

Economic Analysis

Retail Trade December 2023

Overview

Retail sales fell a seasonally adjusted 2.7% in December, significantly more than the 1.7% pencilled in by the market consensus. This was the strongest monthly decline since August 2020.

The November increase was revised down to 1.6% from the initial estimate of 2.0%.

The annual rate of retail sales growth slowed to 0.8%, the least since August 2021.

Trend growth, which looks through the short-term volatility, decelerated to just 0.1% MoM and 1.3% YoY.

Industry Groups

All the major industry groups except for food retailing registered declines in December, more than reversing the November gains driven by Black Friday sales.

The strongest declines were recorded for household goods (-8.5%) and department stores (-8.1%), which saw the largest increases in the previous month, of 6.5% and 4.1%, respectively. In the case of household goods retailing, this was the largest drop since the introduction of the goods and services tax in July 2000, while the annual rate of growth turned negative.

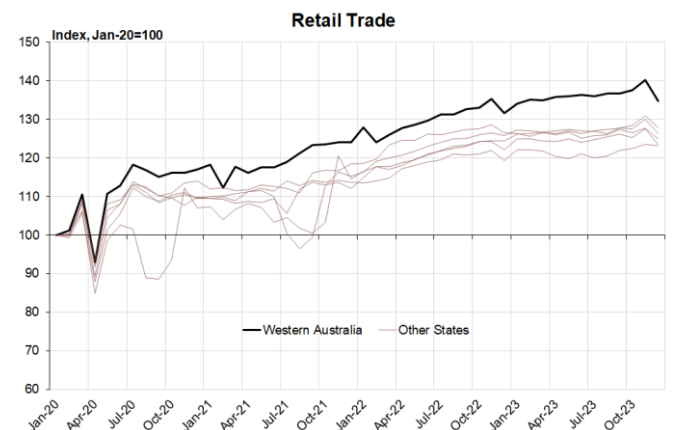
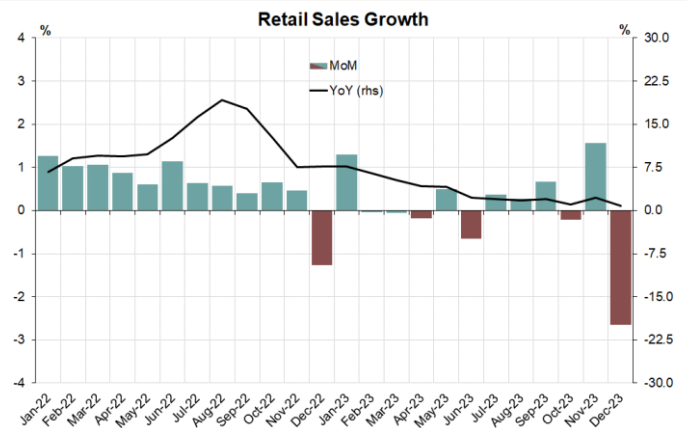
Clothing, footwear and personal accessories also saw a strong fall of 5.7%, while declines in cafes, restaurants and takeaway food as well as 'other retailing' were more moderate (-1.1% in both cases). Food retailing inched 0.1% higher, to be up 1.5% through the year, the least since November 2021.

Seasonally Adjusted, %	MoM	YoY
Food	0.1	1.5
Household Goods	-8.5	-3.3
Clothing, Footwear and Personal Accessories	-5.7	0.5
Cafes, Restaurants and Takeaway Food	-1.1	1.6
Department Stores	-8.1	3.7
Other Retailing	-1.1	1.8
Total	-2.7	0.8

States

Retail sales declined sharply across all states in December. Western Australia saw the largest decline in monthly terms but boasted the strongest annual growth of all mainland states, while also seeing the largest gain since the start of the COVID-19 pandemic.

Seasonally Adjusted, %	MoM	YoY
Western Australia	-3.8	2.4
New South Wales	-2.1	-0.7
Victoria	-3.2	1.1
Queensland	-2.3	1.1
South Australia	-2.9	1.5
Tasmania	-0.3	3.2



Comment

It was widely expected the December retail sales report would be dismal, but the scale of the decline is surprisingly strong. Part of the downside surprise is due to ongoing issues with seasonal adjustment at this time of the year, as the rise in popularity of Black Friday/Cyber Monday sales and associated earlier Christmas shopping has led to shifts in seasonal patterns.

Given these issues, the December plunge could be revised in the following months and should be interpreted with caution. The ABS will release a more detailed report in a week, which will also show a breakdown between the retail sales volumes and prices for the entirety of Q4.

What is more, retail trade covers only one-third of private consumption. A broader, albeit less timely, household spending indicator, which covers around two-thirds of private consumption, is scheduled for release on 9 February.

The retail trade report had no impact on RBA cash rate expectations, with investors awaiting Q4 CPI figures due tomorrow, the RBA policy decision and release of updated economic projections next Tuesday.

30 JANUARY 2024

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