

9 May 2023

Australian real retail sales: back to back falls Q1 real retail sales: -0.6%qtr, 0.3%yr Household goods, Qld leading significant per capita declines.

- Real retail sales fell 0.6% in Q1 following on from a 0.3% decline in Q4. The result was in line with consensus expectations. The back to back falls mark the biggest six-month contraction in retail sales volumes since 1986 (excluding the COVID and GST introduction periods).
- Annual growth slowed to 0.3%yr – stalling speed, and a material 1.3%yr contraction in per capita terms. The detail shows weakness in the quarter centred on household goods and was more pronounced in Qld.
- The store-type breakdown showed a sharp 3.7%qtr fall in household goods retail volumes, which were down 10.3%yr. Prices have shown particularly sharp rises in this segment, the store-type price deflator having risen 10.6% since late 2021. Other non-food retail store-types saw mixed results, department stores posting a solid 1.5%qtr rebound and clothing up 0.2%qtr, both gaining some support from lower prices in the quarter. 'Other retail' declined 0.8%qtr. Basic food retail volumes were flat on Q4, while restaurants & cafes saw a 1% gain, both store-types seeing prices up 1.1%qtr.
- The state breakdown showed a much weaker result for Qld, -2.2%qtr following a -0.7%qtr in Q4 and a -0.4%qtr in Q3, sales down 1.3%yr and 3.6%yr in per capita terms. The more granular detail on nominal sales shows most the state's under-performance has been in food, cafes & restaurants. This may actually be an indirect consequence of the reopening of the external border, with Australians choosing to holiday abroad rather than in Qld's tourism centres (and the return of inbound overseas tourist flows taking a little longer).
- The other major eastern states recorded declines more in line with the national result, NSW down 0.5%qtr after a flat Q4, and Vic down 0.3%qtr after a 0.4% fall in Q4. Retailers fared better in SA and WA, volumes up 0.5%qtr and flat respectively.
- The extra detail on nominal sales shows some interesting sub-plots. By channel, the Q1 decline weakness centred on in-store sales, down 0.2%qtr compared to a 1.6%qtr gain for online sales. By business size, weakness in the quarter centred on small retailers (-1.4%qtr) with large food retailers posting a 1.1%qtr gain in nominal sales and large non-food retailer up 0.2%qtr. Price moves likely account for much of the difference.
- Other available 'partial' measures are also on the soft side, new vehicle sales down 0.3%qtr in Q1, but still up 4.5%yr, and fuel sales volumes tracking a partial rebound from a sizeable fall in Q4. Our [Westpac Card Tracker](#) has also been pointing to stalled gains in wider spending activity through Q1.

- All up, the available measures point to some downside risk to the official consumer spending estimates in the Q1 national accounts (due June 7). As always, services spending is difficult to gauge, with few reliable indicators and some 'wrinkles' around outbound international tourism spend (which likely posted a solid gain in Q1 and is not readily captured by most partial measures). Our forecasts have a 0.3%qtr gain in spending for Q1 but current partials are tilting towards flat or a slight dip.

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Real retail sales – Q1

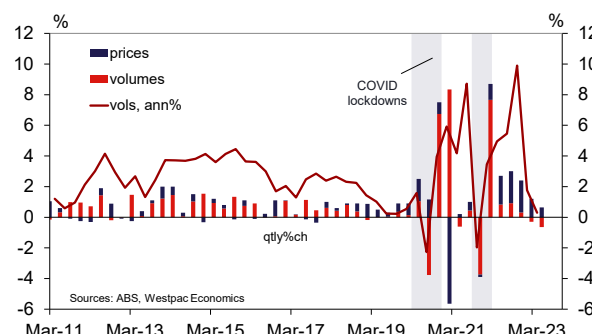
	real \$bn	% chg qtr		% chg yr	
	Q1	Q4	Q1	Q4	Q1
sa	96.17	-0.3	-0.6	1.8	0.3
trend*	96.20	-0.7	-0.2	1.8	0.2

Other consumer spending indicators – Q1

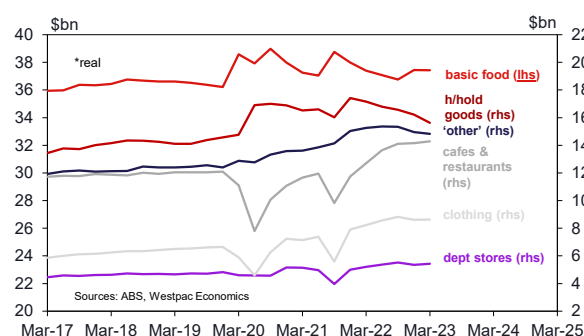
	level	% chg qtr		% chg yr	
	Q1	Q4	Q1	Q4	Q1
vehicle sales ('000s)	202	0.1	-0.3	20.8	4.5
fuel sales (ML)^	4002	-3.1	-1.1	1.0	0.4

*Westpac estimates; official series suspended; ^ Q1 is latest 3mth sum.
Source: ABS, FCAI, Macrobond, Westpac Economics.

