

6 February 2024

Australian real retail sales lift Q4 real retail sales: +0.3%qtr, -1.0%yr Real sales advance as cash strapped consumers chase bargains.

- Real retail sales rose 0.3% in Q4, following a run of consecutive declines over the past year. The result was above the consensus forecast for a 0.1% gain and Westpac's forecast for a flat result. In the event, the positive impact of inflation was less than expected. Retail prices rose only 0.1%qtr, the smallest rise since the onset of the 'delta' outbreak back in Q3 2021.
- In short, real spending rose a little in Q4 as income squeezed consumers chased bargains at end of year sales, which were marked by aggressive discounting for discretionary items.
- Broadly speaking, both retail sales and other indicators, including the [Westpac Card Tracker](#), are pointing to a weak picture for consumer spending. Real retail sales are down -1.0%yr and -3.5%yr in per capita terms.
- It is worth noting that there have been significant revisions to previous quarters. Q3's gain was downgraded to a modest decline, from +0.2% to -0.1%; Q2's fall was made much sharper, from -0.6% to -1.1%; while Q1's fall was upgraded to a flat result, from -0.7% to 0.0%. The net effect shaved the starting point for Q4 back by roughly 0.22ppts. The ABS are currently grappling with shifting seasonal patterns with regards to retail sales, resulting in more volatility in the monthly series and material revisions to recent history. Until the 'true' seasonal pattern emerges, caution is warranted as some of the variation can be misattributed to non-seasonal shifts.
- The store-type breakdown highlights the influence of Black Friday Sales this year, with volume gains being led by household goods retailing, up 2.3%qtr, while prices fell by -0.6% as a result of discounting. The extension of Q3's gain in volumes (0.7%qtr) is encouraging, however, that does follow an -11.5% contraction in this segment from Dec-21 to Jun-23. Other store-types in the non-food group were weak: clothing posted a sharp decline, down by -1.6%qtr, and department stores were up just 0.2%qtr. Basic food retailing rose 0.5% following two consecutive declines, while the downtrend in cafes and restaurants sales volumes extended into year-end, a sharp decline of -2.1% leaving this segment down -1.7%yr.
- The state breakdown shows a patchy growth mix in retail volumes across the large eastern states: +1.2%qtr in Qld, +0.2% in NSW and -0.5% in Vic, the latter being the only state to record a decline in the quarter. Both SA and WA recorded an increase of 0.8%, following a relatively more steady profile over the previous year. That said, all states have recorded sizeable declines in per capita sales volumes over the past year, with NSW, Vic and Qld around the -4.0%yr mark, WA at -2.3%yr and SA at -1.3%.
- The extra detail on nominal sales showed large non-food retailers outperformed in nominal terms, lifting 0.8%qtr, likely reflecting Black Friday strength. Large food retailers rose 0.5%qtr while nominal sales for small retailers held about flat (-0.1%qtr). By channel, online sales dominated, rising 5.5%qtr, while in-store sales were about flat (-0.1%qtr).
- Other spending 'partials' for Q4 show: a partial retracement in new vehicle sales (-3.3%qtr) following a 'catch-up' on backlogged orders in the previous quarter; and a rise in fuel consumption of around 1.2%, offsetting the decline from Q3.

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Real retail sales – Q4

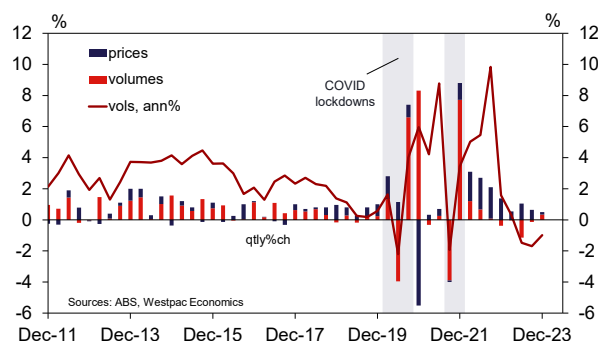
	real \$bn	% chg qtr		% chg yr	
	Q4	Q3	Q4	Q3	Q4
sa	98.30	-0.1	0.3	-1.7	-1.0
trend*	97.99	-0.3	-0.1	-1.5	-1.4

Other consumer spending indicators – Q4

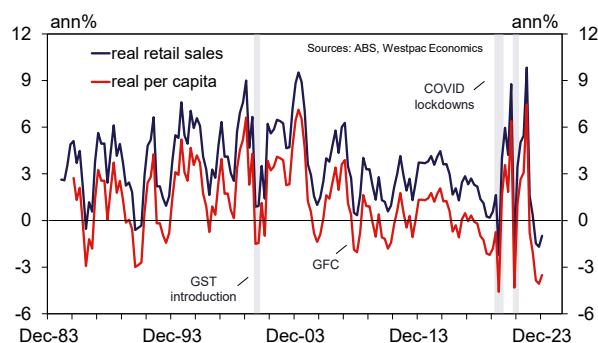
	level	% chg qtr		% chg yr	
	Q4	Q3	Q4	Q3	Q4
vehicle sales ('000s)	233	12.5	-3.3	22.0	15.8
fuel sales (ML)^	3991	-1.2	1.2	-2.4	0.1

*Westpac estimates; official series suspended; ^Q4 is latest 3mth sum.
Source: ABS, FCAI, Macrobond, Westpac Economics.

