

3 August 2023

## Australian real retail sales: downturn deepens Q2 real retail sales: -0.5%qtr, -1.4%yr Three quarters of decline – about as bad as it gets for retail.

- Real retail sales fell 0.5% in Q2, following a 0.8% contraction in Q1 (revised down from -0.6%) and a 0.4% decline in Q4 (revised down from -0.3%). While the quarterly result was in line with consensus expectations, the revisions have significantly deepened the correction, quarterly sales volumes down 1.7% over the last three quarters – a particularly large 3.5% fall in per capita terms.
- Putting this into historical context: the retail estimates, which go back to 1983, only show one other occasion when real retail sales recorded three consecutive quarterly declines – around the interest rate peak just prior to the GFC. Moreover, the 1.7% cumulative decline over the last three quarters is the biggest nine-month fall outside of COVID disruptions, with the 3.5% fall in per capita sales even topping the contraction seen during the initial COVID lock-down in 2020 (but short of the 4.1% drop recorded over nine months when the 'delta' lockdown hit in 2021).
- Annual growth in sales volumes has turned abruptly, from the rollicking 9.9%yr pace at the peak in Q3 last year to a -1.4%yr contraction as at mid-2023 – an out-sized 3.7%yr fall in per capita terms.
- The store-type breakdown showed another big decline for household goods (-1.5%qtr and off over 10%yr); a 1.4%qtr fall for department stores, unwinding most of Q1's 1.5%qtr rise; and a sizeable 0.7%qtr fall for basic food, where sharp price rises continue to erode purchasing power. Sales volumes were about flat for cafes & restaurants and 'other retailing', clothing the only category to post a quarterly gain, sales volumes up 1.1%qtr, a partial recovery on declines in Q4 and Q1.
- The state breakdown showed weakness in the quarter concentrated in NSW (-1.2%qtr) with Vic and Qld both recording milder 0.4%qtr decline and SA and WA posting decent rises (+0.2%qtr and +0.7%qtr respectively). Despite this, all states have recorded sizeable declines in per capita sales volumes over the last three quarters, ranging from -0.6% in SA to -1.6% in WA, -3.3% in Vic, -3.8% in NSW and 5.5% in Qld, where some of the weakness looks to be tourism-related.
- The extra detail on nominal sales showed large food retailers outperformed in nominal terms but with a 0.9%qtr gain likely concealing a decline in volumes; sales holding flat for large non-food retailers (clearly lower in real terms); but nominal sales up 0.5%qtr for small retailers. Despite some notable monthly sales-event-related moves, nominal retail sales posted similar quarterly gains for online and in-store sales (+0.6%qtr and +0.4%qtr respectively).
- Other spending 'partials' have been more constructive for Q2, softening some of the downside risk from the weak retail result. New vehicle sales rose 4.8%qtr in Q2 (likely reflecting delayed deliveries rather than a lift in new purchases), and auto fuel sales volumes are tracking a decent 2.1% gain. That said, our [Westpac Card Tracker](#) has continued to warn of a weakening in wider spending activity. All up, we expect the Q2 national accounts (due Sep 6) to show a flat result for consumer spending, with risks skewed to the downside.

### Real retail sales – Q2

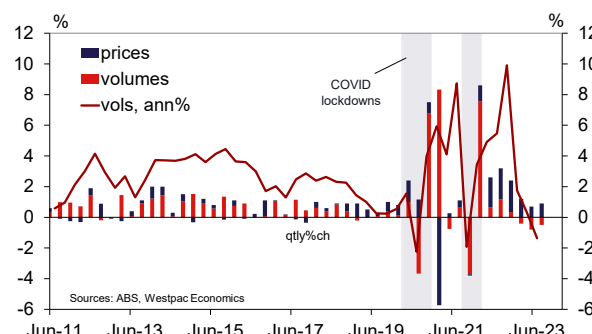
	real \$bn	% chg qtr		% chg yr	
	Q2	Q1	Q2	Q1	Q2
sa	95.53	-0.8	-0.5	0.3	-1.4
trend*	95.55	-0.6	-0.6	0.2	-1.5

### Other consumer spending indicators – Q2

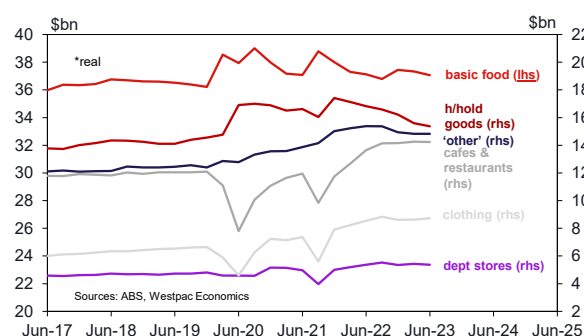
	level	% chg qtr		% chg yr	
	Q2	Q1	Q2	Q1	Q2
vehicle sales ('000s)	211	-0.3	4.8	4.5	14.3
fuel sales (ML)^	4014	2.8	2.1	3.0	4.3

\*Westpac estimates; official series suspended; ^ Q2 is latest 3mth sum. Source: ABS, FCAI, Macrobond, Westpac Economics.

