

3 November 2023

## Australian real retail sales stabilise Q3 real retail sales: 0.2%qtr, -1.7%yr Steep falls end but conditions still challenging.

- Real retail sales rose 0.2% in Q3, ending a run of declines over the previous three quarters. The result was well above the consensus forecast of a -0.3% fall but in line with Westpac's forecast which had been revised up from flat to +0.2% following the preliminary release issued at the start of the week. Broadly speaking, the picture from both retail sales and other indicators, including the [Westpac Card Tracker](#), is of a stabilisation after a substantial fall. Real retail sales are still down 1.7%yr, a particularly large 4% decline in per capita terms.

- Previous estimates have been revised slightly: Q2's decline nudged down from -0.5% to -0.6%; Q1's fall pared back from -0.8% to -0.7%; and Q4's accentuated from -0.4% to -0.6%. The net effect shaved the starting point for Q3 back by 0.15ppts.

- As noted previously, this marks an exceptionally weak run for retail. Over the 40 years that we have quarterly figures, there is only one other period when real retail sales have recorded three consecutive quarterly declines – around the interest rate peak just prior to the GFC. The 1.7% decline over the last year also ranks as the biggest annual fall outside of COVID disruptions, with the 4% fall in per capita terms on a par with the declines seen during COVID shocks.

- The store-type breakdown showed volume gains were led by non-food retailers (up 0.5%qtr on a combined basis). Food retail dipped 0.1%qtr, a 0.2%qtr gain for cafes & restaurants outweighed by a 0.3%qtr decline in basic food. At the detailed level: department stores recorded a solid 1.5%qtr bounce out of a similar-sized decline in Q2; clothing posted a 0.5%qtr rise and household goods retail rose 0.8%qtr – the latter a particularly positive sign of stabilisation after this segment recorded a 10% drop over the previous four quarters (the primary driver of overall fall in retail sales). All non-food segments continued to record declines in annual growth terms.

- The state breakdown showed the gain was driven by the big eastern states, real retail sales up 0.7%qtr in Vic, 0.3%qtr in NSW and 0.2%qtr in Qld. Both SA and WA recorded sizeable falls, down 0.8%qtr and 0.5%qtr respectively – having recorded steadier sales than the other states over the year to June. That said, all states have recorded large declines in per capita sales volumes over the last year, ranging from -6.2% in Qld, to -4.2% in NSW, -3.6% in Vic, -3.4% in WA and -2.2% in SA.

- The extra detail on nominal sales showed large non-food retailers outperformed in nominal terms, accounting for over 80% of the Q3 gain in total retail sales. By channel, in-store sales are dominating, up 1.7%qtr in nominal terms while online sales contracted 6.5%qtr in Q3, the worst performance in ten years (outside of the post-COVID reopening).

- Other spending 'partials' for Q3 show: a very strong rise in new vehicle sales (+12.8%qtr) reportedly on 'catch-up' deliveries of backlogged orders; and a clear softening in fuel consumption of around 1% as prices have again spiked. Overall, total consumer spending in the Q3 national accounts (due Dec 6) looks set to land close to our forecast of a small 0.3%qtr rise, with some slight risks to the upside. Quarterly moves aside, the Australian consumer remains in an 'inflation lockdown' as cost of living and rate rises put intense pressure on incomes.

### Real retail sales – Q3

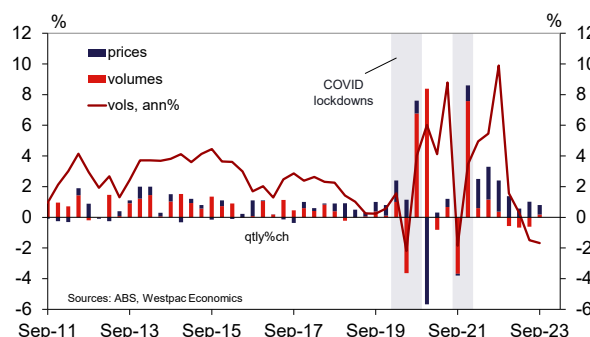
	real \$bn	% chg qtr		% chg yr	
	Q3	Q2	Q3	Q2	Q3
sa	98.31	-0.6	0.2	-1.5	-1.7
trend*	98.08	-0.5	-0.3	-1.4	-1.8

### Other consumer spending indicators – Q3

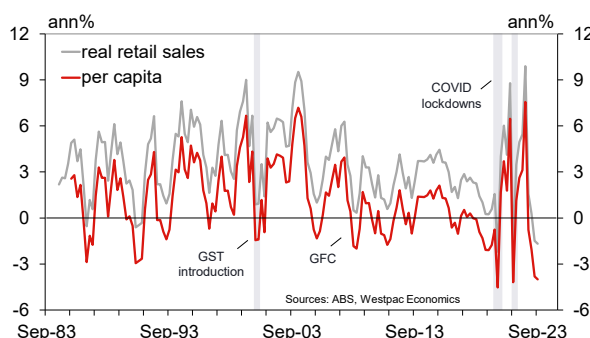
	level	% chg qtr		% chg yr	
	Q3	Q2	Q3	Q2	Q3
vehicle sales ('000s)	242	5.5	12.8	14.4	22.1
fuel sales (ML)^	3994	-0.9	-1.9	1.2	-1.0

