

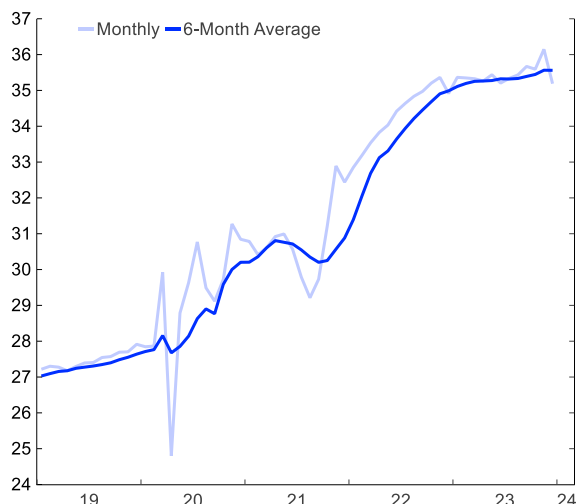
Tuesday, 30 January 2024

Retail Sales

Sombre Xmas For Cash-Strapped H'holds

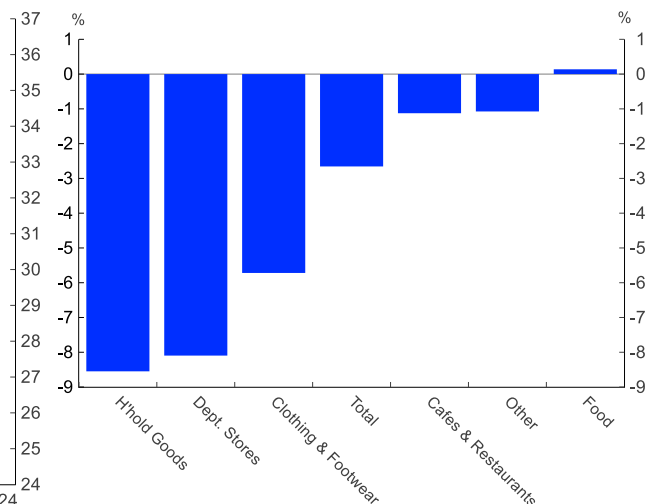
- Consumer spending continued to show signs of weakness in December as retail sales dropped 2.7%. This more than unwound the 1.6% bounce in November following Black Friday sales and is the biggest drop in over 3 years.
- Falls were evident across all industries, except for food (+0.1%). In fact, across all non-food categories, falls in December were large enough to more than unwind the jumps in November.
- Discretionary spending was hard hit. Household goods (-8.5%) recorded the largest monthly drop in 23½ years and were 2.6% lower compared to October (i.e. pre Black Friday). Department stores (-8.1%) was the next weakest and were a material 4.3% below their October level.
- Looking through the month-to-month volatility, spending remains under pressure. On a rolling three-month basis, retail trade in the December quarter was only a lacklustre 0.5% higher compared to the September quarter. Importantly, this is in nominal terms, implying that the volume of retail spending was very weak in the quarter given inflation remains elevated.
- Per capita outcomes are even bleaker. On a monthly basis, per capita retail trade dropped 2.9%, following a 1.3% gain in November. On a rolling quarterly basis, nominal retail spending fell 0.2% in the December quarter and was down a whopping 2.2% in annual terms, before accounting for inflation – the weakest annual result in history (excluding COVID).
- Spending is likely to remain under intense pressure for some time. Material relief for households is unlikely to come until the second half of 2024. By then, inflation is expected to be notably lower, interest rate cuts are likely, and households will benefit from recently revised tax cuts.

Nominal Retail Sales
Value, \$ Billion



Sources: ABS, Macrobond

Nominal Retail Sales by Sector
December 2023, Monthly % Change



Sources: ABS, Macrobond

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