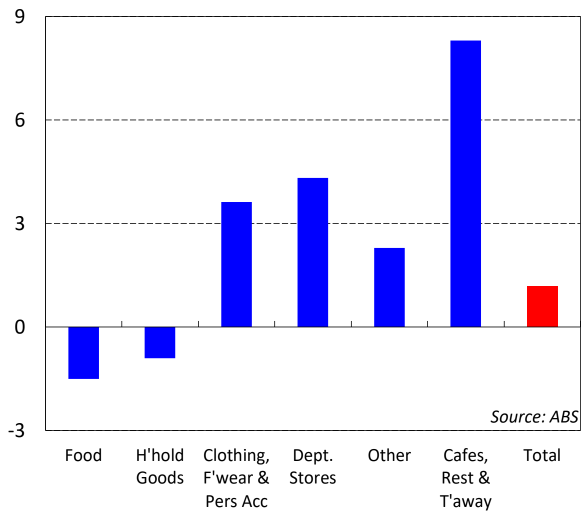
Retail Sales Volumes

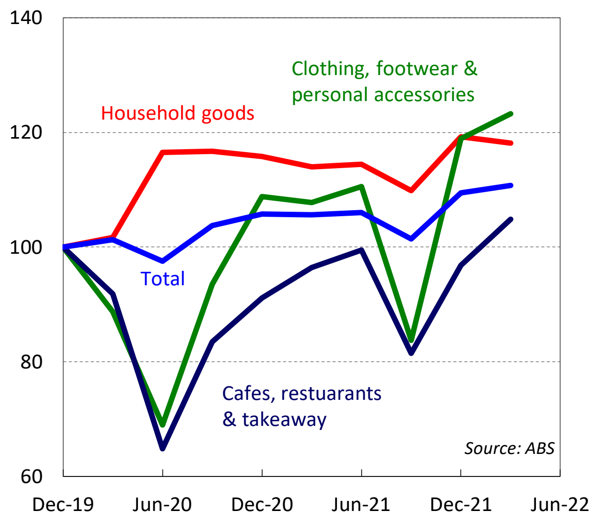
Australians Flock Back to Cafes

- **Retail sales volumes rose by 1.2% in the March quarter, touching a new high, following a record 7.9% surge in the December quarter alongside the reopening from Delta lockdowns.**
- **Nominal retail sales jumped 2.9% in the March quarter, implying that 1.7% of the gain was due to higher prices. In other words, the majority of the increase in nominal sales reflects higher prices, rather than households purchasing more goods or services.**
- **The biggest quarterly jump was in cafes, restaurants and takeaway services, up 8.3%, following an 18.3% leap in the December quarter. Spending volumes in this category are now almost 5% higher than their pre-pandemic level.**
- **Spending patterns across industries were consistent with the easing of restrictions. There was a rise in sales volumes in the quarter across most discretionary sectors, despite higher prices.**
- **The biggest increase in sales volumes was in the ACT. But the results were varied by region, likely reflecting an ongoing reopening boost in areas hit hard by lockdowns last year.**
- **There was also fresh data which showed we are continuing to shop more online than before the pandemic. Online sales accounted for 11.1% of retailing in March, unchanged from February, compared with around 6% before covid.**
- **Consumer spending will be supported robust household balance sheets and the strong jobs market. But there are growing headwinds. Consumer sentiment has taken a hit in recent months as cost-of-living pressures rise and households anticipate increases in interest rates.**

Retail Sales Volumes by Sector
(Q1 2022, quarterly % change)



Retail Sales Volumes
(index, selected sectors, Q4 2019 = 100)



Retail sales volumes rose by 1.2% in the March quarter, touching a new high, following a record 7.9% surge in the December quarter alongside the reopening from Delta lockdowns. Nominal retail sales jumped 2.9% in the March quarter, implying that 1.7% of the gain was due to higher prices. Sales volumes were 10.7% higher than their pre-pandemic level at the December quarter 2019.

The uplift in volumes occurred despite rising cost-of-living pressures, as well as the surge in covid cases with the emergence of the Omicron variant, and flooding in parts of Queensland and New South Wales.

