

Overview

Retail trade declined a seasonally adjusted 0.2% in October, against market expectations of a 0.1% uptick. This followed three months of increases, including solid gains in July and September.

The annual rate of growth in retail sales slowed to 1.2%, which is the lowest in the current expansion.

Looking through the temporary volatilities, trend retail trade rose by 0.3% MoM and 1.5% YoY.

Industry Groups

The decline in retail sales was broad-based, with food retailing the only industry to register a gain.

Declines in most other industries were reversals from strong gains in September.

The strongest decline was recorded for clothing, footwear and personal accessories (-1.0%), followed by household goods and department stores (-0.6% in both cases). All three industries saw solid increases in the previous months due to heightened promotional activity and the impact of the 2023 FIFA Women's World Cup.

Cafes, restaurants and takeaway services fell for the second month in a row in October but registered the fastest annual growth of 4.6%. This industry, together with food retailing, are the only substantial contributors to the annual growth in total retail trade.

Seasonally Adjusted, %	MoM	YoY
Food	0.5	3.3
Household Goods	-0.6	-4.7
Clothing, Footwear and Personal Accessories	-1.0	-0.7
Cafes, Restaurants and Takeaway Food	-0.4	4.6
Department Stores	-0.6	0.4
Other Retailing	-0.4	0.4
Total	-0.2	1.2

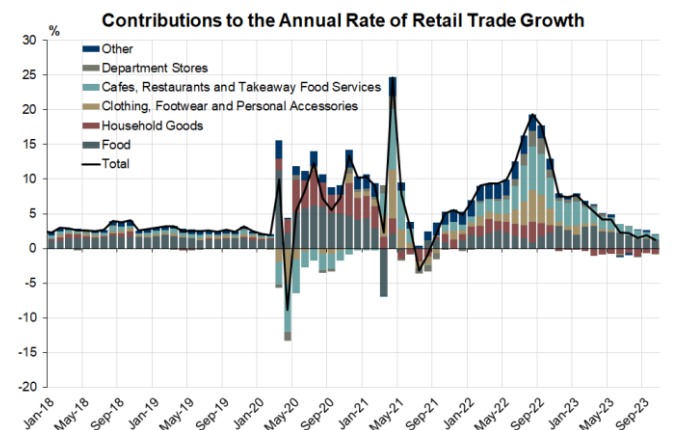
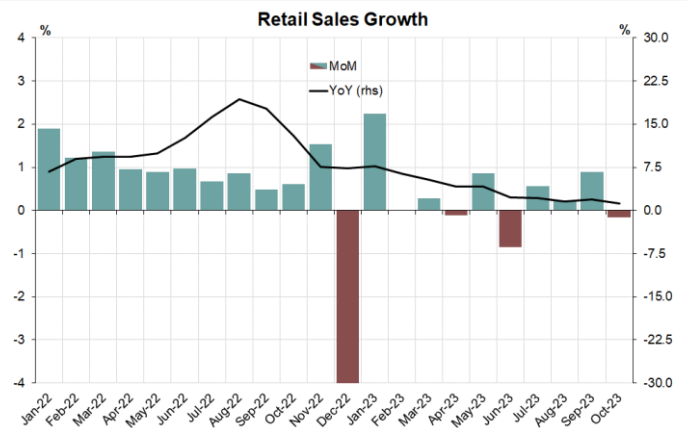
States

Retail trade was mixed across states in October.

There were declines in New South Wales, Victoria and South Australia.

Other states, saw a rise in retail trade, with Western Australia registering gains of 0.7% MoM and 3.5% YoY. In both cases, this was the strongest gain of all states.

Seasonally Adjusted, %	MoM	YoY
Western Australia	0.7	3.5
New South Wales	-0.5	0.3
Victoria	-0.8	1.0
Queensland	0.6	0.7
South Australia	-0.1	2.9
Tasmania	0.3	0.7



Comment

After solid, albeit temporary gains in the previous three months, retail sales saw a setback in October.

The softer result comes ahead of Black Friday and Cyber Monday sales in November. These are relatively new events, which are not fully captured by seasonal adjustment. Therefore, retail sales may rebound in November.

These temporary disruptions mask the underlying weakness in consumer demand, hit by cost-of-living pressures and higher mortgage rates.

Consumers appear to be cutting spending back to essentials, with food retailing making the biggest contribution to annual growth. Spending on café's restaurants and takeaway foods, also seems to be faltering after a period of strong growth.

In its recent projection, the RBA expects the weakness in consumer demand to continue throughout 2024.

The retail sales report for September did not alter cash rate expectations, with another 25bps hike around 45% priced in for February 2024 and the probability of any cuts next year remaining well below 50%. However, the monthly CPI indicator, due tomorrow, will be more important reading for the RBA monetary policy outlook.

28 NOVEMBER 2023

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