

Economic Analysis

Retail Trade February 2023

Overview

Seasonally adjusted retail sales ticked up by 0.2% in February, in line with the market expectations, taking the annual growth rate down to 6.4%, which is the lowest level since December 2021.

The slight increase in retail sales in February followed a period of heightened volatility at the turn of 2022-23, caused by changes in seasonal spending patterns.

The rise could suggest the resilience of consumer demand to high inflation and monetary tightening. However, the monthly retail sales are nominal, which means they reflect both changes in prices and volumes.

Industry Groups

Increases in retail sales were recorded for all industries but household goods and 'other retailing'.

The strongest increase was reported for department stores (+1.0%), followed by clothing, footwear and personal accessories (+0.6%). Cafes, restaurants and takeaway food also saw a solid gain of 0.5% and recorded the strongest annual rate of increase (+17.1%).

Household goods retail turnover was unchanged in February and 2.3% down through the year, while 'other retailing' fell by 0.4% MoM. According to the ABS, this could be a sign of consumers pulling back their discretionary spending. However, given the strength in the other discretionary categories, it is too early to conclude if this is really the beginning of a turnaround.

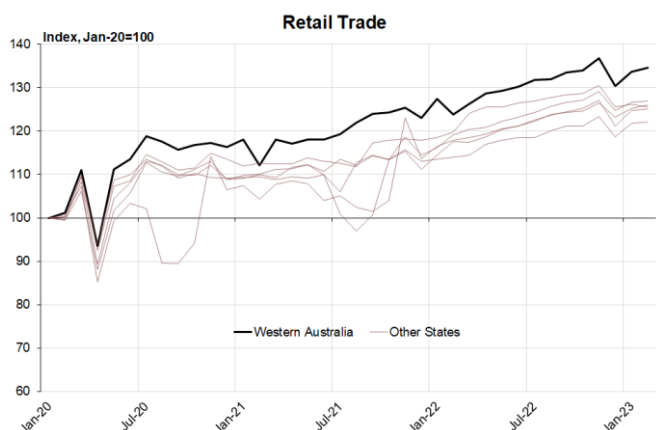
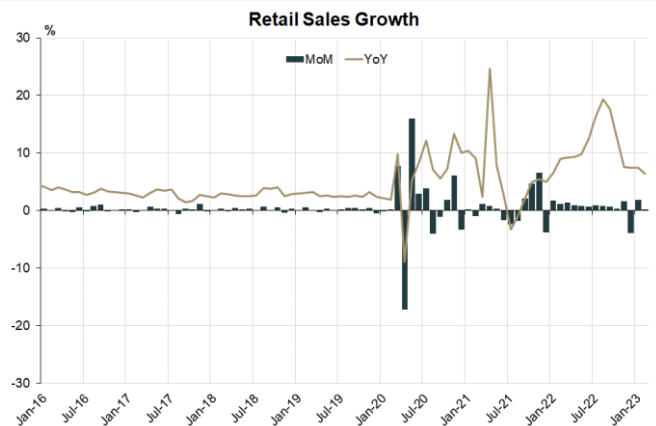
Seasonally Adjusted, %	MoM	YoY
Food	0.2	7.9
Household Goods	0.0	-2.3
Clothing, Footwear and Personal Accessories	0.6	6.2
Cafes, Restaurants and Takeaway Food	0.5	17.1
Department Stores	1.0	7.7
Other Retailing	-0.4	3.2
Total	0.2	6.4

States

Seasonally adjusted retail sales rose in all states but Queensland.

Seasonally Adjusted, %	MoM	YoY
Western Australia	0.8	8.8
New South Wales	0.3	6.6
Victoria	0.2	6.1
Queensland	-0.4	4.8
South Australia	0.6	7.2
Tasmania	0.2	7.1

Western Australia saw the strongest gains of 0.8% MoM and 8.8% YoY. It continues to lead other states in terms of retail sales performance over the past three years.



Comment

February retail sales figures did not provide any surprises, showing a slight 0.2% monthly increase and a further normalisation in the annual rate of growth. Despite the double squeeze from higher inflation and mortgage rates, Aussie households keep spending, including for discretionary goods and services such as items in department stores, clothing and footwear or dining in and take away food.

However, the rise in nominal spending partly reflects higher prices for goods and services. With limited information provided in the preliminary monthly release, it is hard to disentangle the impacts of higher prices and sales volumes. The next release of retail trade volumes will be available in early May.

February retail trade numbers were to be one of the releases closely tracked by the RBA. However, since it proved roughly as expected, cash rate expectations are stable this morning, with no change anticipated for next week. The major set of data that will influence the RBA will be the monthly CPI indicator to be released tomorrow morning.

28 MARCH 2023

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