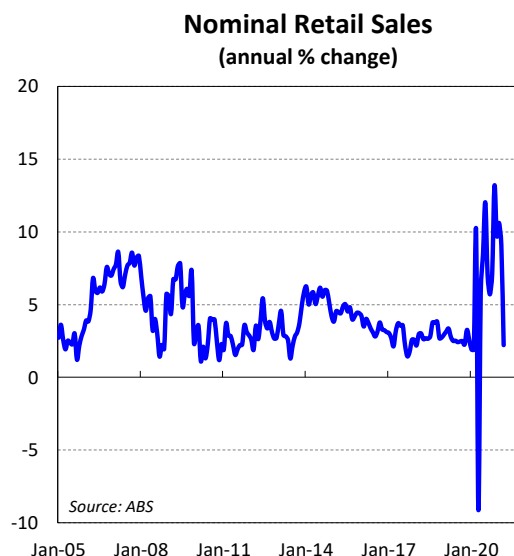
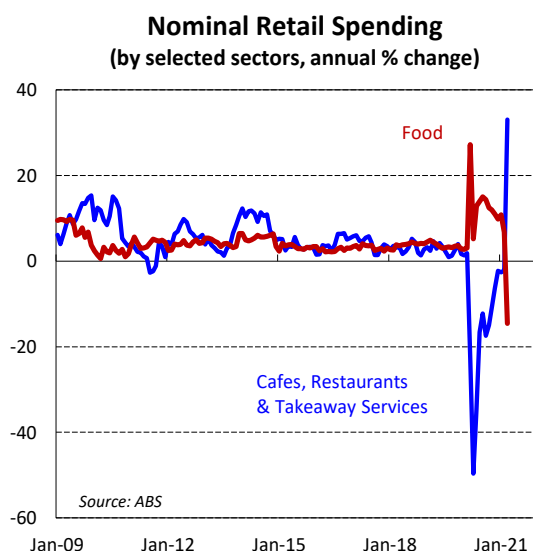


Monday, 10 May 2021

Retail Sales

Coffee and Cafes

- Retailing has been incredibly volatile. But the underlying trend shows that consumer spending stayed resilient throughout the pandemic. March 2021 was no exception. The value of retail sales rose 1.3% in March, after a fall of 0.8% in February. On a year ago, retailing is up 2.2%.
- The director Jim Jamursch could do a remake titled “Coffee and Cafes”. Australians love to eat out. The pandemic spurred more people to cook at home, but the easing of restrictions has seen our love of dining out return. Food retailing has retreated while spending at cafes & restaurants has continued to recover. Food retailing recorded its biggest annual drop on record of 14.5%.
- Online expenditure shot up 2.0% after a fall of 2.1% in February. Online sales as a share of retailing rose to 9.4% in March, which down from the peak last year but well up on the pre-pandemic level.
- Across the states, Western Australia and Victoria recorded the firmest clips of nominal retailing growth in March of 5.5% and 3.5%, respectively. WA’s rate was the fastest since May 2020.
- In volume terms, retail spending fell 0.5% in the March quarter, after very sharp rates of growth in the previous two quarters. It suggests some downside risks to GDP growth in Q1.
- A potent mix of lower unemployment, low interest rates and a housing price boom are likely to help underpin further growth in retail spending. The high share of household savings could also support spending if consumers choose to draw down on these savings. With the rollout of the vaccines occurring, we expect that some shifts within retail spending will continue.



Retail Sales - Value

Retail spending has stayed resilient throughout this pandemic and March proved no exception. However, sales have also exhibited a lot of volatility, making it harder for retailers, especially small retailers, to manage their inventories. The value of retail sales rose 1.4% in March, after a fall of 0.8% in February. On a year ago, retailing is up 2.2%, which is down from the stronger annual growth rates of around 6% to 13% experienced over the second half of 2020 and in the early part of this year.

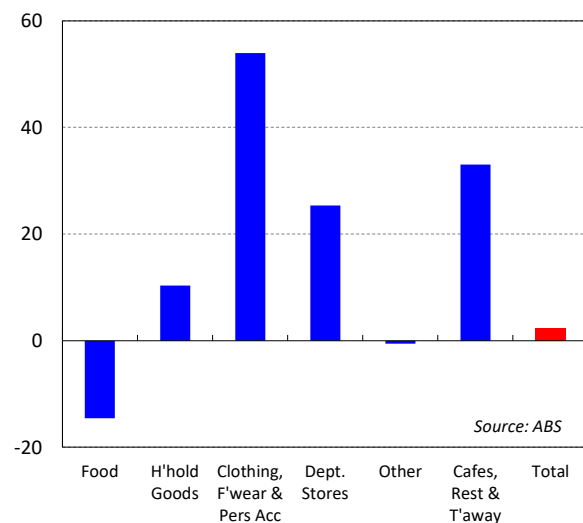
The pandemic caused significant disruptions and shifts to our shopping patterns. Some clear trends emerged over the last year. But some of these trends are now being pared. The most notable reversal is from dining in to dining out. Australians are returning to their love of eating out. The director Jim Jarmusch made a film back in 2003 titled “Coffee and Cigarettes” that contained eleven short stories with a common theme of coffee and cigarettes. An Australian remake of this film would surely contain short stories of our love of coffee and eating out.

