

31 July 2024

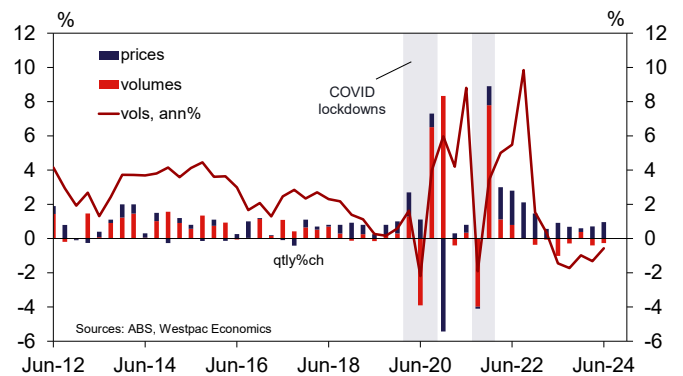
AUSTRALIAN RETAIL SALES BULLETIN

Retail contraction continues

Key points

- Real retail sales contracted 0.3% in the June quarter, coming in below expectations.
- This was despite a better than expected 0.5% rise in nominal sales in the June month, the difference reflecting a stronger price gain.
- The detail suggests much of the nominal strength was due to ‘bargain hunting’ in non-food segments, ‘online’ sales also up strongly.
- Food retail was notably weaker in the quarter.
- By state, the eastern states saw slightly larger quarter declines, WA bucking the trend with a quarterly rise.
- Other weak partials flag risk of a flat quarter for wider consumer spending.

Quarterly retail volumes and prices



**Q2 real
retail sales:
-0.3%qtr,
-0.6%yr**

Weak themes continue to dominate



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The June retail sales report showed an upside surprise for monthly sales but a more meaningful downside surprise for quarterly sales which recorded a second consecutive decline in the June quarter.

EOFY bargain hunters?

Nominal retail sales rose 0.5% in June, following a 0.6% mth increase in May, annual growth lifting to 2.9% yr, the fastest pace since May last year. The monthly result was against expectations of a 0.2% mth gain.

Non-food retailers reportedly benefited from a bigger than usual response to End of Financial Year (EOFY) sales promotions, sales up 1% mth and 3.4% yr on a combined basis.

Consumers have shown a clear tendency to concentrate more of their spending in discount periods with a particularly notable jump during last year's Black Friday/Cyber week period last year that was followed by a sharp slump. This looks to have happened again with EOFY sales.

However, whether we see a subsequent drop back in July is less clear-cut with households set to see a cash flow boost from the 'stage 3' tax cuts. That said, it may be that some of the EOFY spend may have been in anticipation of this income boost.

Across store-types, the biggest monthly gains were for household goods (+1.1% mth), department stores (+1% mth) and 'other retail' (+1% mth) with a solid gain for clothing as well (+0.7% mth). Basic food retail rose 0.2% mth, while spending at cafés & restaurants held flat.

Broadly speaking, the mix still suggests underlying demand is fairly subdued with consumers looking to economise.

Quarterly fall driven by food

The wash-up for the quarter as a whole shows all of this increased spend was to keep up with prices.

Retail sales rose 0.7% qtr in nominal terms, but retail prices rose 0.9% qtr with underlying real retail sales ('volumes') down 0.3% qtr (figures do not sum due to rounding). This was a touch weaker than the consensus expectation of a 0.2% fall and much weaker than Westpac's expectation of a small gain.

Retail sales – June 2024

	\$bn		% chg mth		% chg yr
	Jun-24	May-24	Jun-24	May-24	Jun-24
sa	36.20	35.80	0.6	0.5	1.7
trend*	36.11	35.70	0.2	0.4	1.9

Chained volumes – Q2 2024

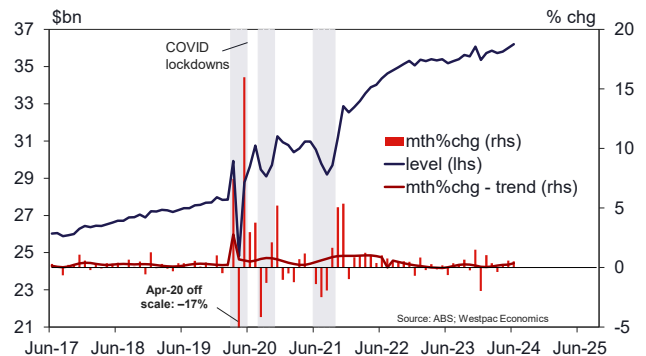
	real \$bn		% chg qtr		% chg yr
	Q2	Q1	Q2	Q1	Q2
sa	97.63	97.80	-0.4	-0.3	-1.3
trend	97.74	97.90	-0.1	-0.2	-1.0

