

31 October 2022

Australian retail sales up again but less convincing Sep sales: +0.6%^{mth} (market 0.5%), 17.9%^{yr} Prices the driver. Detail suggests rate rises starting to impact.

- The ABS preliminary estimates of official retail sales showed another 0.6% rise in Sep, following a 0.6% gain in Aug. That was slightly ahead of expectations of a 0.5% rise. Annual growth came in at 17.9%^{yr} but is still being heavily impacted by delta lockdowns this time a year ago.
- Note that the headline here is nominal sales, which includes changes due to price variations. Indeed, almost all of the recent monthly gains are likely due to higher prices rather than volumes.
- For Q3 as a whole, nominal sales were up 2.3%, a solid result but a step-down from Q2's strong 3.2% rise. As we now know from the Q3 CPI, prices accounted for the bulk of the increase in the quarter, retail prices likely up around 2%^{qtr}. Friday's detailed final retail release will include official Q3 estimates of real sales that will show a much more subdued gain in volume terms.
- For nominal sales, gains in the Sep month centred on a bounce-back in clothing (+2%^{mth}), and more solid rises for food-related categories, cafes & restaurants up 1.3% and basic food up 1%. Sep saw notable declines for household goods (-0.8%) and department stores (-0.4%), which in the context of strong price rises imply sizeable declines in volume terms, particularly for household goods retail.
- By state, strong gains in WA (1.4%) and Qld (1.1%) were balanced by more subdued rises in NSW (0.3%) and Vic (0.4%), with SA recording a small dip (-0.2%).
- While price effects are difficult to disentangle, the detail does suggest there may be a rate rise effect coming through over and above the direct 'eroding' effect of higher prices. The slowing in household goods retail (barely up 0.3% for Q3 as a whole) and the more subdued sales in NSW and Vic both suggest a degree of interest rate sensitivity.

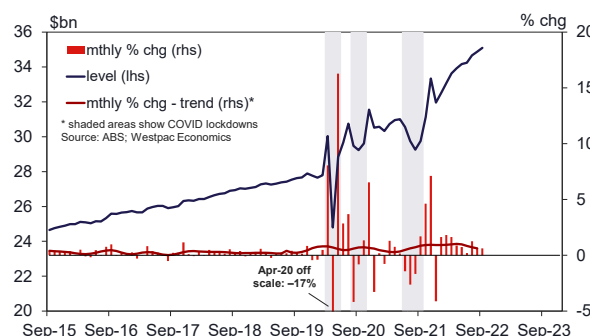
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Retail sales – September 2022

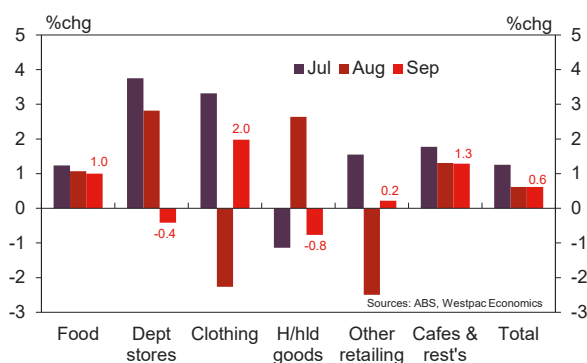
	\$bn	% chg mth		% chg yr	
	Sep-22	Aug-22	Sep-22	Aug-22	Sep-22
sa	35.10	0.6	0.6	19.2	17.9
trend*	35.21	0.7	0.6	11.1	10.7

*Westpac estimates; official series suspended.
Source: ABS, Westpac Economics.

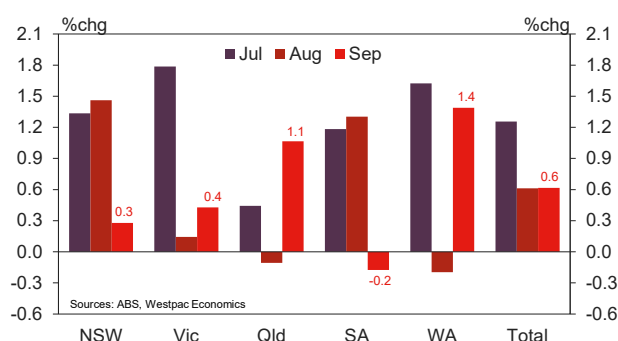
Monthly retail sales



Monthly retail sales by store type



Monthly retail sales by state



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