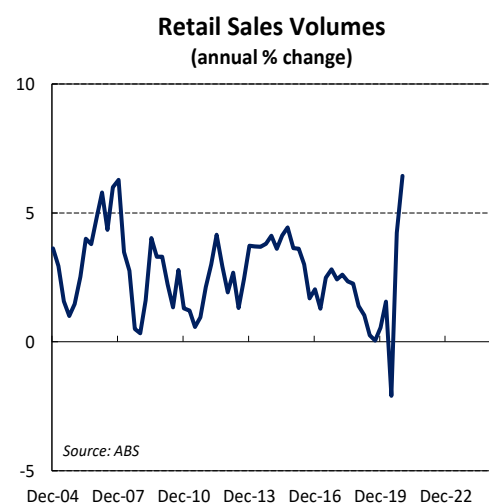
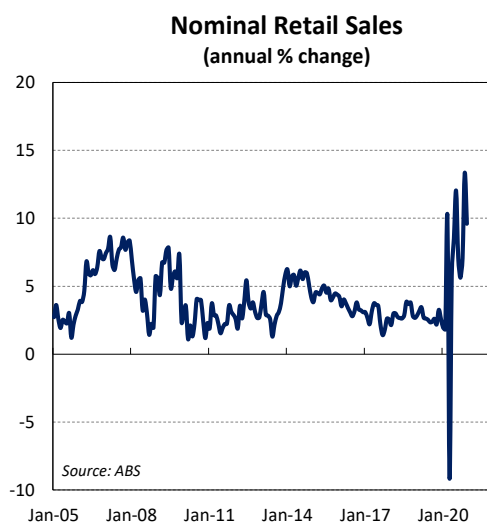


Friday, 5 February 2021

Retail Sales

The Resilient Australian Consumer

- The pandemic over 2020 led Australians to rethink the way they work, live and learn. It led to some existing consumer trends accelerating and new trends emerging. These included accelerated growth in online spending, the shift to eating in more and the shifts to the “caring” and “homebody” economy. During the latter half of 2020, consumer sentiment improved and some of these trends were pared back.
- As 2020 progressed, it also became obvious that the Australian economy, including retail spending, was more resilient than expected by policymakers and the economists’ fraternity.
- Retail sales in value (or nominal terms) grew by 9.6% year on year, well above the long-run average of 3.7% and well above the annual rate of 2.6% where it was in December 2019.
- In December, retail sales fell 4.1%, but Australians simply ran out of puff, after hitting the malls with gusto in November to take advantage of ‘Black Friday’ and ‘Cyber Monday’ sales.
- Online spending fell 2.3% in December and on a year ago is 53.8% higher. During the height of the pandemic, online spending grew at nearly 86% per annum!
- Retail sales volumes (or real retail sales) jumped 2.5% in the December quarter and are up 6.4% on a year ago- the fastest annual rate in 16 years! A surge in Victorian retail sales volumes drove the rise, as Victorians emerged from lockdown with pent-up demand!
- NT and the mining States of QLD and WA stood out as leading the growth in retailing in 2020.
- Consumer sentiment is elevated. Unemployment is sub 7%. A housing upturn is under way and vaccines are due to roll out soon. Retail spending should continue to grow over 2021. But its outlook faces some hurdles with concerns around new strains of the virus and the ending soon of key support measures like JobKeeper.



The pandemic over 2020 led Australians to rethink the way they work, live and learn. It led to some existing consumer trends accelerating at the speed of knots and new trends to emerge. These included the accelerated growth in online spending, the shift to eating in more and the shifts to the “caring” and “homebody economy that included more spending on health, wellbeing and doing up our homes.

During the latter half of 2020, consumer sentiment improved, as much of Australia contained the virus. It led to some of these trends paring back.

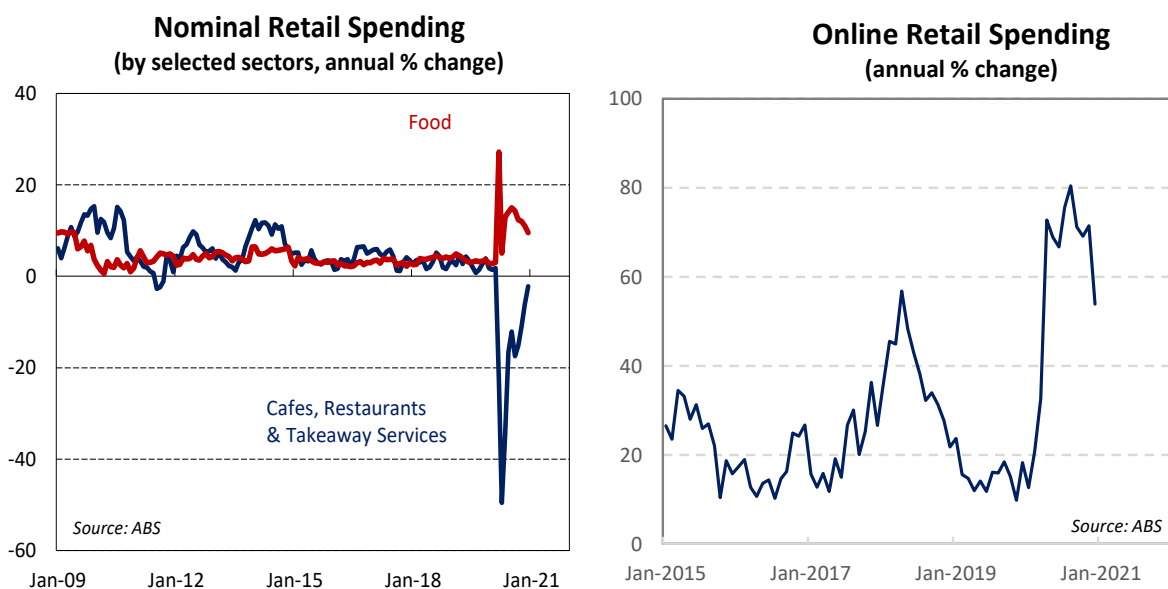
As 2020 progressed, it also became obvious that the Australian economy, including retail spending, was more resilient than expected by policymakers and the economists’ fraternity.