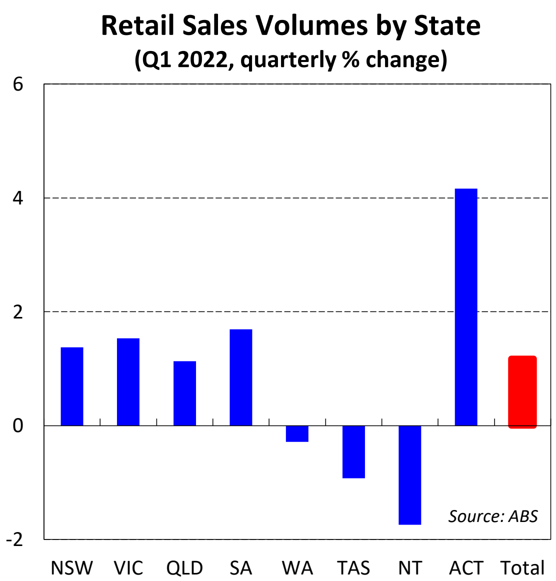
The retail sales quarterly figures are adjusted for changes in prices to indicate the volume of spending. This is important to understand how household consumption, and in turn GDP, has evolved. GDP is typically quoted in real terms, or in other words, is adjusted for changes in prices.

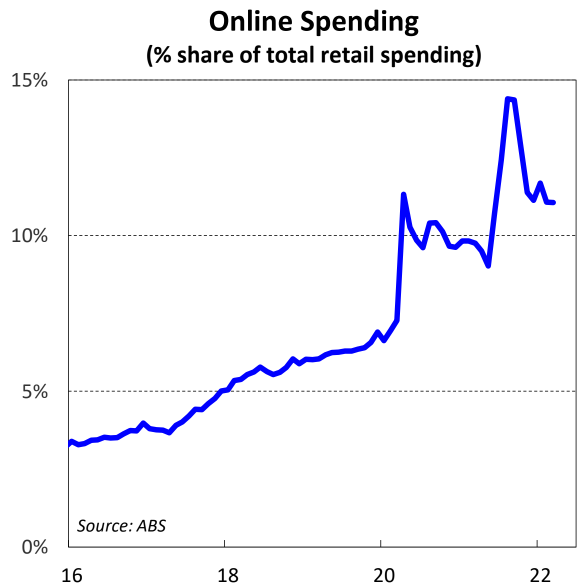
Today's data indicate that while nominal retail sales have grown strongly this year, the majority of the increase reflects higher prices, rather than households purchasing more goods or services. The result comes on the backdrop of very strong price pressures, with annual headline inflation hitting a whopping 5.1% in the March quarter – the fastest pace in almost 21 years. Even trimmed mean inflation, which strips out more volatile price movements, hit a 13-year high of 3.7%.

Spending patterns across industries were consistent with the easing of restrictions. The biggest quarterly jump was in cafes, restaurants and takeaway services, up 8.3%, following an 18.3% leap in the December quarter. Spending volumes in this category are now almost 5% higher than their pre-pandemic level.

Sales volumes are now above their pre-pandemic level across all sectors. There was a rise in sales volumes in the quarter across most discretionary sectors, despite higher prices. The biggest quarterly jump was in cafes, restaurants and takeaway services (8.3%), followed by department stores (4.3%). There were also increases in volumes in clothing, footwear and personal accessories (3.6%) and other retailing (2.3%).

Food volumes declined in the quarter (1.5%) as more people dining out combined with strong increases in food prices. Household goods volumes declined marginally in the quarter (0.9%), although this is coming off a record high in the December quarter.





The results were varied by region, likely reflecting an ongoing reopening boost in areas of the country hit hard by lockdowns last year. The biggest increase in sales volumes was in the ACT

(4.2%). Sales volumes also rose in SA (1.7%), Victoria (1.5%), NSW (1.4%) and Queensland (1.1%).

In contrast, spending declined in the NT (-1.7%), TAS (-0.9%) and WA (-0.3%). The decline in WA may reflect increased precautionary behaviour from consumers as covid case numbers rose. Up until the Omicron variant, WA had very few covid cases in the community.

There was also fresh data which showed we are continuing to shop more online than before the pandemic. Online sales accounted for 11.1% of retailing in March, unchanged from February, compared with around 6% before covid. The share of online spending has pulled back from its high of 14.4% in the midst of the Delta lockdowns last year, but it remains well above pre-pandemic levels.

Outlook

We continue to expect solid growth in consumer spending over 2022, supported robust household balance sheets and the strong jobs market. The unemployment rate is at its lowest level in almost 50 years, and wage pressures are building.

At the same time, there are growing headwinds to household consumption. Consumer sentiment has taken a hit in recent months as cost-of-living pressures rise and households anticipate increases in interest rates. An aggressive tightening in the cash rate would squeeze the budgets of some indebted households. Households without buffers or with slim buffers, and with higher mortgages relative to their incomes, will be more sensitive to higher rates.

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