

Chapter 7 Retail and Wholesale Trade

Key Points

- Retail and wholesale trade contributed \$778 million, or 5.3 per cent of Northern Territory gross state product in 2007-08.
- About 15 200 people were employed in retail and wholesale trade, in 2007-08 accounting for about 14.1 per cent of total employment.
- Retail trade contributes more to the Territory economy than wholesale trade, with most retailers sourcing goods from wholesalers based interstate.
- Retail turnover in the Territory in 2008 (inflation adjusted), increased 8.7 per cent from 2007.
- Retail turnover is estimated to have increased by 8.4 per cent in 2008-09, and is forecast to moderate to about 0.9 per cent in 2009-10.

Background

Retail trade contributes more to the Northern Territory economy than wholesale trade. In 2007-08, retail and wholesale trade contributed \$778 million of gross state product (GSP), of which retail comprised \$496 million. Many large wholesalers are based interstate, preferring to transport goods to the Territory, which means sales are recorded outside the Territory. This chapter will largely focus on retail sales.

In 2007-08, retail and wholesale trade contributed 5.3 per cent to gross state product (GSP), less than the national average of 10 per cent (Table 7.1). This is attributed to the remoteness and smaller number of consumers in the Territory, compared to larger and more developed markets interstate.

By nature, retail and wholesale industry trade is labour intensive with an average of 15 200 workers, or 14.1 per cent of those employed in the Territory during 2007-08 in retail or wholesale trade. About 13 200 of these people were employed in retail.

Table 7.1: Employment in Retail and Wholesale Trade and Economic Growth Contribution, 2007-08

	Employment				GSP/GDP			
	Retail Trade		Wholesale Trade		Retail Trade		Wholesale Trade	
	% ¹	(000)	% ¹	(000)	% ²	\$M	% ²	\$M
New South Wales	15.2	515.9	4.3	144.4	5.3	18 369	4.9	16 966
Victoria	14.3	375.4	5.1	133.2	5.3	13 573	5.7	14 529
Queensland	15.6	336.2	3.9	83.1	6.6	13 857	4.2	8 699
South Australia	15.1	116.3	4.4	33.6	5.7	4 012	3.9	2 742
Western Australia	13.5	151.3	4.0	45.2	4.3	6 334	3.3	4 820
Tasmania	14.7	33.9	4.0	9.2	6.5	1 369	3.1	655
Northern Territory	12.3	13.2	1.8	1.9	3.4	496	1.9	282
Australian Capital Territory	9.5	18.1	1.7	3.2	4.1	924	1.4	318
Australia	14.7	1 560.3	4.3	453.9	5.4	58 934	4.5	49 011

¹ Percentage of the total national/state/territory employed

² Percentage of total national/state/territory GSP/GDP

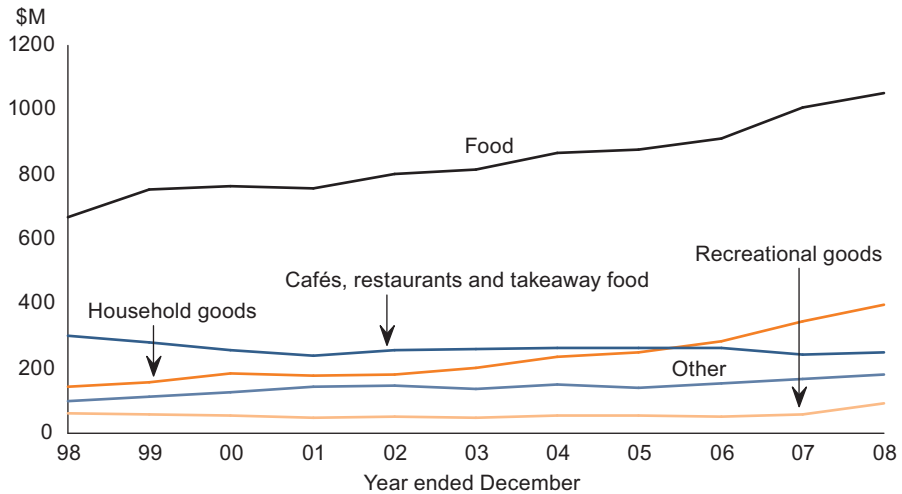
Source: ABS Cat. Nos 5220.0 and 6291.0.55.003

Retail Trade Turnover

Retail trade turnover in the Territory in 2008 was up 8.7 per cent from 2007 in real terms, higher than the national average of 1.8 per cent. Growth in retail trade has been above the national average since December 2006, with growth attributed to a faster rate of population increase and higher median household incomes.

The main contributors to retail trade growth in the Territory are the food and household goods sectors (Chart 7.1).

Chart 7.1: Territory Real Retail Turnover (moving annual total)



Source: ABS unpublished data

Retail Turnover by Sector

Food Expenditure on food in 2008 was over \$1 billion, and accounted for 46.2 per cent of retail turnover, making it by far the largest retail sector in the Territory. Expenditure increased by 4.5 per cent from the previous year, attributed to a combination of population growth and higher average food prices. More detailed discussion of food and grocery prices is included in Chapter 6: Prices and Wages.

The food retail sector consists of supermarket, grocery and non petrol sales of convenience, liquor, fresh meat, fish and poultry, fruit and vegetable, bread and cake, and specialised food retailing.

