

4 November 2022

## Australian real retail sales slow to a crawl Q3 real retail sales: 0.2%qtr, 10%yr Price surge eroding spending power; rate rises starting to bite?

- Real retail sales rose 0.2% in Q3, right in line with Westpac expectations but a touch below consensus. Q2 was also revised down significantly, from +1.4% to +1%. The slowdown reflects a moderation in nominal spend and another big lift in retail prices. Annual growth rates are heavily affected by the delta lockdowns this time last year – while real sales are up 10% compared to this, the ‘underlying’ gains are running closer to 4.5%yr.
- The preliminary Sep retail release had already reported a 2.3%qtr gain in nominal sales for the quarter with a mixed monthly profile (+1.3% in Jul, and 0.6% in Aug and Sep, see [here](#) for more). As well as Q2 retail volumes, today’s final retail report also includes more granular detail by state and industry, and by channel and business size.
- The state breakdown showed a broad-based moderation. Qld posted a sharper turnaround, a –0.8%qtr fall coming after a 2.1%qtr gain in Q2 that outperformed other states. Sales volumes were up 0.6%qtr in both NSW and Vic, with more subdued gains in SA (+0.3%) and WA (+0.1%).
- By store-type, the quarter saw an outright fall for household goods (–1.8%qtr), the third in a row but coming off a very big gain in Q4 last year (sales down about 0.5% vs their pre-delta lockdown levels). Prices are up 8.8%yr in this segment, a record on figures back to 1984 and in stark contrast to an average price decline of 1.5%yr over the 12yrs prior to COVID.
- The figures are similar for basic food retail, volumes down 0.6%qtr for a third quarter in a row but still 0.6% above pre-delta levels, and with price growth running at 8.5%yr, running above the peak during the 2000 GST introduction and near record highs. ‘Other retail’ also posted a 0.5%qtr decline.
- Gains centred on department stores (+4.4%qtr) and clothing (+3.2%qtr) where price gains were much more subdued (+0.3%qtr and –0.4%qtr respectively); and in cafes & restaurants (+3.3%qtr) where reopening dynamics still look to be overriding the dampening effect of higher prices, which rose +2.1%qtr.
- Reopening dynamics are also still seeing a rotation away from online towards ‘in-store’ spending. Retailers reported a further 2.5%qtr fall in nominal online retail sales, ‘in-store’ sales surging a further 2.8%qtr.
- By business size, small retailers have seen sales stall, nominal sales dipping 0.1%qtr, albeit still up strongly vs pre-Delta levels. Large non-food retailers posted very strong nominal sales gains, up 4.7%qtr. Large food retailers have been more mixed, nominal sales up 1.6%qtr. Note that all of these figures include the price effects as well as volumes.
- Other available ‘partial’ measures are mixed, new vehicle sales rebounding strongly (+10.8%qtr) as supply issues clear, but fuel sales volumes to Aug flat, high prices a clear factor.
- Overall, the Q3 retail result points to downside risks to the Q3 estimates of total spending to be released with the national accounts on Dec 7. Disentangling the impact of reopening dynamics, cost and interest rate rises is difficult but recent weakness in key discretionary segments – household goods in particular – suggests the rate cycle may be starting to impact.

### Real retail sales – Q3

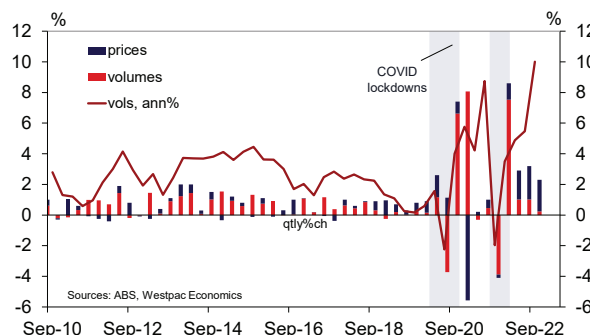
	real \$bn	% chg qtr		% chg yr	
	Q3	Q2	Q3	Q2	Q3
sa	97.15	1.0	0.2	5.5	10.0
trend*	97.61	1.2	0.7	5.3	4.6

### Other consumer spending indicators – Q3

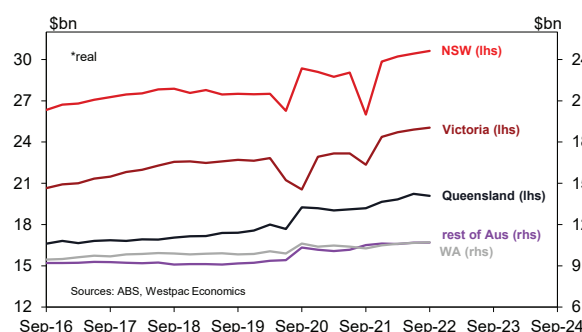
	level	% chg qtr		% chg yr	
	Q3	Q2	Q3	Q2	Q3
vehicle sales ('000s)	202	–4.1	9.1	–10.3	10.8
fuel sales (ML)^	4021	2.2	–0.7	–3.0	–17.7

\*Westpac estimates; official series suspended; ^ Q2 is avg qtr to date.  
Source: ABS, FCAI, Macrobond, Westpac Economics.

