

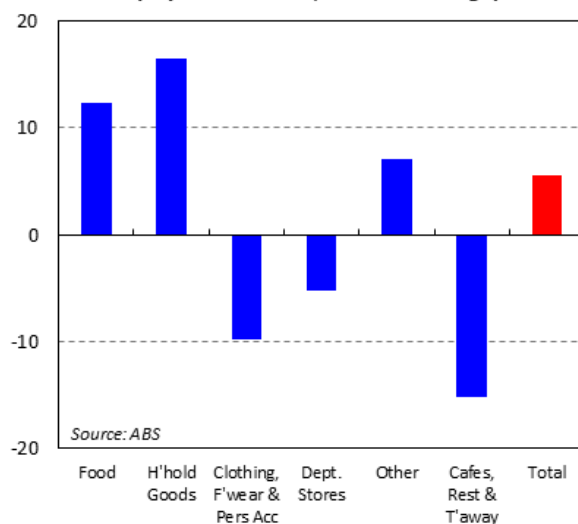
Wednesday, 04 November 2020

Retail Sales

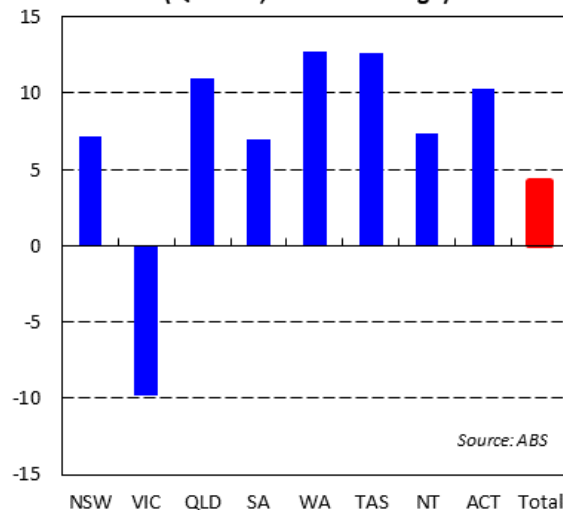
Weak Month. Strong Year

- Retail spending contracted 1.1% in September, after a 4.0% fall in August. Sales in these months revealed the continued fragile state of consumer spending in Australia. On an annual basis retailing was up 5.6%, the weakest pace since April but well up on the pace of growth seen in the years before COVID-19 struck. Retail sales continues to be disrupted by COVID-19-related factors.
- The sectors contributing to the monthly fall in retail spending were household goods and food. Retail sales excluding these items would have increased 0.7% in September.
- Spending on food declined 1.5% in September. The annual rate is still strong at 12.3% indicating that Australians are eating more at home. Similarly, household goods declined 3.6% in September. Its annual rate remains close to historical highs at 16.5%. Food and household goods were the only major sectors which managed to lift sales over the same period last year.
- Retail volumes soared 6.5% in September quarter after a sharp fall in the June quarter. This is the largest quarterly expansion on record. Annually, retail volumes increased 4.2%.
- Retail volumes across states all states have improved bar Victoria. The second lockdown in Victoria caused volumes to fall 4.2% in the September quarter. Victoria's pace of "growth" is the weakest since the beginning of the series (September 1984), revealing how damaging the pandemic has been for the state.

Nominal Retail Sales by Sector
(September 2020, annual % change)



Retail Sales Volumes by State
(Q3 2020, annual % change)



Retail Values

Retail spending contracted 1.1% in September, after a 4.0% fall in August. Sales in these months revealed the continued fragile state of consumer spending in Australia. On an annual basis retailing was up 5.6%, the weakest pace since April but well up on the pace of growth seen in the years before COVID-19 struck. Retail sales continues to be disrupted by COVID-19-related factors.

The declines in spending over September and August followed the strong rebound in May (+16.9%) and strong advancements in June (+2.7%) and July (+3.2%).