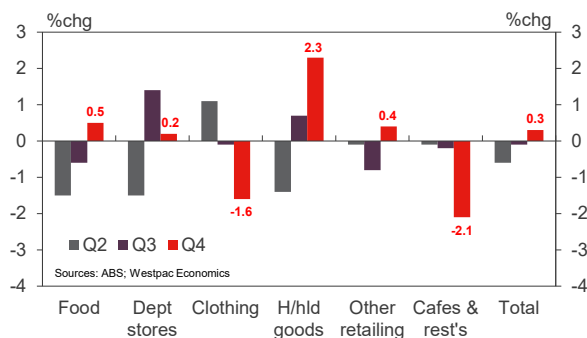
Quarterly retail volumes and prices



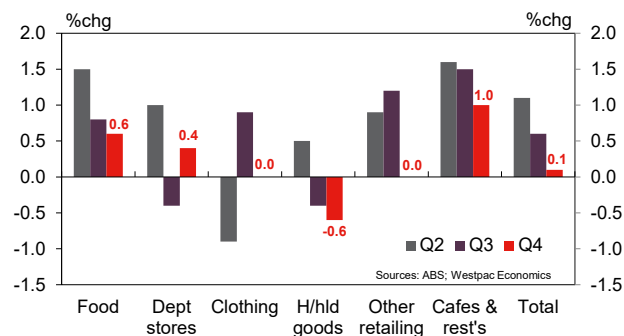
Retail sales: 40yr history



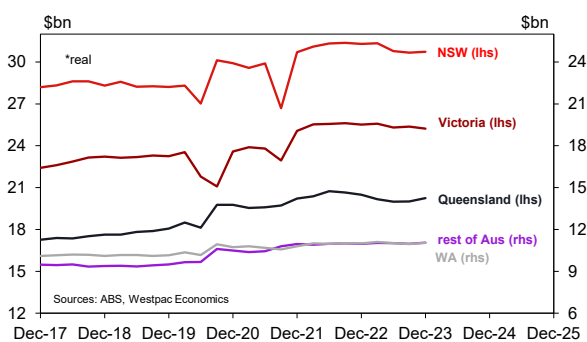
Quarterly real retail sales by store-type



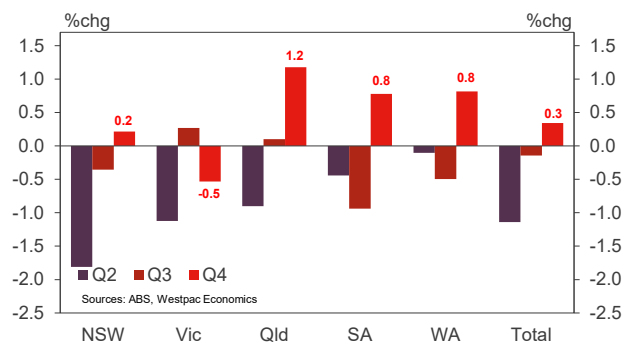
Quarterly retail prices by store-type



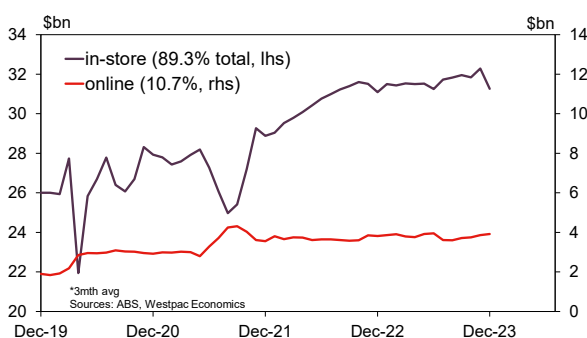
Quarterly real retail sales by state



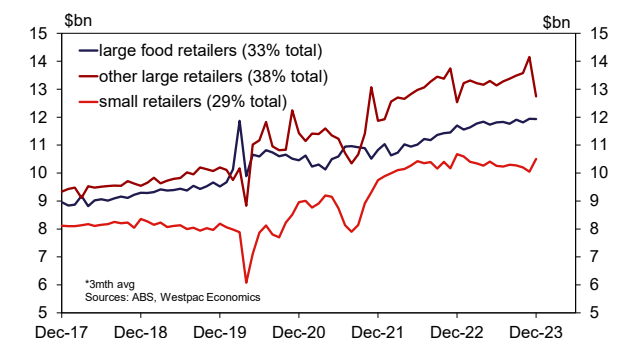
Quarterly real retail sales by state



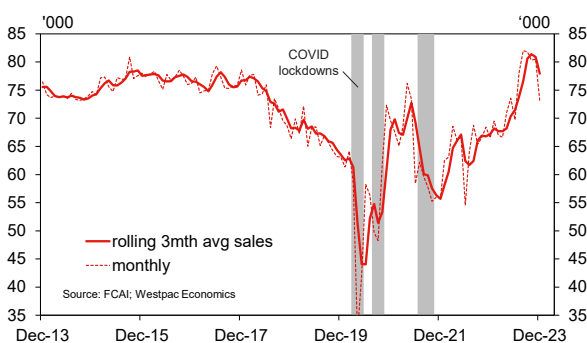
Monthly retail sales by channel



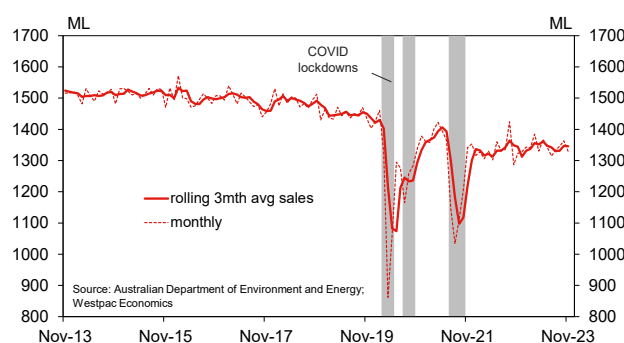
Monthly retail sales by size



New vehicle sales: passenger & SUVs



Auto fuel sales



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