

30 August 2024

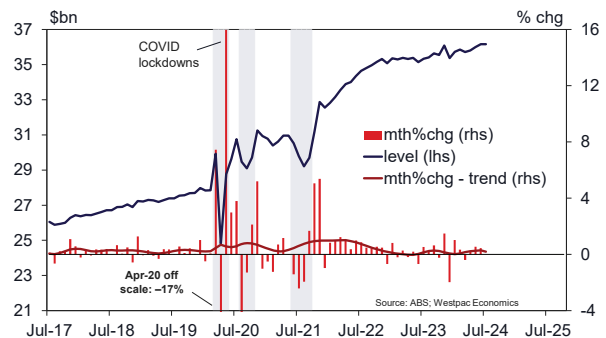
AUSTRALIAN RETAIL SALES BULLETIN

Tax cut ‘donut’ for retailers

Key points

- Retail sales disappointed in July, coming in dead flat despite the launch of ‘stage 3’ tax cuts boosting incomes.
- Basic food was the only store-type to record a gain. Weakness in the month centred on clothing and department stores.
- Qld and WA slightly firmer, SA and NSW slightly weaker.
- Retail adds to evidence that most of the tax cut boost to incomes was saved rather than spent in July.

Nominal retail sales



**July retail sales: flat%
mth, 2.3%
yr**

More evidence tax cuts are being saved (for now)



Matthew Hassan
Head of Australian Macro-Forecasting

Retail sales stalled flat in July, coming in well below expectations, the consensus forecast a 0.3% gain. Annual sales growth slowed to 2.3%yr, slipping back below population growth.

Basic food was the only store-type to post a rise, sales up 0.2%month. Weakness was more pronounced for clothing (-0.5%month) and department stores (-0.4%month) with restaurants and cafes recording a 0.2% decline (the third month in a row). Household goods and other retail held flat.

Previous releases had reported some of the gains in May and June related to stronger than usual End of Financial Year (EOFY) sales that likely unwound in July. While July was the first month the stage 3 tax cuts came into effect, some of the EOFY-related spend may have been a pull forward in anticipation of a post-tax income boost.

By state, Qld and WA were the only regions to record gains with retail sales up 0.2%month in both. Sales declined 0.3%month in SA and 0.2%month in NSW, nudging up 0.1%month in Vic. All moves are marginal at best.

The other detail showed a slightly better month for online sales (+0.3%month) with in-store sales flat, in line with the headline result.

By firm size, large non-food retailers performed slightly better with sales up 1.4%month. Large food retailers recorded a -0.9%month decline while sales were down 0.8%month for small retailers.

Conclusion

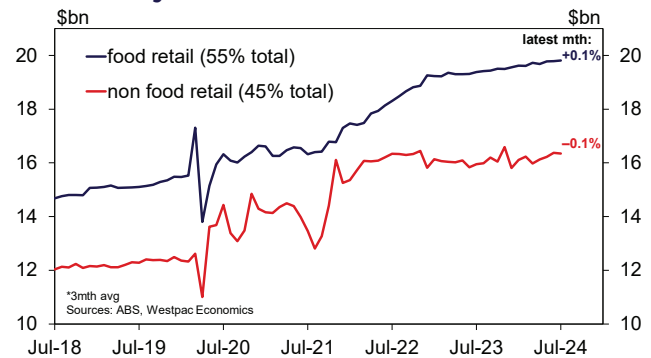
This was clearly a disappointing result given the context of tax cuts. While other indicators had suggested relatively little of the boost to income was spent in July, to get a 'donut' on retail sales despite this, price inflation and population growth implies real per capita retail sales were not just soft but weakened materially in July. The August data-flow should help clarify how much of this is monthly noise and how much is a story of ongoing weakness.

Retail sales – July 2024

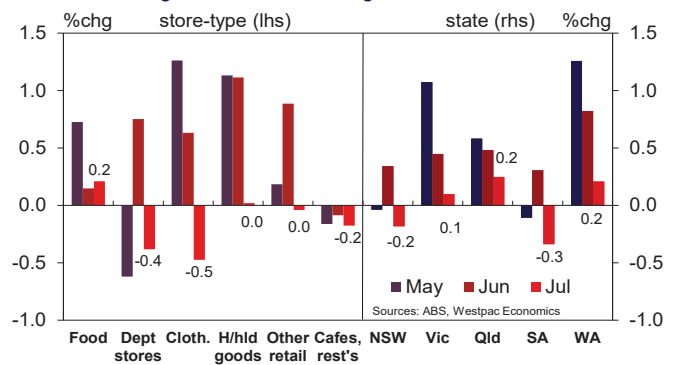
	\$bn	% chg mth		% chg yr	
		Jul-24	Jun-24	Jul-24	Jun-24
sa	36.16	0.5	0.0	2.9	2.3
trend*	36.15	0.3	0.2	2.2	2.2

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

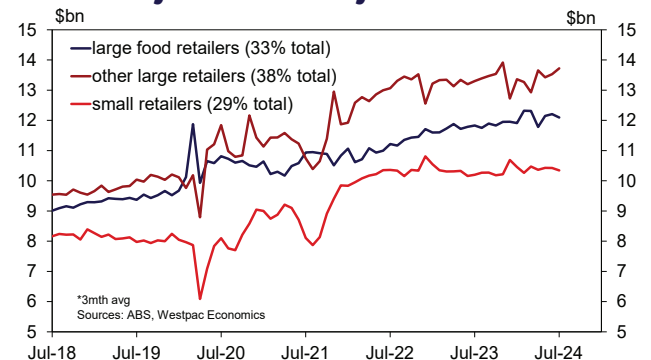
Monthly retail sales: food vs non-food



Monthly retail sales by channel



Monthly retail sales by firm size



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