

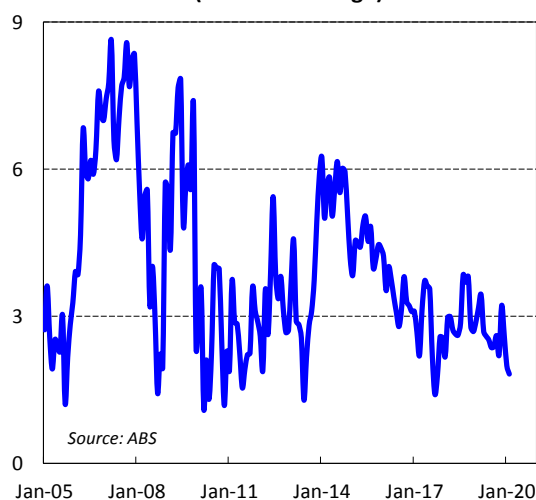
Friday, 3 April 2020

Retail Sales

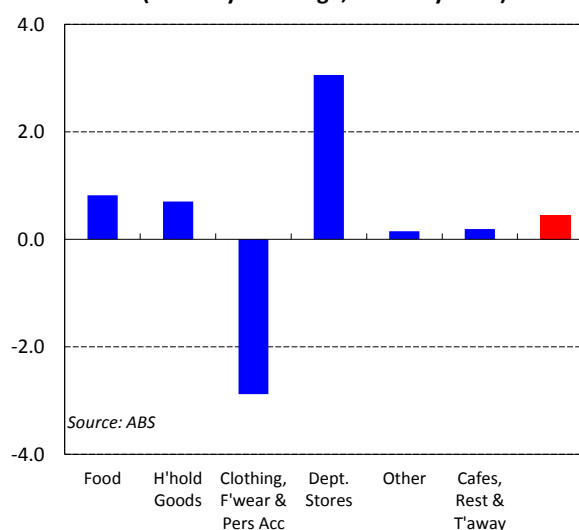
Pre-Social Distancing Stabilisation

- Retail sales rose 0.5% in February, up from a preliminary February estimate of 0.4% and a 0.3% fall in January.
- The data confirms the first increase in retail turnover in three months. However, consumer spending growth remained on weak footing. At 1.8% in February, the annual pace was the slowest since October 2017.
- Strict social distancing rules were not adopted until March. Progressive travel restrictions in February affected specific sectors exposed to tourism, according to the ABS.
- There were significant increases in spending at supermarkets, pharmacies and on takeaway services in February. These sectors are expected to see further increases in the months ahead, as consumer spending focuses on essential items.
- Of the States and territories, only the Northern Territory saw a decline in February. Spending in WA rose the fastest of the States, at 1.2% for February.
- The extreme social distancing measures adopted in the middle of March will create a significant disruption to consumption patterns in the coming months.
- Overall, consumer spending is expected to decline sharply, however, the impact will be uneven as some substitution occurs.

Nominal Retail Sales
(annual % change)



Retail Sales by Sector
(Monthly % Change, February 2020)



Retail sales registered their first monthly increase of 2019 in February, expanding 0.5% over the month. The Australian Bureau of Statistics (ABS) released a preliminary estimate of the value of retail trade data on 18 March to provide a more timely picture of the economy amid the COVID-19 outbreak. February's final result was revised upwards slightly from the preliminary estimate of 0.4% and is an improvement on the 0.3% decline registered in January.

On an annual basis, the value of retail sales was 1.8% in February, the slowest pace of growth since October 2017. The slow pace of annual growth highlights the weak state of consumer spending before the escalation in the COVID-19 crisis.

The COVID-19 outbreak was beginning to spread globally by February and Australia had begun to implement travel restrictions on during the month. However, widespread social distancing protocols were not introduced until the latter half of March. Accordingly, retailers who were not exposed to tourism reported little negative impact to the ABS. Some specific sub-sectors, including supermarkets and pharmacies, saw increased turnover during the period due to stockpiling by some consumers.

Supermarket spending rose 1.1% over the month, leaving the broader food category up 0.8%, its fastest increase since March 2018. Pharmaceutical, cosmetic and toiletry goods spending jumped 2.2%, its biggest increase since March 2017. Anecdotal evidence suggests that these categories could have increased further in March, as stockpiling behaviour intensified.

Changes in other sectors were more muted. Cafes, restaurants & takeaway services rose 0.2% over the month, although the takeaway-only component rose 1.0% offsetting a 0.4% decline in the restaurant and café component. Department store spending rebounded 3.1% after falling in the previous two months. Household-goods retailing rose 0.7%, its first increase in three months, in line with increased housing turnover in February. Other discretionary spending was weaker, including a 2.9% fall in clothing & footwear.

By State, WA saw the largest gain of 1.2% over the month, followed by the ACT (1.0%) and QLD (0.8%). Victoria (0.5%) and SA (0.4%) both recorded more modest increases while NSW and Tasmania were flat over the month. The value of retail sales fell 0.7% in the Northern Territory, its fourth consecutive monthly fall.

Outlook

Notwithstanding consumer staples, the effect of the COVID-19 outbreak was mostly confined to retailers with a high exposure to tourism in February. The extreme social distancing measures adopted in the middle of March will create a significant disruption to other retailers and consumption patterns. Overall spending is expected to fall rapidly in the coming months. However, today's survey highlights that some sectors stand to gain from the containment measures. The biggest winners are likely to be supermarkets, pharmacies and takeaway services.

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