To underscore this trend, food retailing fell 0.9% in March, which is the second straight fall, and contracted 14.5% in annual terms - the biggest annual drop since the data begins in 1983. This partly reflects base effects from a surge in food spending in March 2020 alongside the hoarding of essential goods (and a lot of toilet paper) at the start of the pandemic. In contrast, spending at cafes, restaurants & takeaway services gained 4.8% in March, the biggest rise in eight months. The annual growth rate jumped to 33.0%, but this also reflects base effects after dining out slumped in March of 2020.

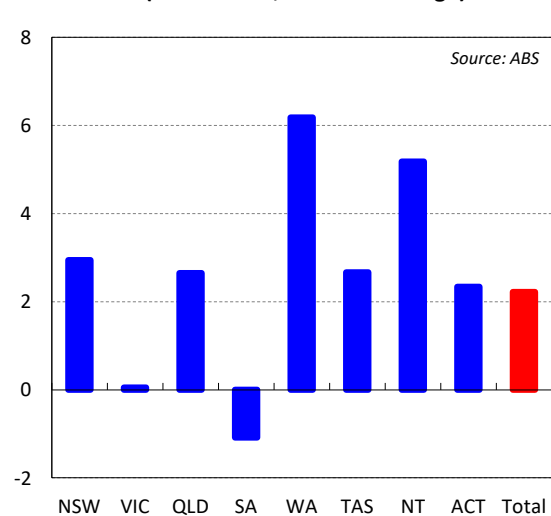
Clothing, footwear & personal accessories and department store sales also recorded solid gains in March of 5.4% and 8.5%, respectively. Other retailing also rose 1.4% but household goods retailing slipped 0.1% in the month.

A trend that has not reversed and is unlikely to is the growth in online spending. In March, online expenditure shot up 2.0% after a fall of 2.1% in February. Online sales as a share of retailing rose to 9.4% in March, down from a peak of over 11% last year but well up on the level before the pandemic which was around 7%.

Nominal Retail Sales by Sector
(March 2021, annual % change)



Retail Sales by State
(March 2021, annual % change)



Across the states, Western Australia and Victoria recorded the firmest clips of retailing growth in March of 5.5% and 3.5%, respectively. Western Australia's rate was the fastest since May 2020 and Victoria's the quickest monthly pace in four months. At the other end of the scale, South

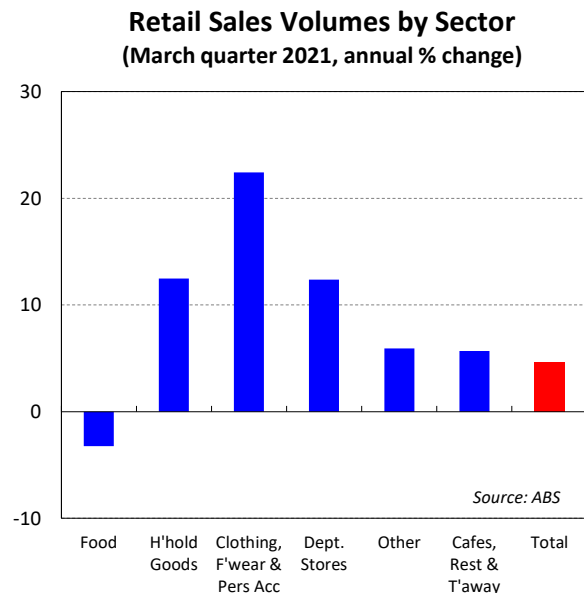
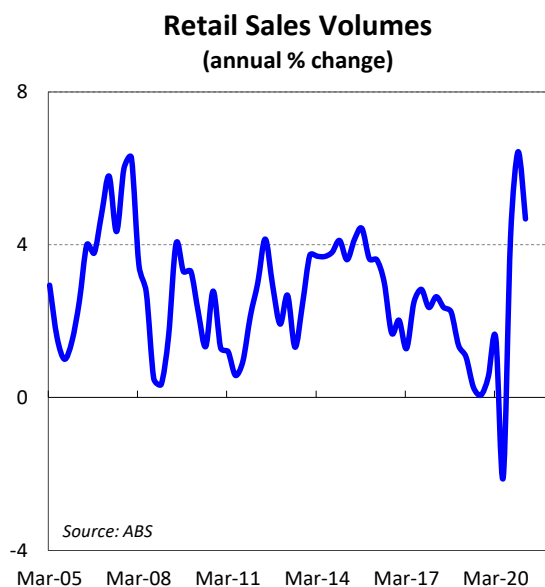
Australia was the weakest performer in March with retailing dropping 1.1% in the month. But it is the first decline in four months.

Meanwhile, retailing rose 0.2% in NSW, 1.3% in Tasmania but fell 0.5% in Queensland.

Retailing in the ACT tumbled 2.9%, which is the biggest slide since April 2020 whilst retailing in NT lifted 0.5% in March.

Retail Sales - Volumes

Retail spending in volume terms fell in the March quarter by 0.5%, after very sharp rates of growth in the previous two quarters. Food, household goods and clothing, footwear & personal accessories retailing fell in the quarter. Retailing for other, department store sales and cafes, restaurants and takeaway services rose. During the quarter, many Target stores in metropolitan areas closed with clearance of stock occurring; it is likely to have slightly contributed to growth in retailing volumes for department stores. Compared to the March quarter of 2020, only food retailing was weaker. In total, sales volumes were up 4.7% over the year.



Outlook

A potent mix of lower unemployment, low interest rates and a housing price boom are likely to help underpin further growth in retail spending. The high share of household savings could also support spending if consumers choose to draw down on these savings. With the rollout of the vaccines occurring, we expect that some shifts within retail spending will continue.

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