

Economic Analysis

Retail sales volumes declined a seasonally adjusted 0.6% in Q1, more than the 0.4% expected by the markets.

The annual rate of growth slowed to just 0.3%, which is the least since Q3 2021.

The implicit retail sales deflator rose by 0.6%, which is close to the series average.

Nominal retail sales were unchanged in the quarter.

Industry Groups

Retail sales volumes were mixed across the industries.

Spending on household goods fell by 3.7% in real terms and spending in the 'other retailing' category declined 0.8%.

Real spending on food was unchanged in Q1, as prices rose by 1.1%.

At the same time, there were increases for other industries, which followed poorer results in the previous quarter. The strongest gain of 1.5% was reported for department stores amid heavy discounting, which translated into a 1.2% fall in prices. There was a similar pattern in clothing, footwear and personal accessories (a 0.2% increase in volumes and a 1.1% fall in prices).

Cafes, restaurant and takeaway food saw a 1.0% increase in retail sales volumes, despite a 1.1% rise in prices.

QoQ, Seasonally Adjusted, %	Nominal	Volume	Prices
Food	1.1	0.0	1.1
Household Goods	-3.6	-3.7	0.1
Clothing, Footwear and Personal Accessories	-0.9	0.2	-1.1
Cafes, Restaurants and Takeaway Food	2.1	1.0	1.1
Department Stores	0.3	1.5	-1.2
Other Retailing	-0.3	-0.8	0.5
Total	0.0	-0.6	0.6

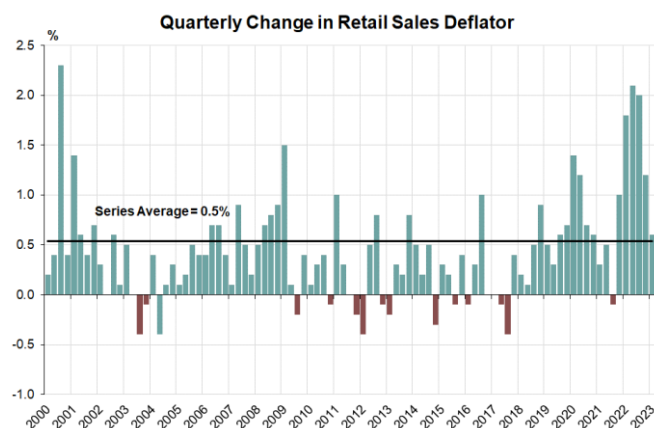
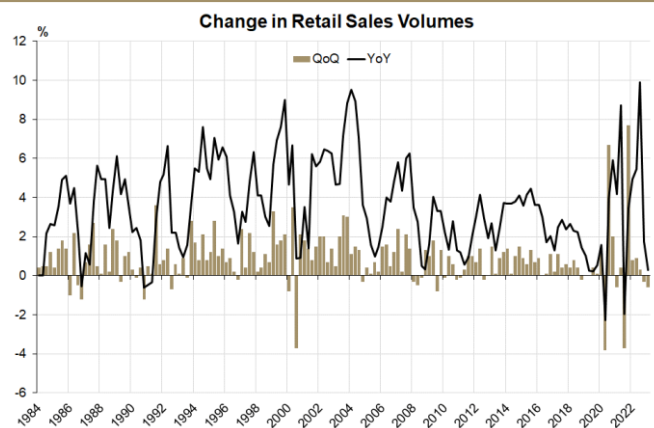
States

Quarterly retail sales volumes were also mixed across states. There was a 0.5% increase in South Australia and no change in Western Australia and Tasmania, while the remainder of states saw a decline. The largest drop was reported for Queensland.

Despite no change in Q1, Western Australia continued to lead other states in terms of growth in retail sales volumes over the past three years, with a 15.4% gain from Q4 2019.

QoQ, Seasonally Adjusted, %	Nominal	Volume	Prices
Western Australia	0.6	0.0	0.6
New South Wales	0.0	-0.5	0.5
Victoria	0.4	-0.3	0.7
Queensland	-1.5	-2.2	0.7
South Australia	1.2	0.5	0.7
Tasmania	0.9	0.0	0.9

Retail Trade Q1 2023



Comment

The 0.6% decline in retail sales volumes was the largest since the height of the global financial crisis in Q3 2008, if we exclude the COVID.

While the ABS interpreted the spending patterns in Q1 as a sign that cost-of-living pressures are increasingly impacting spending on discretionary goods, the details of the report do not paint a clear picture.

Most notably, spending on eating out continues to climb, despite the further considerable price increases in that industry. Heavy discounting helped support sales volumes in department stores and fashion venues. The only discretionary category that saw a clear drop in real sales was household goods, which had previously been boosted by the homebuilding subsidies and the impacts of COVID lockdowns.

The heavy discounting in department stores and fashion venues, as well as somewhat slower growth in prices of other discretionary items, have translated into a slowdown in retail price growth to around average levels. However, food price growth re-accelerated.

The RBA expects that private consumption growth will continue to decelerate this year and remain slow in 2024.

9 MAY 2023

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