Other consumer spending indicators – Q2

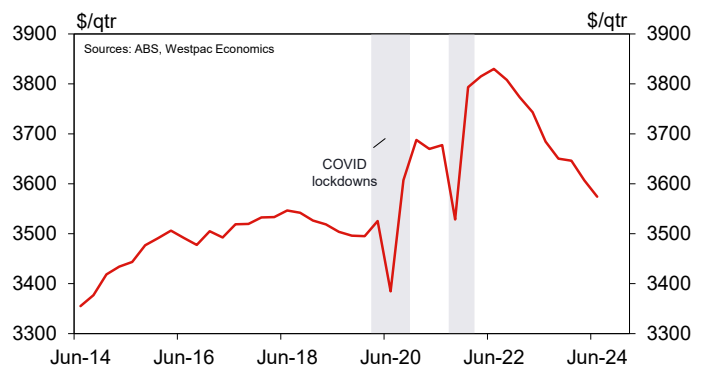
	level		% chg qtr		% chg yr
	Q2	Q1	Q2	Q1	Q2
vehicle sales ('000s)	229	230	-1.1	-0.2	13.4
fuel sales (ML)^	4047	4060	2.8	-1.3	1.8

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

Monthly retail sales



Quarterly real retail sales per capita



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Remarkably, real retail sales per capita have now recorded a cumulative 5.8% decline from the high in late 2021.

The food vs non-food split again sheds more light on the latest quarter. Bargain hunting behaviour did see a rise in non-food retail volumes (+0.4%qtr) but across the wider food segments (covering both basic food and cafes & restaurants) volumes were down 0.8%qtr with retail prices up a relatively strong 1.4%qtr.

The more detailed store-type breakdown suggests bargain hunting only produced a net boost in volumes for a couple of segments: household goods (+1.3%qtr) and 'other retail' (+0.9%qtr). Department stores saw volumes down -0.8%qtr while clothing retailers recorded a hefty 1.7%qtr drop.

Interestingly that follows a similar variation in retail prices, which showed a more meaningful 0.9%qtr rise for clothing but were flat for department stores and down 0.3%qtr for household goods (the volume result perhaps reflecting the degree of discounting on offer).

Weakness was evenly spread across food segments, basic food retail volumes down -0.9%qtr and cafes & restaurants down -0.7%qtr.

By state, WA is the main exception to recent weakness, posting a 0.9%qtr gain in Q2. All of the major eastern states have recorded back-to-back quarterly declines in the first half of 2024 with June quarter falls slightly bigger in SA (-0.7%qtr), Vic (-0.5%qtr) and NSW (-0.4%qtr).

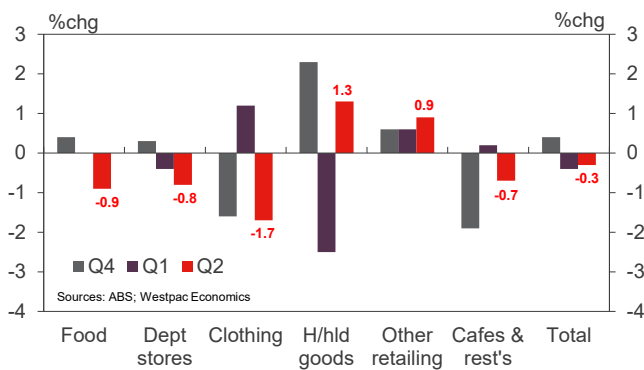
Online, and large non-food retailers up

The nominal sales detail also provides some colour around online vs in-store sales and across different sized retailers.

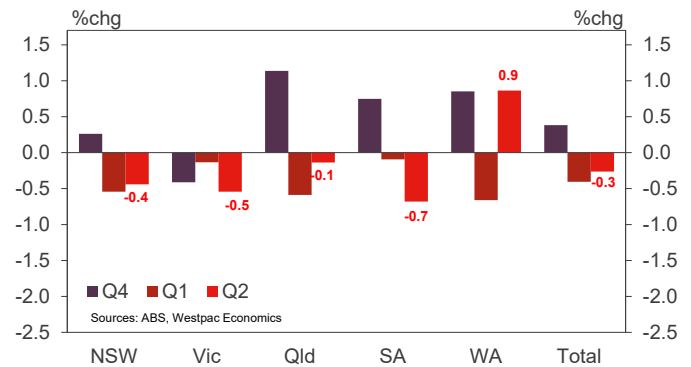
Online sales posted a robust 5.4%qtr gain for Q2, again suggesting bargain-hunting was a key dynamic. In-store sales were essentially flat (+0.1%qtr).

By size, the gain centred on large non-food retailers, this segment recording a 2.7%qtr rise. Large food retail fell 1.1%qtr. Small retail was barely better than flat, up 0.2%qtr.

