

28 November 2022

Australian retail sales pass peak Oct sales: -0.2%^{mth} (market +0.5%, Westpac +0.2%), 12.5%^{yr} Broad-based weakening suggests rate hikes starting to bite.

- The ABS preliminary retail estimates showed a 0.2% dip in Oct – the result and detail suggesting cost of living and interest rate rises are starting to bite. The dip was below expectations, the consensus forecast for a 0.5% gain. The dip implies a sizeable fall in underlying volumes in the -0.5-1%^{mth} range.
- Recall that the headline here is in nominal terms so includes the effects of price variations. The Q3 detail showed retail prices rising 2%^{qtr}, a pace of just under 0.7% a month.
- The limited detail available in the preliminary estimates showed a broad-based weakening. By store-type category, only basic food recorded a gain, up 0.4%^{mth}, a step-down on the 1%+ monthly gains through Jul-Sep. Some of this may reflect slower price gains with food inflation likely to have eased a touch since the third quarter. Against this, there also looks to have been some switch back from dining out to self catering – cafes & restaurants recording a 0.4%^{mth} decline after an extended run of strong gains (+26% in eight months).
- Non-food retail declined 0.7%^{mth}, comparable to the fall seen when heatwaves and smoke from bushfires were impacting in late 2019. The biggest fall was in department stores (-2.4%^{mth}) with milder declines for clothing (-0.6%^{mth}), household goods (-0.5%^{mth} albeit after a -0.8% dip in Sep), and a small dip for 'other retail' (0.2%^{mth}).
- All states recorded a weaker month, Qld posting the largest decline (-0.4%^{mth}), NSW and Vic both down 0.1%^{mth} but coming off softer gains in Sep. Sales were flat in WA and SA.
- The Oct retail decline likely marks the start of interest rate hikes starting to bite more heavily for households although it should be remembered that retail was coming from a very high starting point (still up 12.5%^{yr}). Other indicators such as our [Westpac Card Tracker](#) also suggest retail segments have weakened more than non-retail segments, which on a combined basis remain relatively buoyant as at mid-Nov.

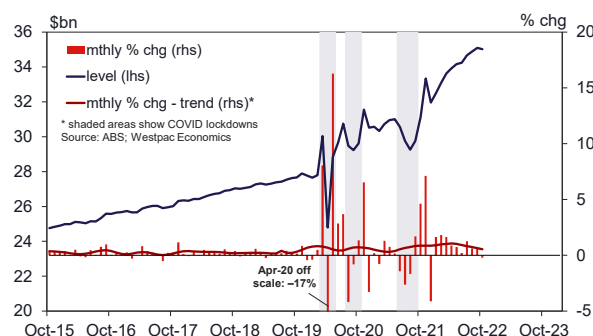
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Retail sales – October 2022

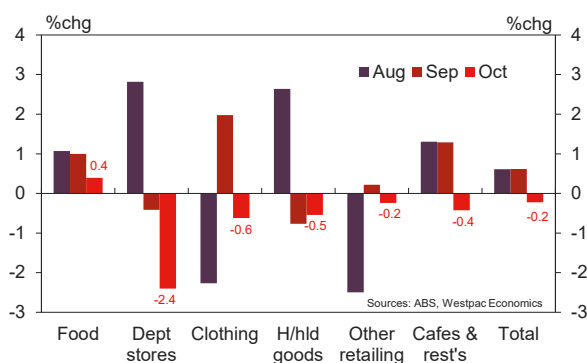
	\$bn	% chg mth		% chg yr	
	Oct-22	Sep-22	Oct-22	Sep-22	Oct-22
sa	35.02	0.6	-0.2	17.9	12.5
trend*	35.49	0.6	0.5	11.2	10.9

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

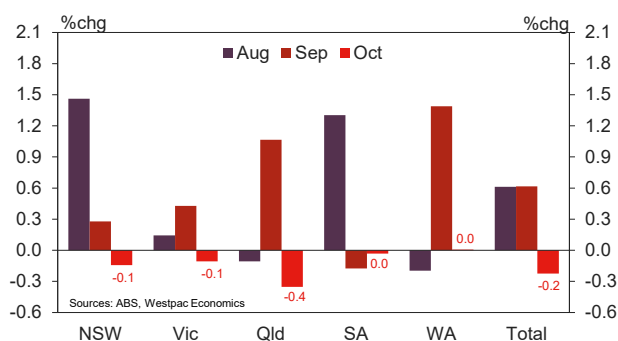
Monthly retail sales



Monthly retail sales by store type



Monthly retail sales by state



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