broader economic conditions. Most fundamentally, labour income growth has been weak, with jobs growth modest and recent wage gains failing to keep pace with inflation. Significant Federal budget tightening can also be expected over the next few months to further restrain income gains.

Fortunately, low interest rates and falls in the value of the Australian dollar over the past year are providing a significant stimulus to the Australian economy. There have already been some signs of improvement in the labour market in recent months, while a big increase in building approvals over 2013 is likely to translate into a strong lift in housing construction this year, providing a further support to retail spending, particularly household goods and other consumer durables.

Overall, the Australian retail environment is improving and as the Australian economy and labour market strengthens, retailers may see further improvement in sales results. That result would be consistent with the latest AFGC CHEP Retail Index data.

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