

31 October 2024

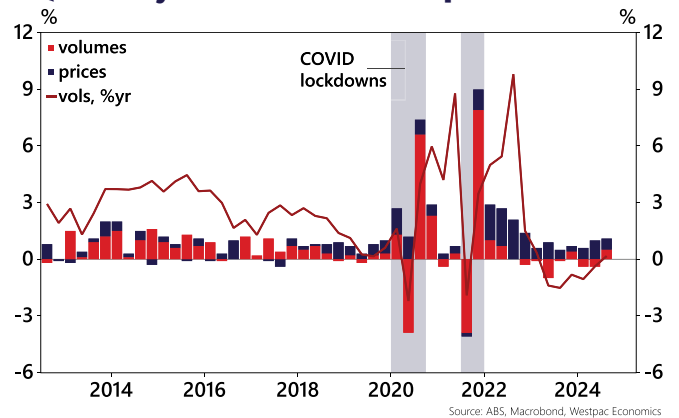
AUSTRALIAN RETAIL SALES BULLETIN

Retail volumes back in positive territory

Key points

- Real retail sales rose 0.5% in the September quarter, only the second quarterly lift in the last two years.
- Nominal sales came in weaker than expected in the September month, at 0.1%, as price pressures eased.
- The detail suggests that consumers remain price sensitive, spending in categories that have seen greater price declines.
- Food retail remained weaker in the quarter.
- All states saw a rise in real retail sales, except for SA where a third consecutive fall was recorded.
- The results today highlight some downside risk to our forecast for Q3 private consumption, however this is balanced out by the strength observed in services spending from the **Westpac Card Tracker Index**.

Quarterly retail volumes and prices



Q3 real retail sales: 0.5%qtr, 0.2%yr

Retail volumes bounce back



Neha Sharma
Economist

The September retail sales report printed a weaker than expected result for monthly nominal spending but in real terms retail spending returned to positive territory on both a quarterly and annual basis.

A muted monthly lift

Nominal retail sales rose a mere 0.1%*mth* in September, following a 0.7%*mth* increase in August, with annual growth slowing to 2.3%*yr* from 3.1%*yr*. The monthly result was against expectations of a 0.3%*mth* gain.

The food versus non-food detail showed that the lift in spending was driven by non-food retail (+0.1%*mth*). Food retail held flat.

Across store-types, gains were seen for household goods (+0.5%*mth*) and cafes & restaurants (+0.4%*mth*). Spending for other retailing remained steady in September, while department stores (-0.5%*mth*), basic food retail (-0.1%*mth*) and clothing (-0.1%*mth*) all recorded falls.

By state, gains were led by NSW (+0.2%*mth*), SA (+0.1%*mth*) and WA (+0.1%*mth*). Retail sales in Qld held steady, while Vic posted a decline (-0.1%*mth*).

More broadly, the results indicate relatively subdued trends in consumer demand. Despite the introduction of tax cuts and other fiscal measures, consumers appear to be selectively spending, especially around sale periods.

As noted last month, it typically takes time for retail spending to increase post-tax cuts, and it seems we are still following a similar path to previous periods of tax changes.

Quarterly momentum lifts, driven by non-food

A slight easing in retail prices over the quarter boosted retail volumes, highlighting that consumers remain price conscious.

Retail sales rose 1%*qtr* in nominal terms, but retail prices rose 0.6%*qtr* with underlying real retail sales ('volumes') up 0.5%*qtr* (figures do not sum due to rounding). This was in line with consensus expectations but a touch weaker than Westpac Economics' expectation of 0.8%*qtr*.

This result marks only the second quarterly lift in volumes over the past two years and also a return to positive territory on an annual growth basis

However, once accounting for population growth, real retail sales per capita fell for the 9th consecutive quarter to be down a

Retail sales – September 2024

	\$bn		% chg mth		% chg yr
	Sep-24	Aug-24	Sep-24	Aug-24	Sep-24
sa	36.46	0.7	0.1	3.1	2.3
trend*	36.48	0.3	0.3	2.6	2.6

