

## Economic Analysis

## Retail Trade March 2024

### Overview

Retail sales declined a seasonally adjusted 0.4% in March, against the market expectations of a 0.2% gain. The February figures were revised downwards (to +0.2% from the originally estimated +0.3%).

The annual rate of retail sales growth dropped 0.7ppts to 0.8%. Outside of the heights of COVID-19, this was the smallest annual gain since the introduction of the GST in July 2000.

In trend terms, retail trade was unchanged in the month and up by 1.1% through the year, the least on record (trend figures for the heights of COVID-19 are not published).

### Industry Groups

The only industry group that saw a rise in retail trade was food retailing (+0.9%), though this could have been helped by a rise in prices. According to the monthly CPI indicator, food and non-alcoholic beverage prices rose by 0.2% in March.

All other industry groups saw declines, with the weakest performances being in discretionary goods industries such as clothing, footwear and personal accessories (-4.3%), department stores (-1.6%) and household goods (-1.4%). In all three industries, retail trade turnover was down over the year to March.

Cafes, restaurants and takeaway food services saw a relatively small decline, of 0.2%, and continued to register a positive annual growth rate, which was however, the lowest since September 2021.

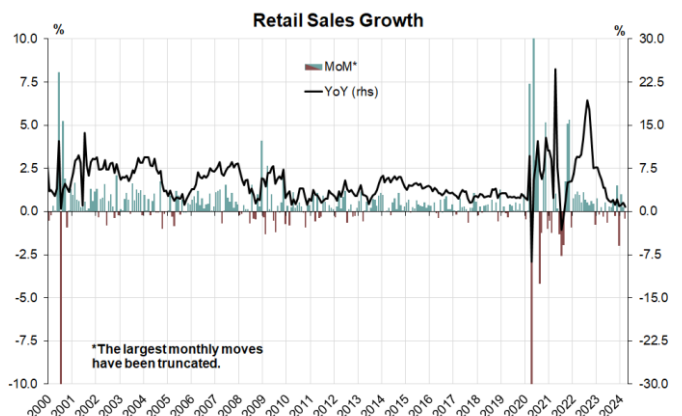
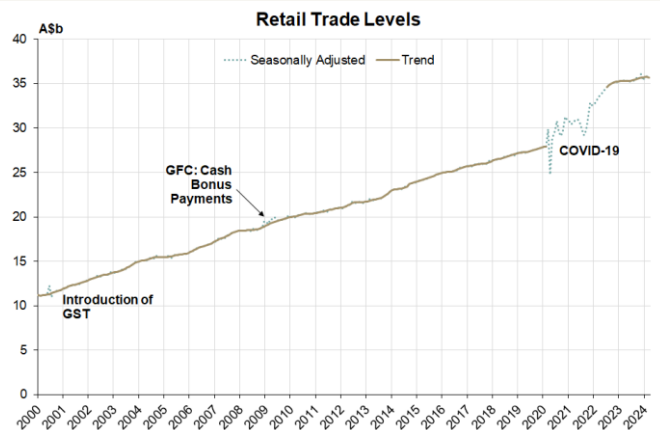
Seasonally Adjusted, %	MoM	YoY
Food	0.9	2.2
Household Goods	-1.4	-3.2
Clothing, Footwear and Personal Accessories	-4.3	-0.4
Cafes, Restaurants and Takeaway Food	-0.2	1.2
Department Stores	-1.6	-0.2
Other Retailing	-0.3	2.4
Total	-0.4	0.8

### States

Retail sales declined in all states except for Western Australia and Queensland.

Western Australian retail trade rose by 0.6% in March, to be 2.5% up through the year, the most of all states.

Seasonally Adjusted, %	MoM	YoY
Western Australia	0.6	2.5
New South Wales	-1.1	-0.9
Victoria	-0.8	0.9
Queensland	0.4	2.3
South Australia	-0.4	1.3
Tasmania	-0.2	1.6



### Comment

The March retail sales report was a reality check for consumer demand in Australia. This came after two solid reports for the first two months of the year, partly supported by spending related to Taylor Swift's concerns over east and changes in seasonal spending patterns.

Looking through the monthly volatilities, retail trade has been largely flat for half a year or so.

The resurfacing weakness in consumer demand is caused by a double whammy of high costs of living and high mortgage rates. It corresponds with the bleak consumer sentiment, which has been at recessionary levels since late 2022.

The market consensus is for private consumption to remain flat until at least mid-2024, before only gradual recovery towards the end of the year and in 2025. However, it looks increasingly likely that the RBA will not cut its interest rates as soon as hoped several months ago. This 'higher-for-longer' scenario is a significant downside risk for the household consumption outlook.

30 APRIL 2024

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