Retail spending over 2021 was volatile, making it hard for retailers to manage their inventory levels and then there were the issues also at the ports and with international shipping and supply chains. Over 2021, retail spending fell five times. However, despite the extraordinary volatility retail spending was resilient and ended the year on a very strong footing.

Retail Sales Values

Retail sales in value (or nominal terms) grew by 9.6% year on year, well above the long-run average of 3.7% and well above the annual rate of 2.6% where it was in December 2019. In the month, retail sales fell 4.1%, but it reflects an unwinding of the 7.1% surge in retailing in November – underpinned by Black Friday and Cyber Monday sales. Australians simply ran out of puff in December, after hitting the malls with gusto in November.

All categories of retailing fell in December with the exception being cafes, restaurants & takeaways services. As the economy reopened and consumers felt more confident, eating in has been pared back and people have returned to eating out. Food fell 1.7% in December, which is the fifth monthly decline, but is still up a solid 9.5% on a year ago. Meanwhile, cafes, restaurants & takeaway services rose 3.2% in December – the fourth straight rise – but remains lower on a year ago by 2.2%.



In other sectors, retailing fell 8.2% in household goods, 9.4% in clothing, footwear & personal accessories, 12.5% in department store sales and 4.4% in other (includes specialty stores). But each of these sectors posted solid growth in the previous month of November and are recording

firm annual growth rates.

Like the changes in eating in, online spending remains firm but has eased off the sort of blistering pace witnessed around the middle of last year. Online spending fell 2.3% in December and on a year ago is 53.8% higher. During the height of the pandemic, online spending grew at nearly 86% per annum! As a share of retailing, online spending has fallen to 9.1% compared with 11.1% in April.

Across Australia, the biggest declines occurred in Victoria and NSW. Over December, NSW was dealing with fresh clusters of the infections and tighter restrictions whilst Victoria was bracing for a possible cluster. Retail sales fell 4.9% in NSW and 6.8% in Victoria.

Retailing fell everywhere else except the NT where retailing values rose 1.1%. Retail sales fell 1.8% in QLD, 0.7% in SA, 2.0% in WA, 4.6% in Tasmania and 1.6% in the ACT.

When looking at the annual rates in retailing, it is clear the mining States and the NT are back. The strongest annual growth rate occurred in NT at 17.8%, followed by WA at 14.3% and QLD at 13.6%. The larger States of Australia are the laggards – NSW and Victoria retailing is growing at annual rates of 8.2% and 6.1%, respectively, albeit these are still firm rates of growth.

Across the rest of Australia, retailing in December 2020 compared with twelve months ago was 9.1% higher in SA, 7.6% firmer in Tasmania and 12.5% faster in the ACT.

Retail Sales Volumes

Retail sales volumes (or real retail sales) jumped 2.5% in the December quarter after a rise of 6.5% in the September quarter. On a year ago, retail sales volumes are up 6.4% - the fastest annual rate in 16 years! A surge in Victorian retail sales volumes drove the increase, as Victorians emerged from lockdown with pent-up demand to spend!

In volume terms, the sectors hit hardest during the height of the pandemic (i.e. the time during and surrounding the national lockdown) rose by the most in the month. Clothing, footwear & personal accessories jumped 18.1% in the quarter and cafes, restaurants & takeaway services rose 10.4%. But food volumes retreated 2.6% and household-goods retailing fell 0.6%. Other retailing grew at a rate of 2.7%.

Across the States and territories, it was a mixed picture. Victoria posted the strongest rise of 12.8%, as the quarter included the lifting of the metropolitan lockdown that occurred during much of the September quarter and only a very small part of the December quarter. Retail sales volumes also rose in the NT and QLD by 4.5% and 0.6%, respectively.

All other States and territories recorded declines in the quarter. In addition to NSW, falls in the quarter were recorded in SA (-2.4%), WA (-0.7%), Tasmania (-2.5%) and the ACT (-0.5%).

Annual growth rates in retailing volumes were solid in the December quarter. The mining States and NT are leading the pack with 11.0% growth in WA, 10.9% in NT and 10.0% in QLD. Victoria is at the back of the pack with annual growth of 1.6% after enduring two lockdowns last year.

Elsewhere, annual growth was 4.8% in SA, 6.9% in Tasmania and 8.6% in the ACT.

Outlook

Consumer sentiment is elevated. An upturn in dwelling prices is also underway, which will spill over to spending on greengoods, whitegoods and browngoods, providing support to the retail spending outlook. Unemployment remains under 7% and interest rates are at record lows and set to stay that way for several years. The household savings ratio is high, which could be unleashed

into the economy in the form of more spending.

But much depends on the developments with the pandemic and the vaccines. New strains of the virus pose a threat in the near term but a successful rollout of the vaccines could potentially see international borders lift and immigration resume near the turn of the end of this year.

Several key support measures from the Federal government, including JobKeeper, are due to expire early this year and could throw a cat among the pigeons. However, 2021 is set to be a year of transitioning to a new normal after a year of disruption in 2020. This transition should include an ongoing economic recovery, although the recovery may continue to be uneven.

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