Chained volumes – Q3 2024

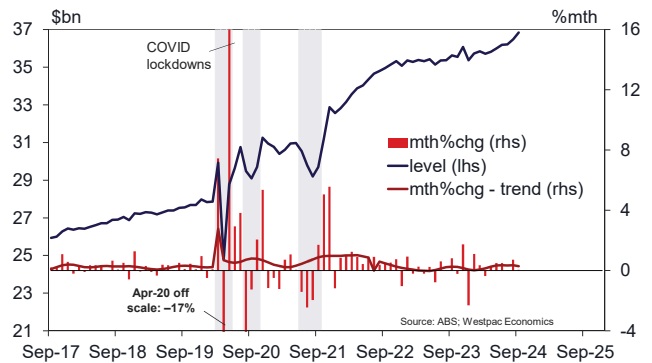
	real \$bn	% chg qtr		% chg yr	
	Q3	Q2	Q3	Q2	Q3
sa	104.59	-0.4	0.5	-0.4	0.2
trend	104.33	-0.1	-0.1	-0.4	-0.2

Other consumer spending indicators – Q3

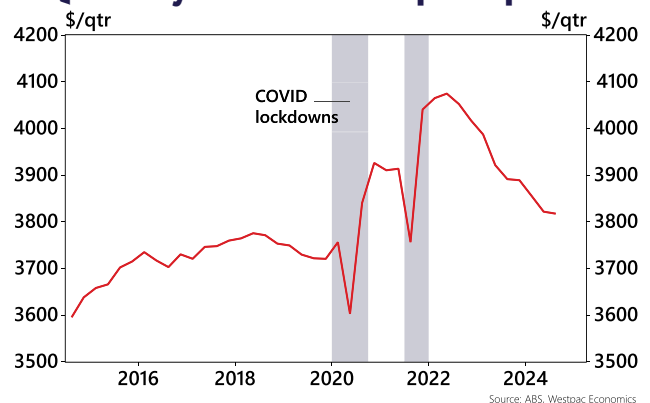
	level	% chg qtr		% chg yr	
	Q3	Q2	Q3	Q2	Q3
vehicle sales ('000s)	220	-0.5	-3.7	6.2	-9.5
fuel sales (ML)^	4042	-2.0	-0.3	-0.2	1.1

*Westpac estimates; official series suspended; ^Q3 is latest 3mth sum.
Source: ABS, FCAI, Macrobond, Westpac Economics.

Monthly retail sales



Quarterly real retail sales per capita



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cumulative 6.3% from the peak in June 2022.

The food versus non-food split for volumes showed a similar pattern to nominal spending. Lower prices drove an increase in non-food retail volumes (+1.3%qtr), while for the wider food segments (covering both basic food and cafes & restaurants) volumes were down 0.2%qtr with a relatively strong lift in retail prices (+1.1%qtr).

Of the non-food categories, clothing stores recorded the largest gains (+1.9%qtr), this was followed by department stores (+1.4%qtr), other retailing (+1.0%qtr) and household goods (+1.0%qtr).

Weakness was evenly spread across food segments with basic food retail down 0.3%qtr, while cafes and restaurants fell 0.2%qtr.

Interestingly these trends follow a similar variation in retail prices. Department stores, clothing and household goods all saw a fall in prices (-0.3%qtr, -0.2%qtr and -0.1%qtr respectively). Other retailing saw a lift of 0.5%qtr, but this was outpaced by food prices, with cafes & restaurant prices up

0.8%qtr and basic food prices up 1.2%qtr.

By state, all except SA recorded a gain in retail volumes in the September quarter. WA continued to outperform (+0.9%qtr), while volumes in Vic and Qld rebounded (+0.9%qtr and +0.7%qtr) after recording declines over the past few quarters. NSW saw a muted 0.1%qtr lift while SA recorded its third consecutive fall (-0.6%qtr).

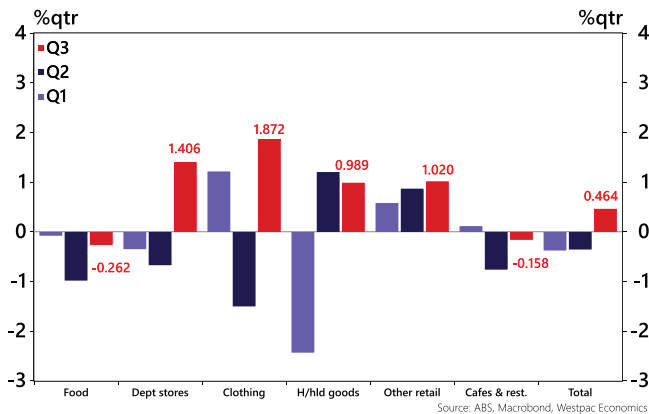
Online spending slowed

The nominal sales detail also sheds light on online versus in-store spending, as well as across retailers of varying sizes.

