

## Economic Analysis

## Retail Trade Q2 2023

### Overview

Retail sales volumes fell a seasonally adjusted 0.5% in Q2, in line with the market expectations.

The numbers for Q1 were revised downwards, to show a 0.8% fall from a 0.6% decline estimated previously.

The ABS has reinstated the trend series, which showed a 0.6% drop in retail sales volumes in Q2.

The annual growth rate turned negative (-1.4%) for the first time since Q3 2021.

The implicit retail sales deflator rose by 0.9%, faster than the 0.7% registered in the previous quarter.

### Industry Groups

Declines in retail sales volumes in Q2 were recorded for all industry groups but 'other retailing' (0.0%) and clothing, footwear and personal accessories (+1.1%). The increase in the latter was supported by promotional activity and discounting, which resulted in a 1.0% decline in prices.

The strongest declines in retail volumes were registered for discretionary household goods (-1.5%) and department stores (-1.4%).

Food retailing fell by 0.7% in real terms, while cafes, restaurants and takeaway services saw only a marginal 0.1% decline. These two industries recorded the strongest rise in retail prices in the quarter, of 1.4% and 1.6%, respectively.

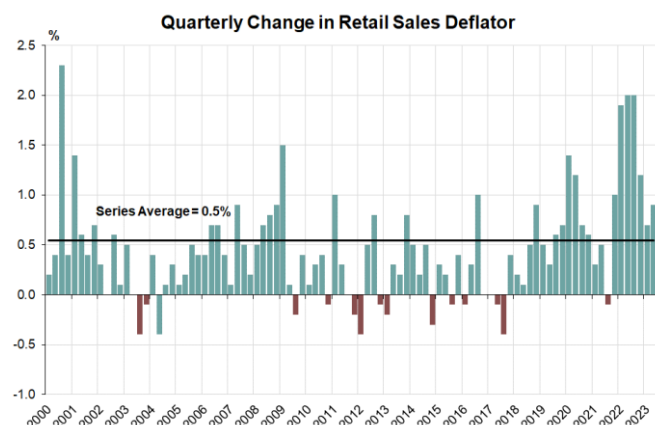
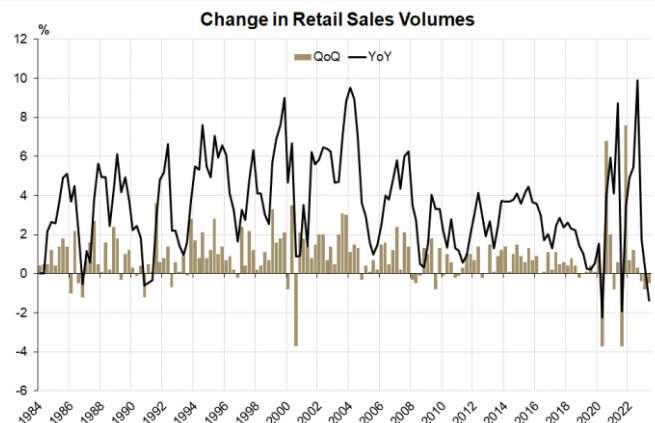
QoQ, Seasonally Adjusted, %	Nominal	Volumes	Prices
Food	0.7	-0.7	1.4
Household Goods	-0.9	-1.5	0.6
Clothing, Footwear and Personal Accessories	0.1	1.1	-1.0
Cafes, Restaurants and Takeaway Food	1.5	-0.1	1.6
Department Stores	-0.5	-1.4	0.8
Other Retailing	0.8	0.0	0.8
Total	0.4	-0.5	0.9

### States

Retail sales volumes declined in all states but Western Australia and South Australia. The 0.7% quarterly rise in Western Australia was the strongest of all states and the fastest since Q2 2022, following the re-opening of the border in March 2022. The biggest declines in retail sales volumes were in Tasmania (-1.9%) and New South Wales (-1.2%).

Retail price growth ranged between 0.7% in Victoria and 1.1% in Queensland and South Australia. Western Australian retail prices rose by 1.0% in Q2.

QoQ, Seasonally Adjusted, %	Nominal	Volumes	Prices
Western Australia	1.7	0.7	1.0
New South Wales	-0.3	-1.2	0.9
Victoria	0.3	-0.4	0.7
Queensland	0.7	-0.4	1.1
South Australia	1.3	0.2	1.1
Tasmania	-1.0	-1.9	0.9



### Comment

Q2 retail sales report was as dismal as expected. Retail sales volumes fell for the third quarter in a row, with downward revisions for the previous quarter. Consumers are increasingly feeling the pain of ongoing price increases and higher mortgage rates.

Weakness is particularly evident in discretionary goods, but customers continue to look for opportunities as evidenced by the impact of widespread sales in the fashion industry in Q2.

Food sales continue to be impacted by the sharp rise in prices, with sales volumes falling for the sixth time in the past seven quarters, although demand for dining out/takeaway food remains surprisingly strong, despite the small fall in sales volumes.

In the August post-meeting statement, RBA Governor Philip Lowe cited weakness in consumer demand as the major force behind the expected slowdown in GDP this year. However, he stressed that the distribution of household spending is uneven, with some households feeling the impacts of rises in costs of living less than others. Households' behaviour remains the key uncertainty for the economic outlook over the next year.

**3 AUGUST 2023**

#### 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.