### Quarterly retail volumes and prices



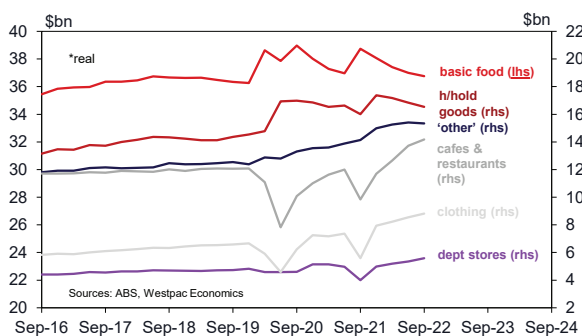
### Quarterly real retail sales by state



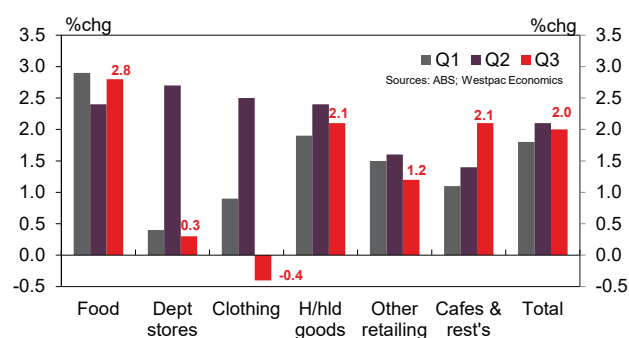
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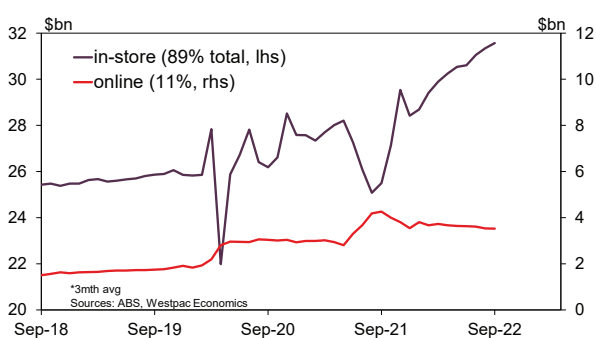
### Quarterly real retail sales by store-type



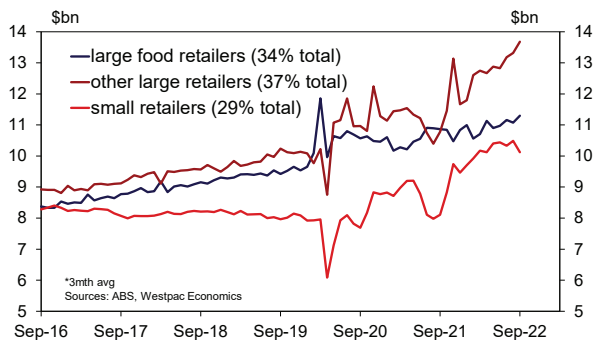
### Quarterly retail prices by store type



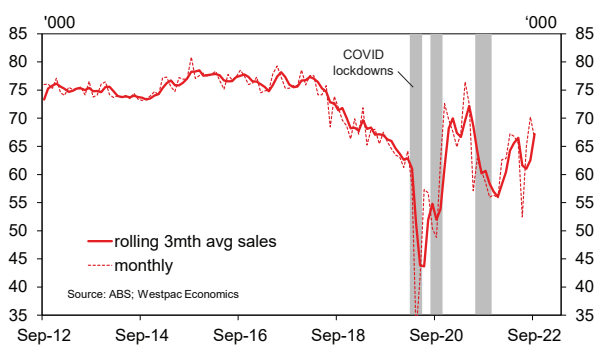
### Monthly retail sales by channel



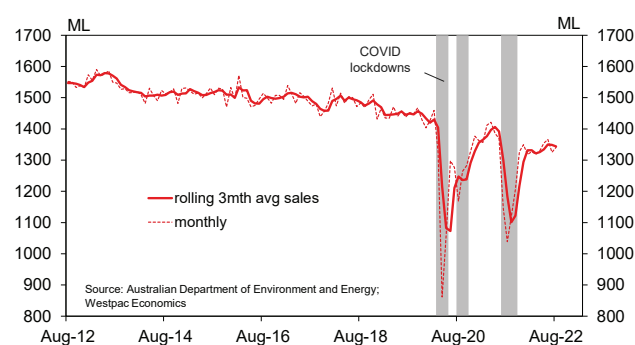
### Monthly retail sales by size



### New vehicle sales: passenger & SUVs



### Auto fuel sales



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