The sectors contributing to the monthly fall in retail spending were household goods and food at home. Retail sales excluding these items would have increased 0.7% in September.

Spending on food declined 1.5% in September after falling 0.2% in August. The annual rate is still strong at 12.3% indicating that Australians are eating more at home. Similarly, household goods declined 3.6% in September after a 6.0% fall in August. Its annual rate remains high at 16.5%. Food and household goods were the only major sectors which managed to lift sales over the same period last year.

Clothing, footwear and personal accessories declined 1.1% in September after a 10.5% tumble in August. Sales in this category are still 9.8% lower than in September last year.

Only two sectors experienced increased sales in September. Department stores rose 1.0% after an 8.9% fall in August. Cafes, restaurants and takeaway food services increased 3.5% in September after a 6.6% contraction in August. Sales in both sectors are still below the levels recorded in September 2019, falling 9.8% and 15.1% respectively.

All states and territories saw further declines in sales during September, except the Northern Territory, where sales rose 4.3%. Retailing in Victoria fell a modest 0.4% after the 12.6% tumble in August following its second lockdown. The easing of restrictions in late October should see a rebound in the months ahead. There were further declines in South Australia (2.9%), the ACT (2.4%), Tasmania (2.0%), Western Australia (1.7%) and NSW (0.9%). Retailing in Queensland fell 1.2% in September following a 1.1% decrease in August.

In the twelve months to September, all states and territories (except Victoria) saw growth in retail spending. The weakness in Victoria was clearly due to its extended lockdowns.

Retail Volumes

Retail volumes soared 6.5% in the September quarter after a sharp fall in the June quarter. This is the largest quarterly expansion on record. In annual terms, retail volumes were up 4.2% in the September quarter.

Retail volumes are slightly higher (2.8%) than the March quarter, when lockdowns began.

Strength in retail volumes over the quarter was led by clothing, footwear and personal accessory (35.5%) and cafes, restaurants and takeaway food services (28.1%), both rebounding from sharp falls in the June quarter. Household goods saw a slight 0.2% fall in the September quarter after very strong sales in the June quarter (14.7%). It was the first decline in this sector since March 2019.

Department stores volumes contracted 2.7% on an annual basis. Clothing, footwear and personal accessories fell 5.0% while cafes, restaurants and takeaway food services declined 16.0%, even after the strong rebound in the September quarter. This indicates that the pandemic has hit these three sectors hardest in both volume and sales terms.

Retail volumes across states all states have improved except in Victoria. The second lockdown in

Victoria caused volumes to fall 4.2% in the September quarter, and 9.8% when compared to last year. Victoria's pace of "growth" is the weakest since the beginning of the series (September 1984), revealing how damaging the pandemic has been in the state.

NSW was the strongest state in terms of volumes with a 11.6% increase in the September quarter. It was followed by the ACT (11.5%), Tasmania (10.8%) and Western Australia (10.2%). Queensland (8.9%), South Australia and the Northern Territory (4.4%) also experienced gains in the September quarter.

Outlook

We remain cautiously optimistic about the outlook for retail sales.

Providing support to future retail spending are the lifting of restrictions in Victoria, the easing of border restrictions and changes in some states to the size of gatherings. Cuts to personal income taxes, announced in the Budget, will also add to consumer firepower.

The Reserve Bank is rightly concerned about the level of unemployment. As such, it sought to support job creation, and therefore retail spending, by reducing a range of interest rates yesterday. Over time these cuts will lift cash flows, improve household balance sheets, and lift retail spending.

The Budget also announced a wide range of spending measures including large and smaller infrastructure projects, cash handouts and wages subsidies to create new jobs. These are expected to lift employment and support retail sales in the months ahead.

Holding retail sales back are the current level of unemployment, weak wage growth and concerns over job security.

As a matter of precaution, savings rose sharply in the June quarter. As economic conditions normalise and confidence rebuilds, savings seem likely to move lower and result in firmer retail spending.

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