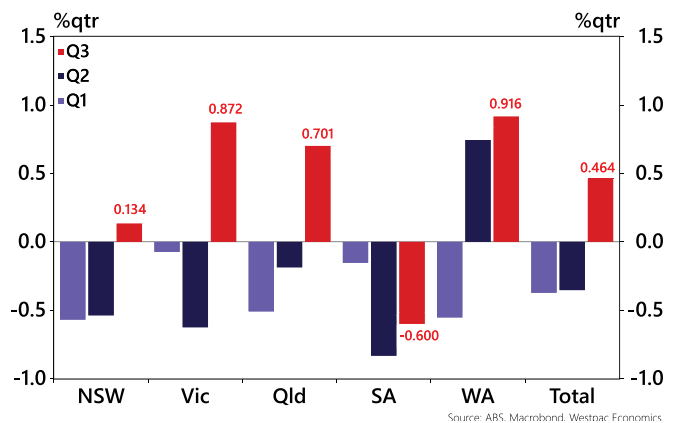
Online sales fell 1.8%qtr in Q3, as warmer weather encouraged consumers to return to in-store shopping, which posted a modest increase of 1.4%qtr.

By size, spending at large food retailers rose 1.6%qtr, while large non-food retailers saw a 1.4%qtr lift. Spending at smaller retailers fell (-0.1%qtr).

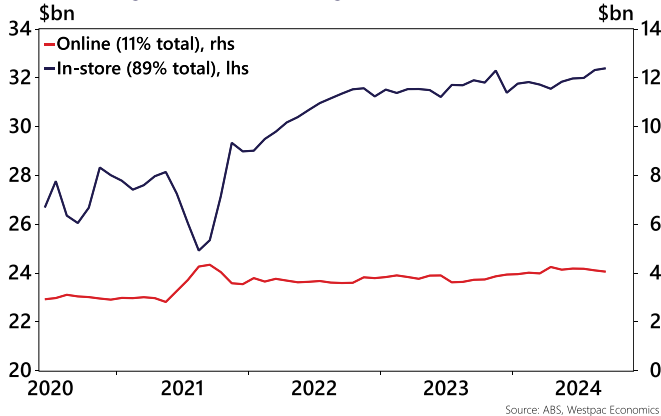
Quarterly real retail sales by store-type



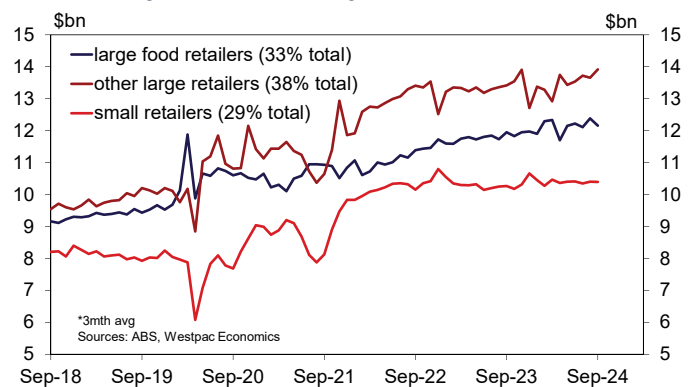
Quarterly real retail sales by state



Monthly retail sales by channel



Monthly retail sales by size



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Other spending indicators remain weak

Despite the 0.5%qtr lift in retail sales volumes other 'partial' indicators are showing more muted results.

After gaining some momentum earlier in the year, new vehicle sales have been on downward trend, with a further fall observed in Q3, we estimate a seasonally adjusted decrease of 3.7%qtr and 9.5%yr.

Meanwhile fuel consumption figures to August are tracking a little under 1%qtr.

