

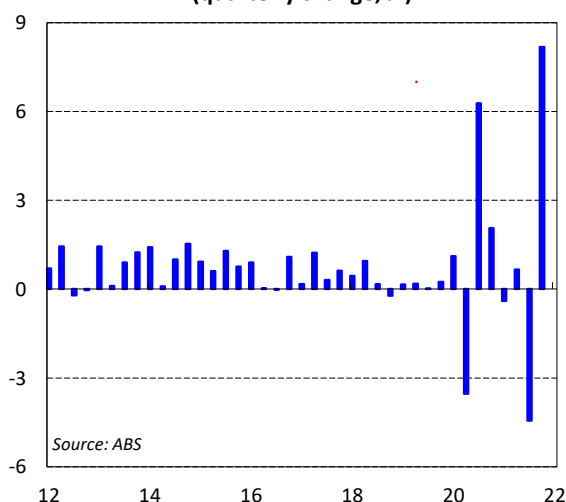
Monday, 7 February 2022

Retail Sales Volumes

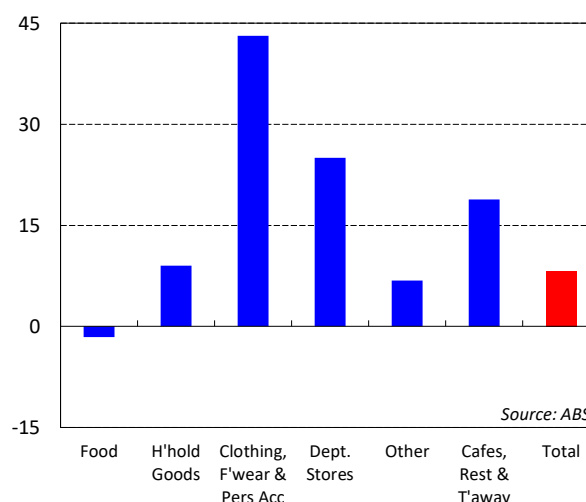
Volumes Hit Record On Reopening Surge

- Retail sales volumes surged a record 8.2% in the December quarter, taking sales volumes to their highest level in the history of the series. In nominal terms, retail sales rose 8.7% in the December quarter, implying 0.5% of the gain was due to a rise in prices.
- The jump in the quarter reflects pent-up demand following the reopening in NSW and Victoria. Clearly, consumers were eager to spend.
- Spending across sectors reflected classic reopening patterns. Clothing, footwear & personal accessories and department stores both recorded their highest quarterly growth on record. There was also a large jump in cafes, restaurants & takeaway as dining out recommenced.
- Food retailing dipped as we spent less at grocery stores, with less stockpiling of essentials and more eating out.
- By region, growth was unsurprisingly led by the states and territories emerging from lockdown. NSW recorded its largest quarterly growth on record. There were also big surges in spending in Victoria and the ACT.
- Echoing the reopening theme, there was a decline in the share of online spending over the quarter. However, it remains well above its pre-COVID level, pointing to permanent changes in our shopping habits.
- The wave of COVID-19 cases over the summer will hit the January spending data. However, we expect spending to recover over future months as case numbers decline. And we are projecting that strong growth in spending will be a key driver of the recovery in 2022.

Retail Sales Volumes
(quarterly change, %)



Retail Sales Volumes by Sector
(Q4 2021, quarterly % change)



Retail sales volumes surged a record 8.2% in the December quarter, taking sales volumes to their highest level in the history of the series, dating back to 1983.