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

### Quarterly retail volumes and prices



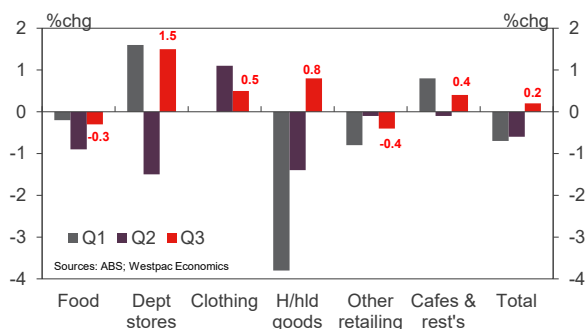
### Real retail sales: 40yr history



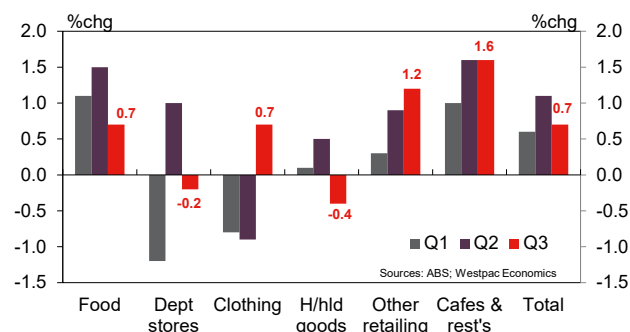
Matthew Hassan, Senior Economist, ph (61-2) 9178 2054

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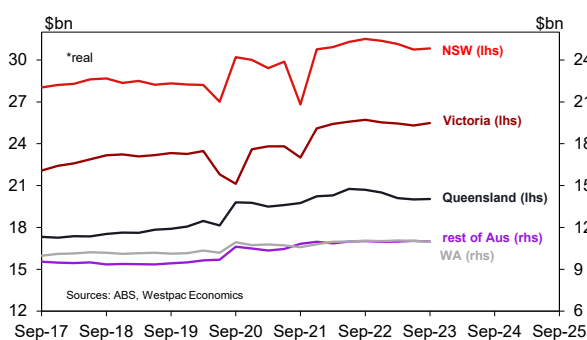
### Quarterly real retail sales by storetype



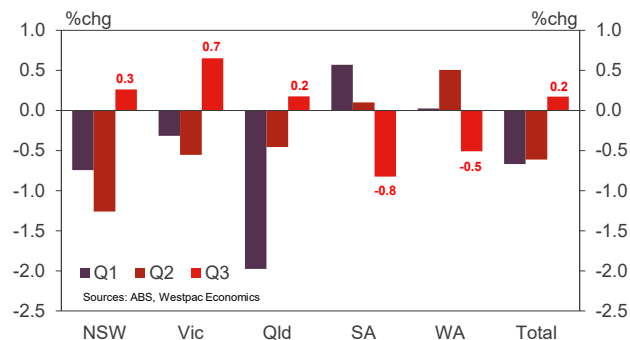
### Quarterly retail prices by store type



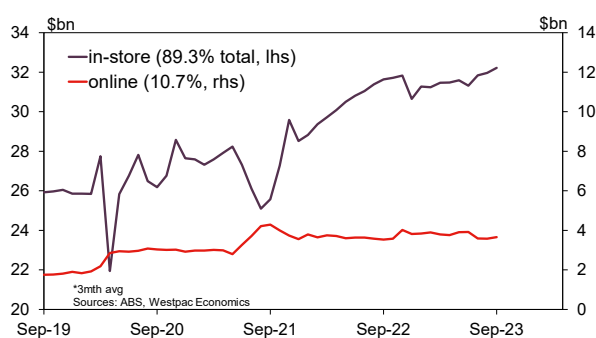
### Quarterly real retail sales by state



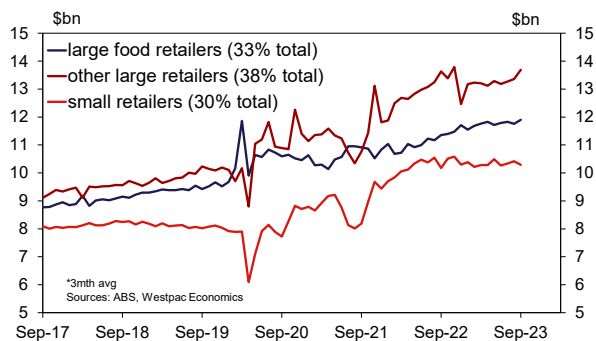
### Quarterly real retail sales by state



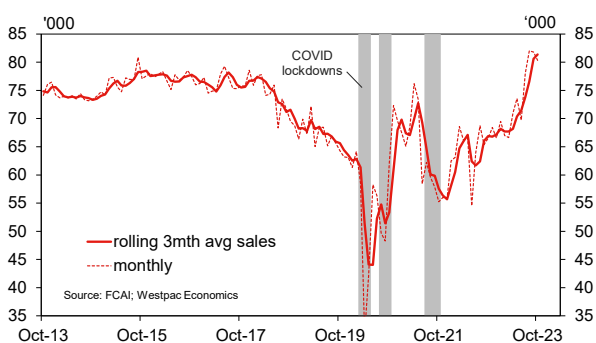
### Monthly retail sales by channel



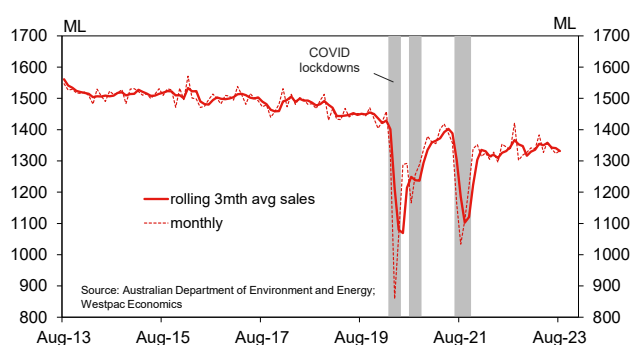
### Monthly retail sales by size



### New vehicle sales: passenger & SUVs



### Auto fuel sales



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