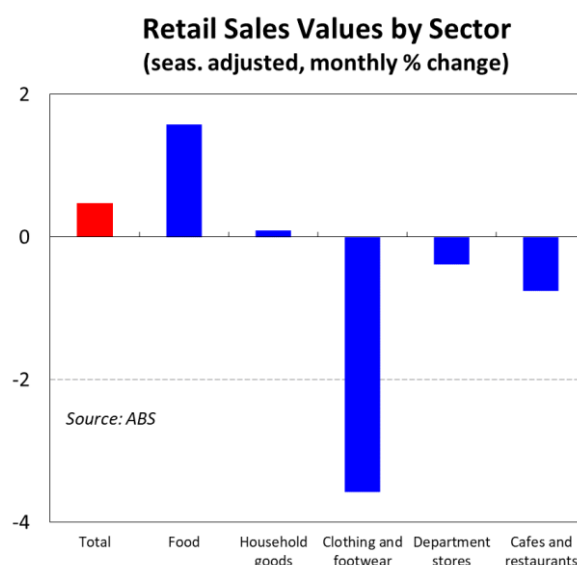
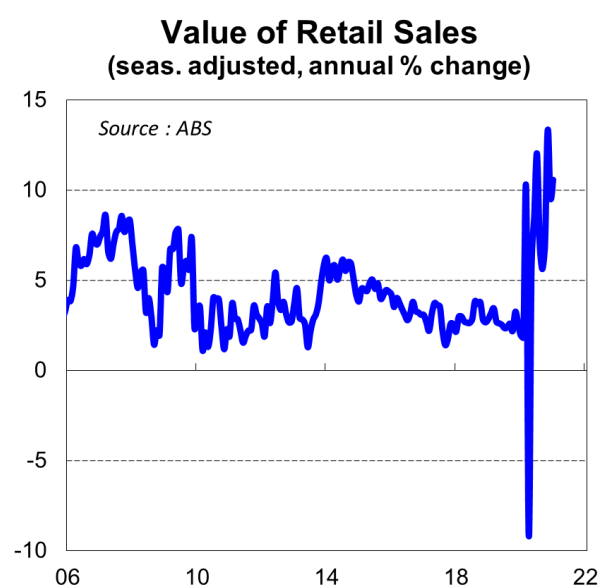


Thursday, 4 March 2021

Retail Sales

Momentum Remains Solid

- Retail sales rose 0.5% in January, a touch weaker than the preliminary estimate of 0.6%. Retail sales has been very volatile over the past twelve months. However, cutting through this volatility reveals strong underlying momentum in retail sales. Retail sales are up 10.6% in year-ended terms compared to the long-run average pace of 3.8%.
- January was characterised by a lockdown in parts of NSW and QLD, as well as the threat of a lockdown in Victoria. Retailing was strongest in WA, perhaps reflecting border closures preventing tourist outflows, and NSW and Victoria, as shoppers in these states hoarded food and other essential items. WA retailing rose by 2.1%, Victoria by 1.0% and NSW by 0.8%.
- Whilst parts of QLD had a lockdown in January, it was short lived. The closure of QLD's interstate borders with NSW and Victoria in January hurt retailing more. The Sunshine state usually relies on tourism-related retailing in January. QLD recorded the sharpest fall in the month of 1.5%.
- The strongest category in the month not surprisingly was food. It grew by 1.6%, after five consecutive months of declines. Discretionary spending took a back step in January amid nervousness related to the cluster of infections in the big states of NSW and Victoria. Clothing, footwear & personal accessories recorded the biggest fall of 3.6% in the month.
- Over the year ahead we expect retail sales to continue to be supported by low interest rates, an upturn in housing, improving labour market conditions and elevated consumer confidence. However, over the coming months the unwind of temporary income support measures, like JobKeeper, may weigh on expenditure.



COVID-19 caused significant disruptions to our shopping patterns. Some clear trends emerged over the last year. Other than hoarding toilet paper, Australians have been eating out less and spending more on items for around the house. People are doing more of their shopping online. Sales have jumped around as shops and restaurants have closed and reopened. What remains clear through all these changes is that Australians have a strong appetite to spend and this will continue to support the economy through the recovery.

Retail sales rose 0.5% in January, weaker than the preliminary estimate of 0.6%.

