

Economic Analysis

Retail sales volumes ebbed a seasonally adjusted 0.2% in Q4, less than the 0.5% fall expected by the markets.

The annual rate of growth dropped from a record high of 9.9% to 1.8%. This sharp deceleration was among other factors, due to the high base from the previous year, when COVID-19 containment measures were scrapped over east.

The implicit retail sales deflator rose by 1.1%, which was significantly less than the 2.1% registered in the previous two quarters.

Nominal retail sales were 0.9% up in the quarter.

Industry Groups

Retail sales volumes fell in all industries but food retailing (+2.1%) as well as cafes, restaurants and takeaway services (+0.3%). Food retailing was also the only industry not to record growth in retail prices in Q4.

The industries largely driven by discretionary spending were major contributors to the decline in real retail sales in the quarter. Department stores saw the largest decline (-2.9%), followed by 'other retailing' (-2.4%), clothing, footwear and personal accessories (-2.3%) and household goods (-2.0%).

The largest increase in prices was reported for clothing, footwear and personal accessories (+2.7%) and department stores (+2.3%), following declines or slow growth. For the remaining industries, the quarterly rates of increase in prices did not exceed 2%.

QoQ, Seasonally Adjusted, %	Nominal	Volume	Deflator
Food	2.1	2.1	0.0
Household Goods	-0.3	-2.0	1.7
Clothing, Footwear and Personal Accessories	0.3	-2.3	2.7
Cafes, Restaurants and Takeaway Food	2.1	0.3	1.8
Department Stores	-0.6	-2.9	2.3
Other Retailing	-0.8	-2.4	1.7
Total	0.9	-0.2	1.1

States

A decline in retail sales volumes was reported for all states, except for New South Wales and Tasmania, with Queensland seeing the largest fall. Retail sales prices rose in all states.

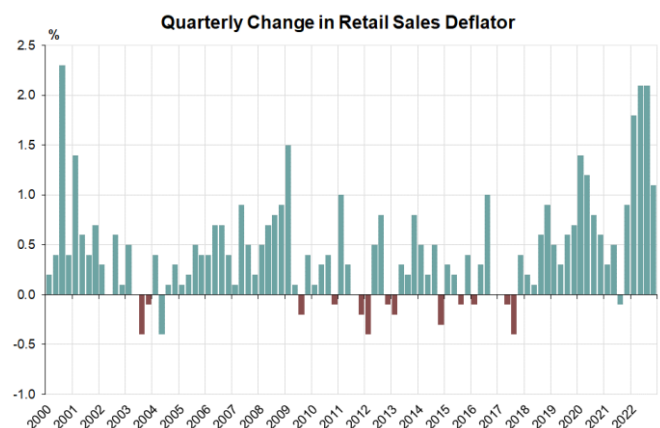
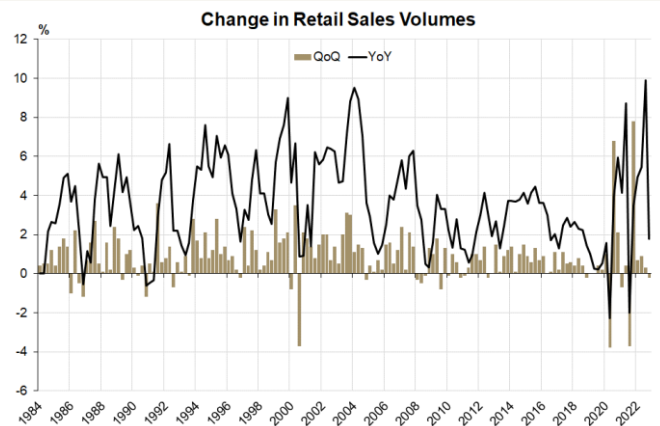
Western Australian retail sales volumes declined by 0.3%, while prices rose by 1.3%. Australia continues to lead the other states in terms of retail sales volumes since the start of the pandemic, with a 15.3% increase.

QoQ, Seasonally Adjusted, %	Nominal	Volume	Prices
Western Australia	0.9	-0.3	1.3
New South Wales	1.2	0.2	1.1
Victoria	0.8	-0.3	1.1
Queensland	0.6	-0.6	1.2
South Australia	1.0	-0.1	1.1
Tasmania	0.9	0.0	0.9

Disclaimer

Any opinions, judgments, conclusions, forecasts, predictions or estimations contained in this advice are made in reliance on information provided to Western Australian Treasury Corporation which Western Australian Treasury Corporation believes to be reliable. Western Australian Treasury Corporation, however, cannot guarantee the accuracy of that information. Thus, any recommendations are made in good faith but are provided only to assist you with any decisions which you make. These recommendations are not intended to be a substitute for professional advice on a particular matter. Before accepting or rejecting those recommendations you must discuss your particular needs and circumstances with Western Australian Treasury Corporation.

Retail Trade Q4 2022



Comment

After the dismal retail sales report for December, a fall in sales volumes in Q4 was expected. However, the scale of the decline was not as large as feared, as food retailing posted a strong increase.

The decline in sales volumes was led by discretionary goods, which at the same time saw a large increase in prices. The cost-of-living pressures, coupled with a rise in mortgage rates, appears to be gradually impacting the behaviour of households. That said, the level of retail sales volumes is still very high, 11.6% up from Q4 2019.

There are the first signs of slowing price growth, but for the time being appear to be limited to food retailing, dining in and eating out. However, the recent floods may put renewed upward pressure on price growth.

Given all these factors, we still expect a 25bps hike at the RBA Board meeting tomorrow. The outlook for further interest rate increases will be determined by the economic data going forward, particularly the inflation and labour market data.

The RBA will update its economic projections in its Statement on Monetary Policy on Friday.

6 FEBRUARY 2023