### Quarterly retail volumes and prices



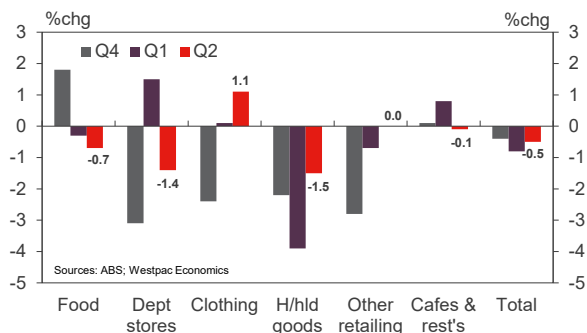
### Quarterly real retail sales by store-type



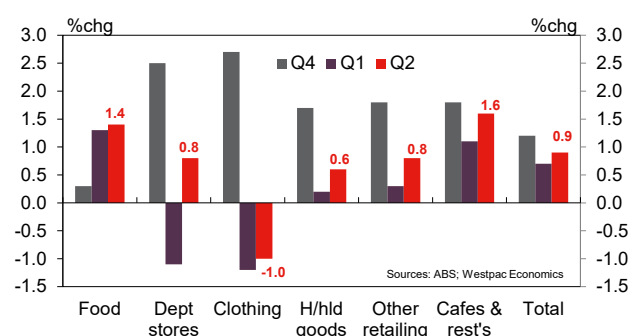
Matthew Hassan, Senior Economist, ph (61-2) 9178 2054

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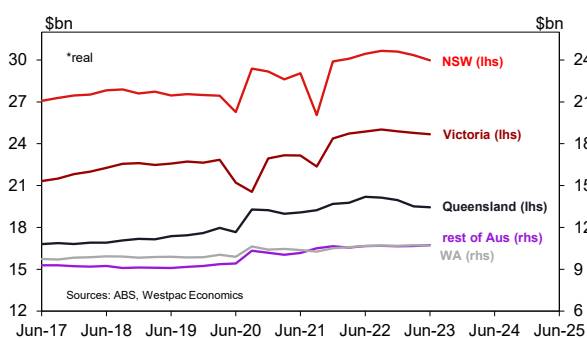
### Quarterly real retail sales by storetype



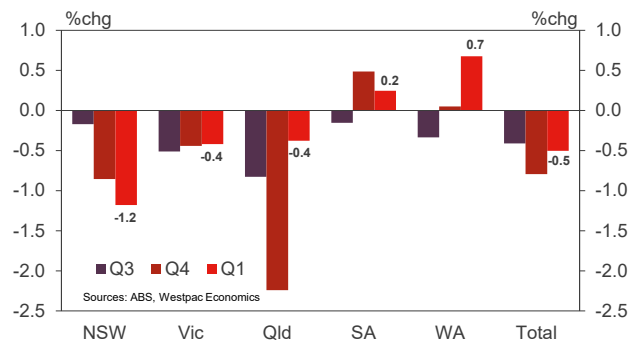
### Quarterly retail prices by store type



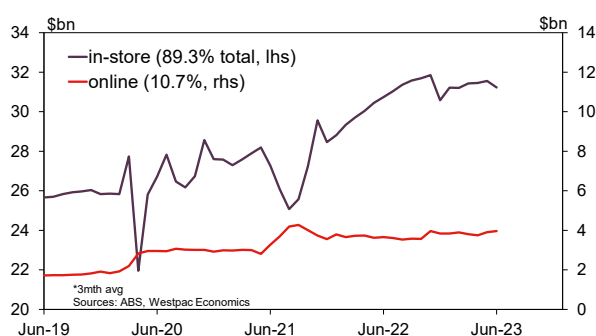
### Quarterly real retail sales by state



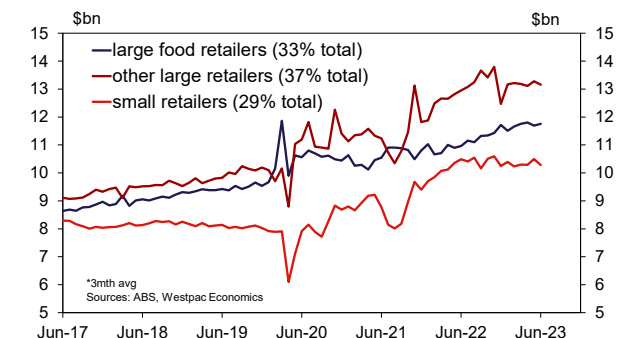
### Quarterly real retail sales by state



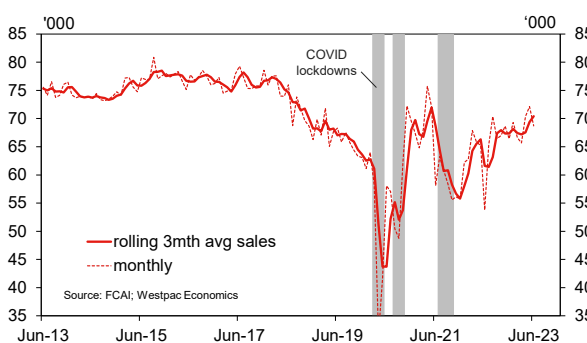
### Monthly retail sales by channel



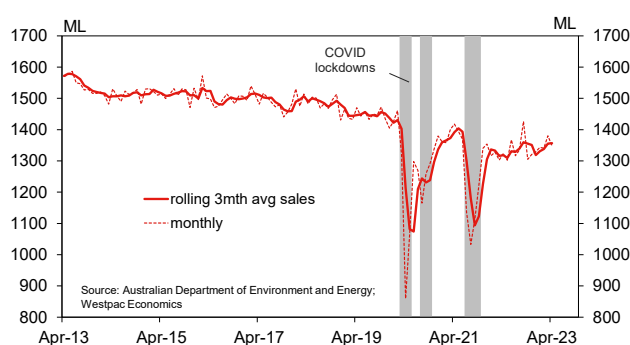
### Monthly retail sales by size



### New vehicle sales: passenger & SUVs



### Auto fuel sales



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