Quarterly retail volumes and prices

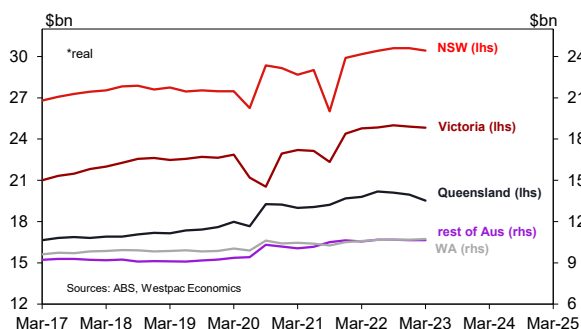


Quarterly real retail sales by store-type

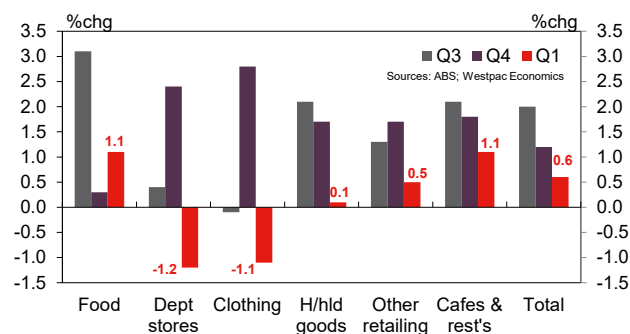


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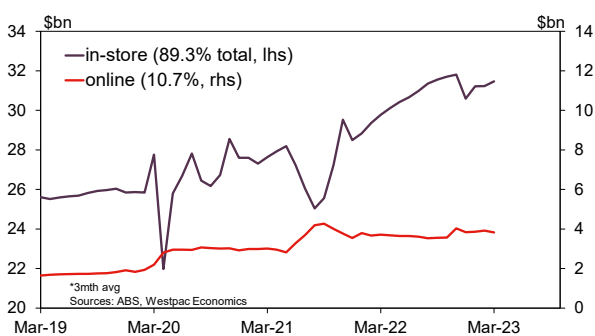
Quarterly real retail sales by state



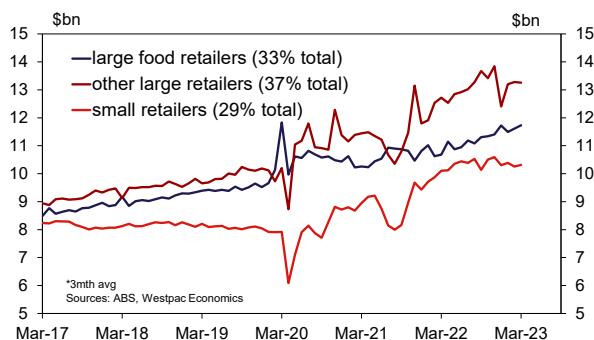
Quarterly retail prices by store type



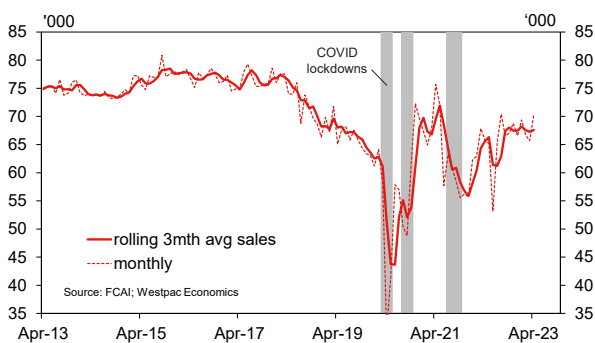
Monthly retail sales by channel



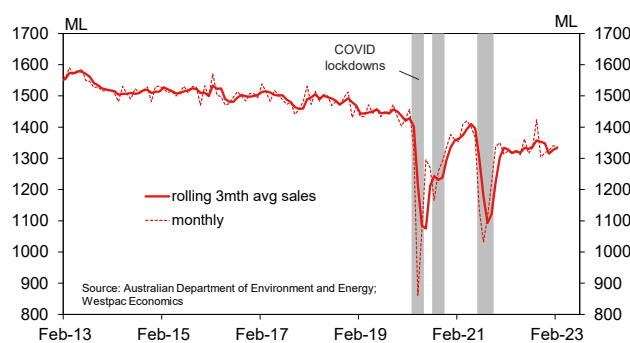
Monthly retail sales by size



New vehicle sales: passenger & SUVs



Auto fuel sales



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