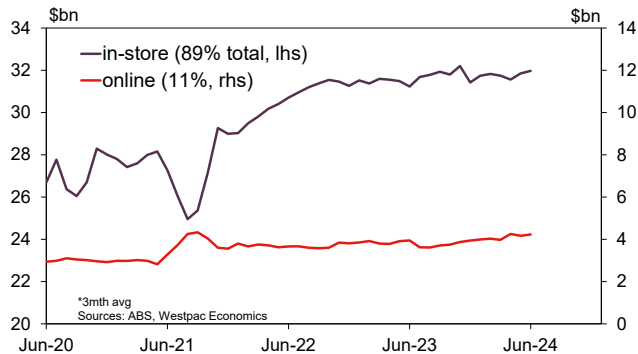
Quarterly real retail sales by store-type



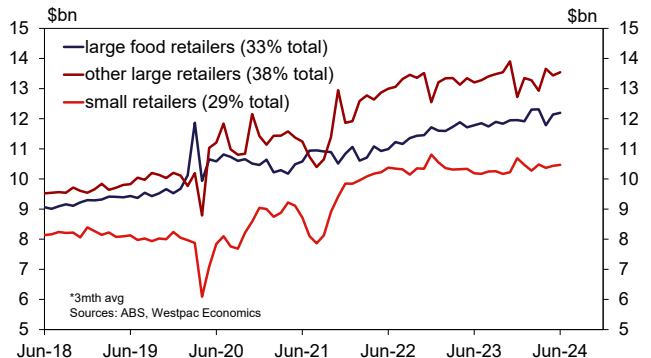
Quarterly real retail sales by state



Monthly retail sales by channel



Monthly retail sales by size



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Other consumer spending indicators also weak

The 0.3%qtr contraction in retail sales volumes comes with other 'partial' indicators also showing flat quarterly results at best.

New vehicle sales were noisy through the first few months of the year but look to be down slightly quarter to quarter in June, we estimate a seasonally adjusted dip of 0.2%qtr in the June quarter, but still up 6.2%yr.

Meanwhile fuel consumption figures to May are tracking a small 1% decline for the quarter as a whole.

Conclusion

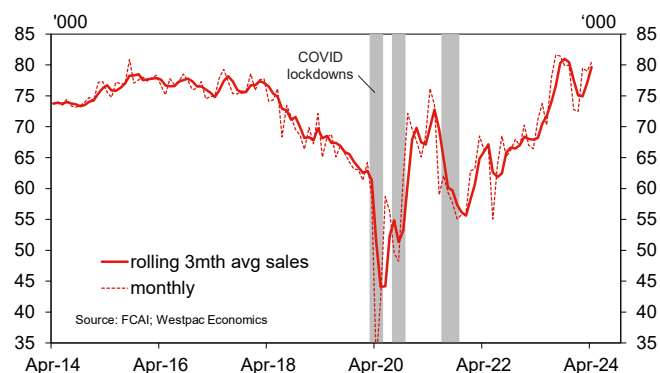
Taken together, the June quarter retail sales results, other partials and the picture on wider nominal spend coming from our [Westpac Card Tracker Index](#) all point to continued weakness in consumer demand.

Even where there is some strength, this looks a lot like transitory 'bargain-hunting' behaviour rather than the start of a sustained upturn.

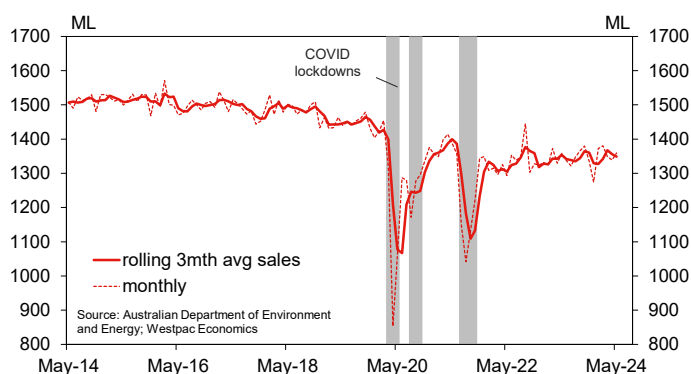
On a 'bottom-up' basis there looks to some residual downside risk to our forecast for a 0.2%qtr gain in total consumer spending in the June quarter national accounts (due September 4). While we do not have good visibility around the services components that have driven some of the recent upside surprises, a flat result for the quarterly is entirely possible.

The second half of the year should see some support from aforementioned tax cuts, with a cooler inflation environment also allowing for more of a lift in volumes. Against this, population growth is expected to moderate and some 'catch-up' spend in segments like vehicles will also likely fade. Our [Westpac Card Tracker Index](#) will continue to provide an extremely useful early gauge of how spending patterns are evolving.

New vehicle sales: passenger & SUVs



Auto fuel sales





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