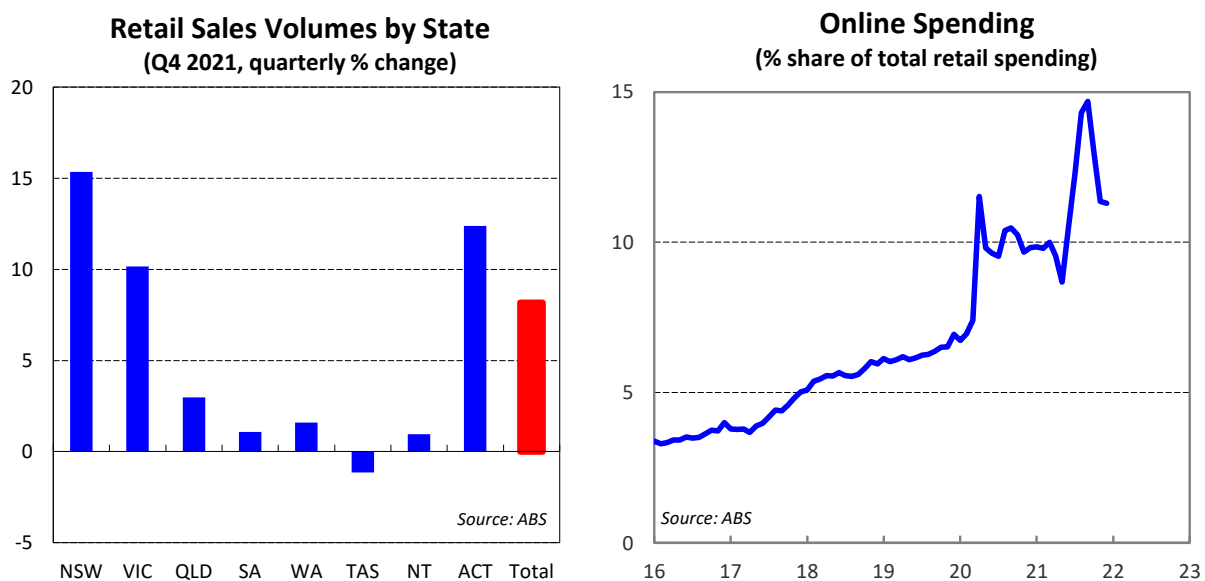
The volumes data is released with a lag to the monthly nominal retail sales series.

The volumes data indicate most of the increase in retail spending in the quarter was because shoppers were buying more. In nominal terms, retail sales rose 8.7% in the December quarter, implying 0.5% of the gain was due to a rise in prices.

The jump in the quarter reflects pent-up demand following the reopening in NSW and Victoria. Clearly, consumers were eager to spend. Large household saving buffers, low interest rates, government support, the strong housing market and the fast rebound in the labour market also supported shoppers' willingness to open their wallets. However, December quarter spending doesn't capture much of the hit from the Omicron variant, which is set to come through in the January data.

Spending across sectors reflected classic reopening patterns. There were big rebounds in clothing, footwear & personal accessories (43.1%) and department stores (25.0%), both recording their highest quarterly growth on record, as restrictions eased. There was also a large jump in cafes, restaurants & takeaway (18.8%) as dining out recommenced. Household goods (9.0%) and other retailing (6.8%) also recorded strong growth in the quarter.

Food retailing dipped (-1.6%), as we spent less at grocery stores, with less stockpiling of essentials and more eating out.



By region, growth was unsurprisingly led by the states and territories emerging from lockdown. NSW (15.3%) recorded its largest quarterly growth on record. There were also surges in spending in the ACT (12.4%) and Victoria (10.2%). There were more modest gains in Queensland (3.0%), WA (1.6%), SA (1.1%), and the NT (0.9%). There was a slight decline in sales volumes in Tasmania (-1.1%).

Echoing the reopening theme, there was a decline in the share of online spending over the December quarter. Online shopping peaked at 14.7% of retail spending in September and slipped to 11.3% in December after lockdowns had lifted. However, it remains well above its pre-COVID level, which averaged around 6% in the year before the pandemic, pointing to permanent changes in our shopping habits.

Outlook

The surge in COVID-19 cases will hit the January spending data, as millions were forced into isolation or were more cautious about leaving the house. High levels of absenteeism also contributed to supply-side constraints as businesses grappled with labour shortages and more difficulties with supply chains. Some businesses were forced to temporarily shut up shop or reduce trading hours.

However, we expect spending to recover over future months as case numbers decline. In turn, we are forecasting that GDP growth will be flat in the first quarter of 2022, with the balance of risks tilted to the upside. We are also projecting that strong growth in household spending will be a key driver of the recovery in 2022.

As reflected in today's volumes data, there was strong momentum in consumer spending ahead of the Omicron outbreak. The key factors supporting this momentum remain in play. Households have accumulated huge saving buffers during the pandemic, which will support consumption this year. Plus, the unemployment rate is at its lowest level in more than a decade. And, while we expect the Reserve Bank will begin lifting the cash rate in the second half of this year, interest rates are still low relative to historical levels.

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