

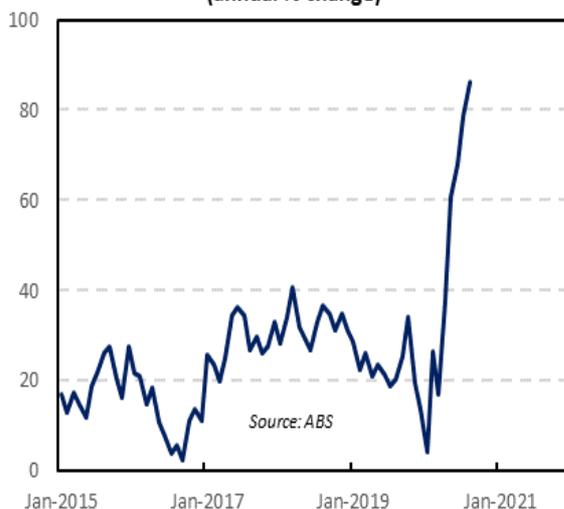
Friday, 2 October 2020

## Retail Sales

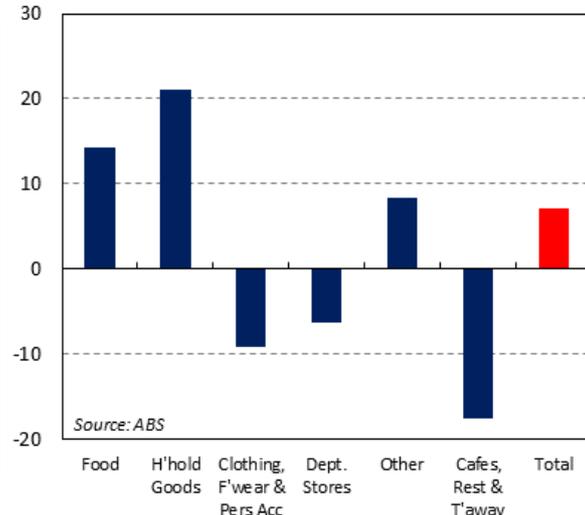
### Retail Therapy Goes Digital

- Online retail spending on non-food items has risen almost 80% over the past year. At last, we're letting our fingers do the talking.
- Retail spending, in total, fell 4.0% in August to be up 7.1% over August 2019. This comes after three months of solid growth.
- All the major sectors of retailing took a backward step in August, but each followed a solid rise in July. Spending on clothing, footwear and personal accessories was down 10.5% while department store sales were down 8.9%.
- The impact of the COVID-19 lockdowns on retail spending in Victoria is most dramatically seen in the annual rates of growth. Retail sales in Victoria were down 10.3% in the year to August. This compares with 17.9% growth in Western Australia and 17.8% growth in Tasmania.
- While today's retail sales numbers were soft, growth over the year has been solid. It seems unlikely that this solid annual pace can be maintained as much of it appears to be spending that has been brought forward.
- The outlook for retail spending will depend upon the strength of the labour market, income levels and the capacity of businesses to trade. As restrictions are eased and mobility lifts, we expect to see retail spending gradually lift but with month to month figures remaining volatile.

Online Spending on Non-Food Items  
(annual % change)



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



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Retail spending, in total, fell 4.0% in August to be up 7.1% over August 2019. This comes after three months of solid growth.

The annual growth rate of 7.1% is itself unusual, given that prior to the pandemic being declared, annual growth in retail spending had not exceeded 4% since January 2016. With food sales up 14.3% over the year and spending in cafes, restaurants & takeaway food services down 17.5%, it's not difficult to determine where the 'Covid-kilos' are being accumulated and which sector is doing it tough.

The ABS experimental series covering online sales, shows growth in online food sales up 86.2% on a year earlier. In the month of August, online food sales rose 6.8% while non-food online purchases were up 7.0%. It goes almost without saying that the pattern of retail spending by sector and by method is being heavily influenced by COVID-19-related factors such as working from home, lockdowns, and social distancing.

All the major sectors of retailing took a backward step in August, but each followed a solid rise in July. Spending on clothing, footwear and personal accessories was down 10.5% while department store sales were down 8.9%. Results for the other sectors were cafes restaurants & takeaway services (-6.6%), household goods (-6.0%) and food (-0.2%). These are volatile times for retailers.

On an annual basis, the household goods sector has been the strongest with sales rising 21.0%. This was followed by food at 14.3%. On the other side of the ledger, spending in cafes, restaurants & takeaway food services was down 17.5% over the year, clothing, footwear & accessories down 9.2% and department stores 6.2% lower.

All states saw a downturn in retail spending in August, but both of our territories saw gains. Unsurprisingly Victoria (-12.6%), in the face of its lockdowns, saw the weakest retail sales. It was followed by NSW (-2.0%) and Queensland (-1.1%). South Australian retail spending fell 0.9% in August while it was down 0.4% in Western Australia and 0.2% in Tasmania. In the Northern Territory sales rose 2.0%, while in the ACT they rose 0.7%.

The impact of the COVID-19 lockdowns on retail spending in Victoria is most dramatically seen in the annual rates of growth. Retail sales in Victoria were down 10.3% in the year to August. This compares with 17.9% growth in Western Australia and 17.8% growth in Tasmania. The ACT reported 15.1% growth, Queensland 14.7%, South Australia 12.1%, the Northern Territory 11.1%, and NSW 10.7%.

## **Outlook**

While today's retail sales numbers were soft, growth over the year has been solid. It seems unlikely that this solid annual pace can be maintained as much of it appears to be spending that has been brought forward. The outlook for retail spending will depend upon the strength of the labour market, income levels and the capacity of businesses to trade. As restrictions are eased and mobility lifts, we expect to see retail spending gradually lift but with month to month figures remaining volatile.

**Hans Kunnen, Senior Economist**  
Ph: 02-8254-1316

## Contact Listing

### Chief Economist

Besa Deda

dedab@banksa.com.au

(02) 8254 3251

### Senior Economist

Hans Kunnen

hans.kunnen@banksa.com.au

(02) 8254 1316

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