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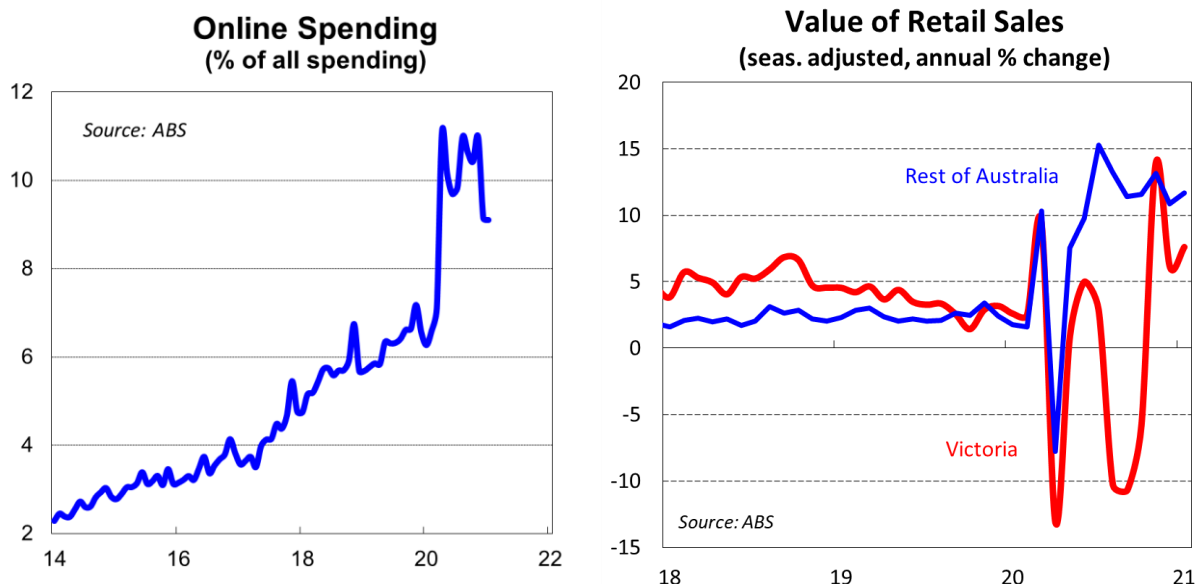
January was characterised by a lockdown in parts of NSW and QLD, as well as the threat of a lockdown in Victoria. This was reflected in spending patterns in the month.

The strongest category in the month not surprisingly was food. It grew by 1.6%, after five consecutive months of declines. Food retailing benefits from the stockpiling associated with lockdowns.

Discretionary spending took a back step in January amid nervousness related to the cluster of infections in the big states of NSW and Victoria. Clothing, footwear & personal accessories recorded the biggest fall of 3.6% in the month. Spending on cafes, restaurants and takeaway declined 0.8%.

Expenditure on household goods was largely unchanged in the month but remains up 19.6% over the year. Spending on this category rocketed last year. With spending on international travel and entertainment constrained, people decided to buy new TVs and deck out their home offices.

At the beginning of the first wave of COVID-19 in Australia, online spending as a share of retailing shot up from 6.6% to 11.0%. Many brick-and-mortar stores were closed and shoppers sought to minimise contact with others. The share of spending online has ticked down to 9.1% over recent months but remains elevated relative to pre-COVID levels.



States and Territories

The impact of short-lived COVID-19 outbreaks was apparent in the performance of the states. Over the year, retail spending remains strong across the country.

Retailing was strongest in WA, perhaps reflecting border closures preventing tourist outflows, with

spending up 2.1% in the month. Spending remains very strong over the year, up 18.4%.

Retail sales were also solid in NSW and Victoria, as shoppers in these states hoarded food and other essential items. Victorian retailing rose by 1.0% and NSW by 0.8%. In annual terms, retail sales growth in Victoria is still lagging the rest of the country, although has been making up for lost ground.

Whilst parts of QLD had a lockdown in January, it was brief. The closure of QLD's interstate borders with NSW and Victoria in January hurt retailing more. QLD retail trade during January would ordinarily rely heavily on tourism-related retailing. The Sunshine state recorded the sharpest fall in the month of 1.5%.

The remaining states and territories all recorded increases in spending, notably Tasmania, which was up 1.0% in the month.

Outlook

Over the year ahead we expect retail sales to continue to be supported by low interest rates, an upturn in housing, improving labour market conditions and elevated consumer confidence. However, over the coming months the unwind of temporary income support measures, like JobKeeper, may weigh on expenditure.

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