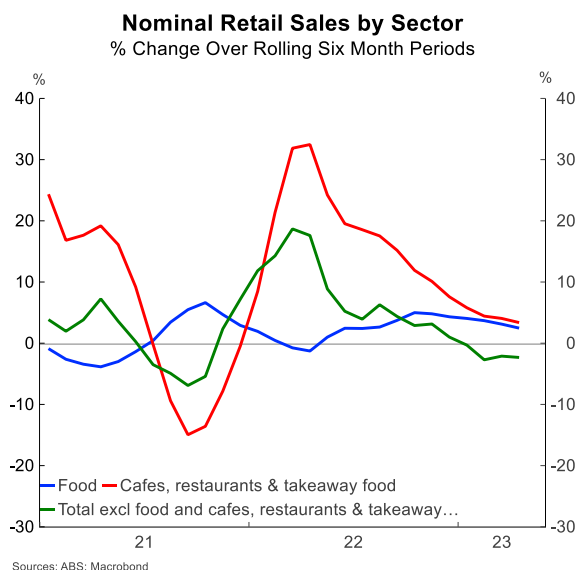
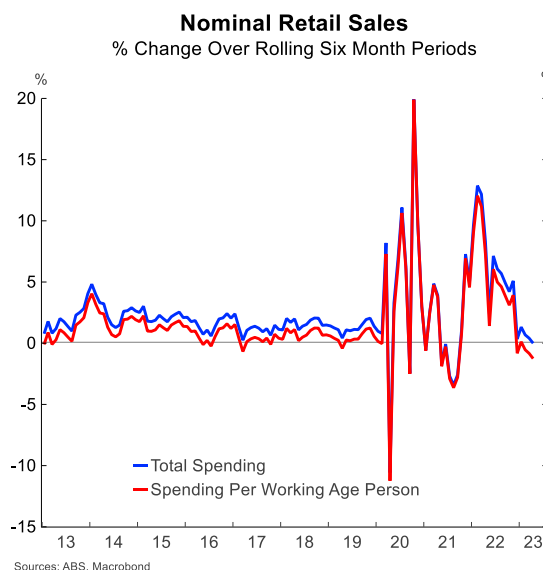


Friday, 26 May 2023

Retail Sales

The Fall In Per Capita Spending Accelerates

- Retail trade was flat over the month of April. Only two categories recorded increases - clothing, footwear, and personal accessory; and departments stores. These categories were boosted by spending on winter clothing in response to cooler than average weather.
- The outcome confirms that the slowdown in spending extended beyond the March quarter. On a per capita basis, spending has fallen by 1.3% over the past 6 months (sharpest fall since the early 2008 outside of COVID), declining back to the level recorded in July. In other words, individuals are spending the same as they did in the middle of last year. Given elevated inflation, this means that individuals are buying a smaller number of items than they did last year.
- Even when including the huge surge in migration, total spending has not grown over the past 6 months - its back at its October level. In an environment of elevated inflation, the volume of spending is going backwards.
- Households are clearly adjusting to the fall in real wages, higher interest rates and accelerating rents. We have seen a stark pull back on discretionary items. Over the past 6 months, retail trade excluding food and cafes, restaurants & takeaway has fallen by 2.3%.
- Notwithstanding the growing population, spending on food (-0.1%) and cafes, restaurants & takeaway (-0.2%) declined for the first time since February 22 and December 23, respectively.
- Today's release will be an important part of the Reserve Bank's deliberations. Spending leads the economic cycle, with labour market conditions and inflation following. The clear signal from today is that spending is stalling. We expect this to continue as cash rate hikes to date are fully transmitted to households.



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