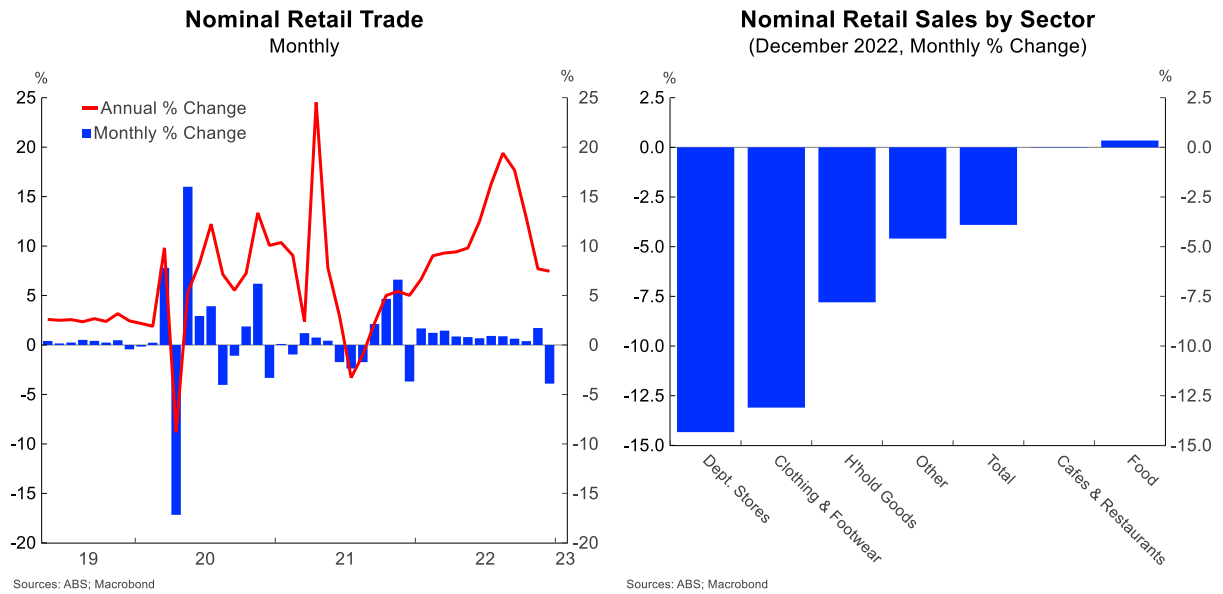


Tuesday, 31 January 2023

Retail Sales

Consumers Signal Tougher Times Ahead

- Retail trade fell by 3.9% over the month of December 2022 – the sharpest fall since August 2020. Last month we suggested that the strong outcome for November was largely due to a bring forward of Christmas spending, as households looked to take advantage of sales.
- Today's outcome vindicates this view. In fact, on average over the last three months of 2022, retail trade has fallen by around 0.5% per month. As a basis of comparison, on average over the last three months of 2021 and 2020, retail trade grew by 1.8% and 1.1%, respectively.
- Over the quarter, retail trade grew by 0.9% over the December quarter. However, this includes both higher prices and transactions. We saw last week that the Consumer Price Index increased by 1.8% over the quarter. This suggests that retail trade over the quarter could be negative after adjusting for prices - actual volumes will be released next week.
- By industry, there were falls across the board except for food retailing that grew by 0.3% and hospitality services which were flat over the month. In a clear sign that consumers pulled forward Christmas spending to take advantage of the Black Friday and Cyber Monday sales, department store turnover declined by 14.3% in December, Clothing, footwear and personal accessory retailing declined by 13.1%, and household goods retailing declined by 7.8%.
- What does all this mean? The spending impulse from pent up demand has likely come to an end. There are now clearer signs spending is slowing and the RBA's interest rate hikes are reducing demand. The full impacts of the 300 basis points of rate hikes from last year are yet to fully flow through to consumers. We continue to expect retail trade will ease over 2023 as consumers adjust to higher interest rates, higher rents and the higher cost of living.



Contact Listing

Chief Economist

Besa Deda
 dedab@banksa.com.au
 +61 404 844 817

Senior Economist

Jarek Kowcza
 jarek.kowcza@banksa.com.au
 +61 481 476 436

Senior Economist

Pat Bustamante
 pat.bustamante@banksa.com.au
 +61 468 573 786

Economist

Jameson Coombs
 jameson.coombs@banksa.com.au
 +61 401 102 789

The information contained in this report (the Information) is provided for, and is only to be used by, persons in Australia. The information may not comply with the laws of another jurisdiction. The Information is general in nature and does not take into account the particular investment objectives or financial situation of any potential reader. It does not constitute, and should not be relied on as, financial or investment advice or recommendations (expressed or implied) and is not an invitation to take up securities or other financial products or services. No decision should be made on the basis of the Information without first seeking expert financial advice. For persons with whom BankSA has a contract to supply Information, the supply of the Information is made under that contract and BankSA's agreed terms of supply apply. BankSA does not represent or guarantee that the Information is accurate or free from errors or omissions and BankSA disclaims any duty of care in relation to the Information and liability for any reliance on investment decisions made using the Information. The Information is subject to change. Terms, conditions and any fees apply to BankSA products and details are available. BankSA or its officers, agents or employees (including persons involved in preparation of the Information) may have financial interests in the markets discussed in the Information. BankSA owns copyright in the information unless otherwise indicated. The Information should not be reproduced, distributed, linked or transmitted without the written consent of BankSA.

Any unauthorized use or dissemination is prohibited. Neither BankSA- A Division of Westpac Banking Corporation ABN 33 007 457 141 AFSL 233714 ACL 233714, nor any of Westpac's subsidiaries or affiliates shall be liable for the message if altered, changed or falsified.