

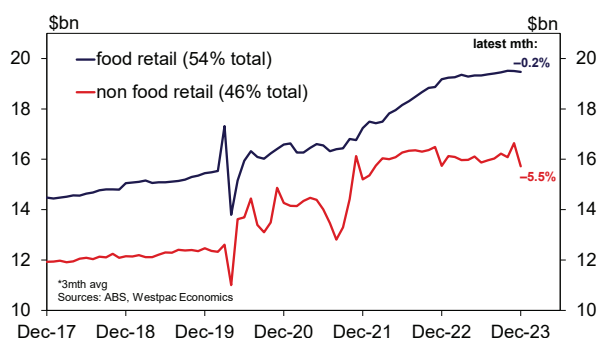
30 January 2024

Australian retail sales: Christmas flop Dec sales: -2.7% mth, 0.8% yr Post Black Friday slump confirms underlying weakness

- The December retail sales result came in much weaker than expected, posting a 2.7% drop that more than unwound the 2.2% rise in November. While a pull back was expected, the consensus forecast was for a milder 2% decline. Annual sales growth slowed to just 0.8%yr, an extremely weak pace given price and population growth.
- The size of the December month pull back means nominal retail sales growth held at 0.5% in Q4, in line with Q3 rather than accelerating. That in turn points to a likely flat or small decline in real, inflation adjusted terms.
- It should be noted that the ABS is still struggling to get a handle on shifting seasonal patterns. The Bureau warned about this in Nov when nominal retail sales posted a much bigger than expected 2.2% gain. The rising popularity of the 'Black Friday' and 'Cyber-week' sales period is seeing seasonal patterns shift with more spending (and discounting) coming through in Nov compared to Dec. For the ABS, pinpointing these shifts takes time and the accumulation of additional seasonal reads. Until the 'true' seasonal pattern emerges, some of the variation can be mis-attributed to non-seasonal shifts. Two whit: this time last year the ABS reported a very large 3.4% decline for Dec 2022 that followed a 1.7% rise in Nov; those moves have since been smoothed back to -1.3% and +0.5% respectively. Something similar is likely to happen to the latest Nov-Dec estimates.
- Setting these issues to one side, the picture is still unambiguously weak. Taking the two months together, sales are only up 0.1% on their Sep-Oct average. Non-food retail dominated the Dec fall, down 5.5% mth on a combined basis with particularly big falls for department stores (-8.1%), clothing (-5.7%) and household goods (-8.5%), which were coming off strong gains in Nov. Basic food retail nudged 0.1% higher but cafes and restaurant sales fell 1.1% mth. By state, the biggest monthly declines were in WA (-3.8%), Vic (-3.2%) and SA (-2.9%) with a milder 2.1% fall in NSW. The choppy monthly pattern was evident everywhere.

Matthew Hassan, Senior Economist

Monthly retail sales: food vs non-food

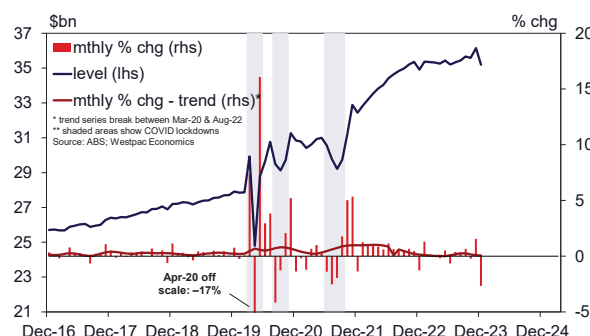


Retail sales - December 2023

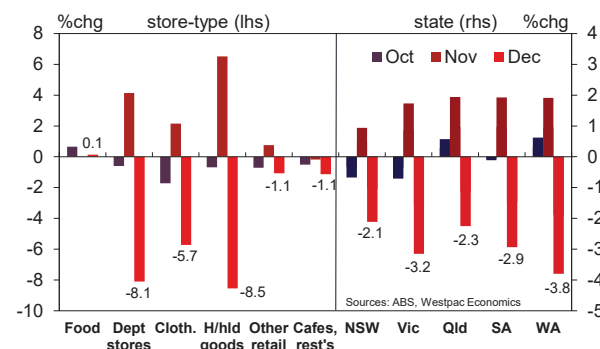
	\$bn		% chg mth	% chg yr
	Dec-23	Nov-23	Dec-23	Nov-23
sa	35.19	1.6	-2.7	2.2
trend	35.69	0.1	0.1	1.3

Source: ABS, Westpac Economics.

Monthly retail sales



Monthly retail sales by store type and state



Past performance is not a reliable indicator of future performance. The forecasts given above are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The results ultimately achieved may differ substantially from these forecasts.