Household Goods Expenditure on household goods in 2008 was \$397 million, an increase of 14.1 per cent compared to 2007. This sector accounted for 17.4 per cent of retail turnover in the Territory.

After food, household goods retailing recorded the second largest turnover, and includes sales of furniture, floor coverings, recorded music, domestic hardware, houseware and appliance retailing. There is a close correlation between household goods sales and economic and population growth.

Cafés, Restaurants and Takeaway Food Services In 2008, cafés, restaurants and takeaway food services expenditure accounted for 10.9 per cent of retail turnover in the Territory. Compared to 2007, turnover was up 2.6 per cent to \$249 million.

The composition of the sector shifted significantly in 2008, with takeaway food turnover increasing by 22.1 per cent, accounting for 48.2 per cent of the sector. In contrast, cafés and restaurants turnover reduced by 10.6 per cent, accounting for 51.8 per cent of the sector. The change is attributed to

consumers responding to uncertain economic conditions by choosing to purchase cheaper takeaway food or prepare meals at home. This is consistent with the increase observed in the food sector. It may also reflect fewer tourists coming to the Territory.

Other In 2008, turnover increased by 7.8 per cent to \$182 million, accounting for 8 per cent of all retail turnover in the Northern Territory.

The sector includes clothing, footwear, fabric and other soft goods, pharmaceutical, cosmetic and toiletry goods.

Recreational Goods In 2008, recreational goods accounted for 4.1 per cent of Territory retailing turnover, with the sector having had the largest growth, increasing by 62.7 per cent to \$93 million in 2008.

Recreational goods is the smallest sector and includes sport and camping equipment, toys and games, newspapers, books and stationery, and photographic equipment.

Retail and Wholesale Developments

The opening of a new \$20 million Metcash Independent Grocers wholesale warehouse at East Arm in 2008 expanded the wholesale trade presence in the Territory. Metcash primarily services retail outlets in remote Territory communities.

In the retail sector, Outback Stores opened, or took over management of, 15 stores in remote communities in the Territory in 2008, and now manages 23 stores in the Territory. Outback Stores employs about 100 Indigenous people.

Retail floor space continued to expand in the Darwin central business district with the continued development of the Darwin Waterfront and smaller commercial and residential retail developments.

Growth in retail and wholesale development is expected to moderate in 2009-10 as investors struggle to obtain finance for proposed projects due to uncertain economic conditions in Australia and the world.

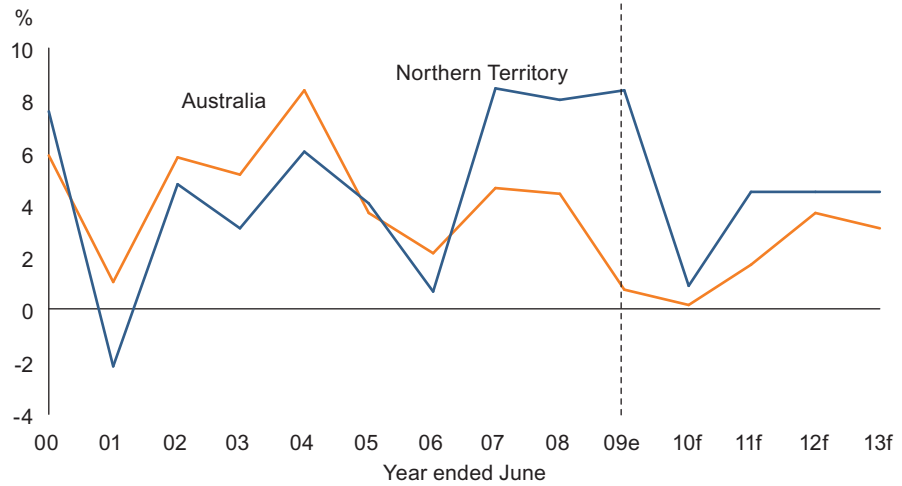
Outlook

The retail industry in the Territory is likely to be adversely affected by decreasing global demand for mineral and petroleum resources and a reduction in tourist numbers. Mine closures or delays in development of major projects could cause unemployment to increase, putting downward pressure on incomes growth, household disposable income and consumption.

Territory retail turnover growth in 2008-09, adjusted for inflation, is expected to exceed the national average and is estimated to grow by 8.4 per cent. The continuing strength of the Territory's construction and commodity sector as well as major proposed developments has kept Territory consumer confidence well above the national average.

Despite this, in 2009-10 retail turnover is forecast to weaken at both the national and Territory level, but remain positive at 0.9 per cent for the Territory (Chart 7.2). In the longer term, Territory retail growth is forecast to return to 4½ per cent, based on 10 years of average annual growth.

Chart 7.2: Retail Growth



e: estimate; f: forecast

Source: Northern Territory Treasury, ABS Cat. No. 8502.0, Access Economics

Nationally, retail trade turnover was forecast by Access Economics in February to grow 0.8 per cent in 2008-09, compared to 4.5 per cent in 2007-08. Retail growth is expected to weaken due to weakening economic conditions in Australia, and in Australia’s major trading partners. Among other things, imports may contract, unemployment is expected to rise, and incomes and consumer sentiment are expected to fall. Offsetting these negatives, low interest rates and government fiscal payments should encourage continued consumption and retail trade.