

Consumers step out and spend

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RETAIL SALES growth was solid in January, the strongest being recorded in food retail. Results for supermarkets, takeaways, restaurants and cafes were all stronger.

Retail analysts at the broking firm Citi say households face several challenges due to rising unemployment and falling asset prices. But the Reserve Bank and the Federal Government are cushioning the average household, and families in particular, with interest rate cuts and tax cuts.

This trend will be good for shopping centre landlords, who dream of having entire families spend a long time in their malls.

The analysts estimate that the average Australian household's income this year will be \$3881 higher than last year, or \$75 a week, and families with children are even better off, with a weekly increase of \$119.

An economist at CommSec, Savanth Sebastian, said retail sales figures this week showed consumers did not retreat to their homes in January after a spending spree in December.

"It is no doubt a tough task to back up the record boom in spending noted over December, which just happened to be best result enjoyed by retailers in seven years, yet consumers have managed just that."

Spending rose by 0.2 per cent in January.

"The global economy continues to deteriorate, but Aussie consumers seem to be putting the government's \$10.4 billion stimulus plan to good use," he said.

"No doubt a significant proportion has been used to pay off debt, but also consumers [brought forward] purchases of big-ticket items over Christmas, and now more spending on food is occurring in January."

RCG Corporation, the parent company of The Athlete's Foot Australia, has defied the odds and launched a new, larger store concept, at Macquarie Centre, Sydney.

The chairman of RCG, Ivan Hammerschlag, said the results from the store had exceeded all expectations, with sales up 38 per cent on the first three months compared with the same period the previous year.

The Athlete's Foot expected to convert another three stores to the new format before the end of the financial year and was in the process of finalising a detailed rollout program for 2010 and beyond.

"Franchisees continue to work ever harder in their local communities to develop customer relationships.

The business opened five new stores in the six months to the end of December, taking the total number of stores in the group to 136."

RCG has announced a 60 per cent increase in net profit before tax to \$3.73 million for the six months to December 28.

Sales grew 9.2 per cent, to \$72.5 million. The result met all of the management's original forecasts despite the rapidly deteriorating economic climate.

But Felice Spark, the director of commercial research at Colliers International, said the retail sector was expected to take off during the first half of this year, with a burst of investment sales activity. "As interest rates fell 400 basis points over the past six months, and retail asset yields increased, a positive spread has occurred that has left the gates open for investment opportunity."

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