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Australian Retail Sales Rise Most in 17 Months; Currency Gains (2)  
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(Updates with economist's comments, currency and trade data in fourth, fifth and final three paragraphs.)

By Michael Heath

June 2 (Bloomberg) -- Australian retail sales rose in April by the most in 17 months as the economy recovered from its worst quarterly contraction in two decades, sending the nation's currency higher.

Sales advanced 1.1 percent from a month earlier, when they declined a revised 0.3 percent, the Bureau of Statistics said in Sydney today. That was the biggest jump since November 2009 and almost three times more than the median forecast in a Bloomberg News survey of 25 economists for a 0.4 percent increase.

The report boosted the local dollar as the surge in retail sales supported the central bank's forecast for the economy to accelerate after floods caused a 1.2 percent first-quarter contraction. Reserve Bank of Australia Governor Glenn Stevens convenes a meeting June 7 to weigh an increase in the benchmark interest rate of 4.75 percent, the highest in the developed world.

"This is a strong report," said Adam Carr, a senior economist at ICAP Australia Ltd. in Sydney. "The case for a hike next week was already overwhelming. Today's pick-up in the monthly sales, combined with upward revisions, should leave no room for doubt."

The Australian dollar advanced to \$1.0623 at 12:39 p.m. in Sydney from \$1.0627 before the data were released. Futures traders bet there is a 12 percent chance Stevens will raise the overnight cash-rate target to 5 percent when the RBA meets next week, a 32 percent chance of an increase in July and 50 percent in August.

#### Department Stores

Spending at department stores rose 3.6 percent, while clothing and footwear spending increased 1.2 percent, today's report showed. Consumers spent 0.3 percent less in April at cafes and restaurants, it showed.

Woolworths Ltd., Australia's biggest retailer, said in April that third-quarter sales rose 5.1 percent on higher demand at its supermarkets. Sales gained to A\$13.6 billion in the period from A\$12.9 billion a year ago, Sydney-based Woolworths said in an April 18 statement, helped by higher selling prices for fruit and vegetables after the floods and cyclones in key growing areas in Queensland.

In a statement after its May 3 policy decision, the RBA said it left rates unchanged as households continue to show caution in spending and borrowing, and are saving more.

#### Higher Savings

Yesterday's report on gross domestic product showed Australia's household savings ratio climbed to 11.5 percent in the three months

through March from 9.7 percent in the previous quarter, the highest level since 2009.

A separate report today showed Australia's trade surplus narrowed in April as imported civil aircraft outpaced rising exports of metal ores and minerals.

The excess of exports over imports was A\$1.6 billion (\$1.7 billion), from a revised A\$1.69 billion surplus in March, the Bureau of Statistics said. The median estimate in a Bloomberg News survey of 25 economists was for a surplus of A\$2 billion.

Imports rose 1 percent to A\$23.7 billion, led by civil aircraft, the report showed. Exports advanced 1 percent to A\$25.3 billion on a 4 percent gain in metal ores and minerals.

Stevens' 175 basis points of rate increases from October 2009 to November last year helped spur the currency, which gained more than 26 percent in the past year and last month touched the highest level since it was freely floated in 1983.

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