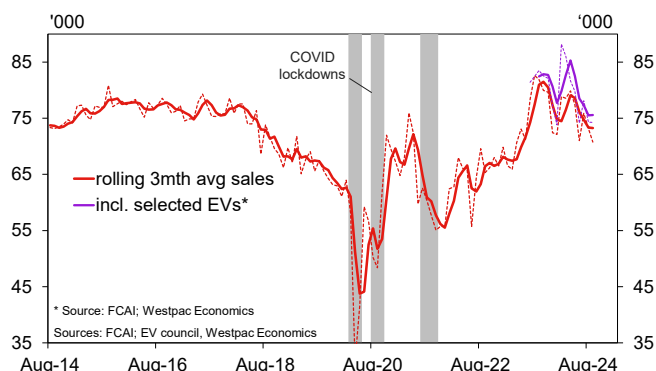
Conclusion

The retail sales detail suggests consumers remain price sensitive, choosing to direct spend in areas that have seen price falls. This is not surprising, with the [Westpac-ML Consumer Sentiment](#) survey continuing to show that while household finances are improving, they remain at relatively strained levels.

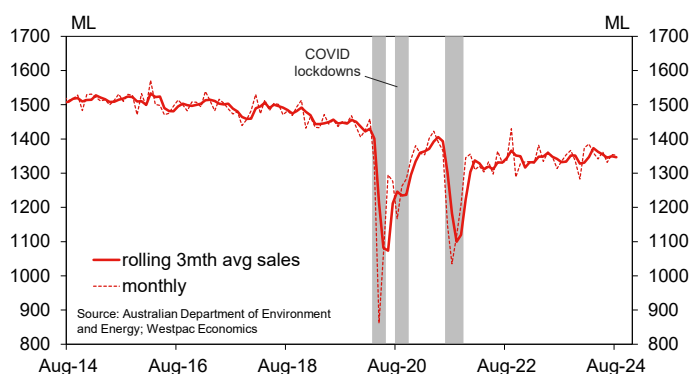
More broadly, the September quarter retail sales result alongside the other partials all point to continued weakness in consumer demand. Today's result presents some slight downside risk to our forecast for a 0.6%qtr gain in total consumer spending in the September quarter national accounts (due December 4).

That is balanced somewhat by indications that spending on services has been a bit firmer. Unfortunately, only a few indicators are available to provide a gauge of services consumption. But what is available, including our [Westpac Card Tracker Index](#), has shown a little more strength in services spending for Q3. That should balance out some of the downside risks presented from today's result. However, the overarching picture is still of a subdued consumer that looks to have saved most of the initial income boost from the stage 3 tax cuts.

New vehicle sales: passenger & SUVs



Auto fuel sales





Authors

Westpac Economics / Australia

Sydney
Level 19, 275 Kent Street
Sydney NSW 2000
Australia

E: economics@westpac.com.au

Luci Ellis
Chief Economist Westpac Group
E: luci.ellis@westpac.com.au

Matthew Hassan
Head of Australian Macro-Forecasting
E: mhassan@westpac.com.au

Elliot Clarke
Head of International Economics
E: eclarke@westpac.com.au

Justin Smirk
Senior Economist
E: jsmirk@westpac.com.au

Pat Bustamante
Senior Economist
E: pat.bustamante@westpac.com.au

Mantas Vanagas
Senior Economist
E: mantas.vanagas@westpac.com.au

Ryan Wells
Economist
E: ryan.wells@westpac.com.au

Illiana Jain
Economist
E: illiana.jain@westpac.com.au

Jameson Coombs
Economist
E: jameson.coombs@westpac.com.au

Neha Sharma
Economist
E: neha.sharma1@westpac.com.au

Westpac Economics / New Zealand

Auckland
Takutai on the Square
Level 8, 16 Takutai Square
Auckland, New Zealand

E: economics@westpac.co.nz

Kelly Eckhold
Chief Economist NZ
E: kelly.eckhold@westpac.co.nz

Michael Gordon
Senior Economist
E: michael.gordon@westpac.co.nz

Darren Gibbs
Senior Economist
E: darren.gibbs@westpac.co.nz

Satish Ranchhod
Senior Economist
E: satish.ranchhod@westpac.co.nz

Paul Clark
Industry Economist
E: paul.clarke@westpac.co.nz

Westpac Economics / Fiji

Suva
1 Thomson Street
Suva, Fiji

Shamal Chand
Senior Economist
E: shamal.chand@westpac.com.au



 westpaciq.com.au

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