

**Fox Symes - Media Coverage**

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**Rate rise may clip plasma's pulling power**

Retail

RETAILERS are nervously gearing up for what could be their toughest Christmas for many years, fearful that consumers may spend the festive season nursing an interest rate hangover.

The Christmas trees are up in shops around the nation, but retailers are in a less-than-festive mood because of the "great unknown": how consumers will react to last week's decision by the Reserve Bank to increase rates by 0.25 per cent, the third rise in the past six months.

Early indications show that some consumers are listening to financial counsellors issuing their customary pre-Christmas warning against spending up big on a new television.

Retail sales rose just 0.1 per cent according to September Bureau of Statistics figures, with drops in NSW and Queensland offset by rises in other states, particularly Western Australia.

There are concerns the big guy in red might have trouble stretching to a new plasma while simultaneously paying more on the mortgage, particularly with another rate rise possible early next year.

"We don't know what the effect will be yet, but we'll find out soon," said Phil Moujaes, general manager of NSW electronics chain Bing Lee.

"We haven't had a full trading week yet to find out what's happening, but we hope it won't have a big impact on Christmas."

With most of its shops in Sydney's extensive mortgage belt, Bing Lee hopes the call of the plasma will be stronger than that of restraint.

"There is very good demand for new technology, and I don't think it will slow down," Mr Moujaes said.

Electronics retailers have had a strong year, with demand holding despite earlier rate rises.

Harvey Norman told the stock exchange in July that demand for plasma and LCD displays was strong, due partly to the soccer World Cup.

Harvey Norman computers and communication general manager Rutland Smith remains bullish despite the interest rates.

"People have been expecting an interest rate rise," he said, "but the technology has become so affordable that it should continue to grow, as it has all year."

Retailers will have to battle against adverse publicity, including Labor's attack ads blaming Prime Minister John Howard for the rate rise.

What retailers -- particularly in laggard states such as NSW -- are looking for, is a console-led recovery, or at least continued enthusiasm for buy-now, pay-later plastic.

"We think computers are now so affordable that people will buy them for Christmas," Mr Smith said. "Also games consoles: it's our first Christmas with the Xbox 360, and we'll sell lots of iPods and lots of satellite navigation equipment."

Mr Smith was not too worried about people holding off on PC purchases until after the consumer launch of Microsoft's Vista operating system.

"I'm not expecting it to slow down. People know they can upgrade to Vista as soon as it comes out," he said.

Some vendors are openly wondering if interest rates will affect consumer spending.

"The great unknown is the interest rate rise and what effect that will have on consumer spending," LG Electronics audiovisual category manager Darren Goble said.

"But the early indications are it's going to be a very strong Christmas."

Others also have an optimistic view of the market, while watching carefully to see how consumers will react.

"We haven't seen a significant slowdown in the major product categories," Samsung corporate general manager Kurt Jovais said.

The economy was strong, he said. "It would take a significant economic downturn to have an effect."

But financial counsellors have bad news for the consumer electronics sector, cautioning overextended consumers to put off big-ticket purchases.

"Sometimes we see people coming to us and it's that latest purchase of the plasma, \$3000 or \$4000, that has caused the problem," said Deborah Southon, executive director of **Fox Symes**, a debt advisory firm.

"People tend to simplify their outgoings and not take into consideration what they've obligated themselves for.

"Avoid putting all your Christmas items on the credit card, because you will still be paying for them next Christmas."

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