

Economic Analysis

Retail Trade December 2022

Overview

Seasonally adjusted retail sales dropped by 3.9% in December, which was much more than the 0.3% decline expected by the markets. This was the first fall in a year and the strongest one since August 2020.

This followed the upwardly revised 1.7% increase in the previous month, driven by Black Friday retail sales.

The magnitude of the December decline in retail trade partly reflected the problems related to the change in seasonal spending patterns. Retail trade rose in original terms ahead of Christmas, albeit less than reported in the previous December months.

The annual rate of sales growth declined 0.2ppts to 7.5%, which is the lowest level since January 2022.

Industry Groups

The surprisingly strong fall in retail sales was led by industry groups that saw strong gains in November, when consumers took advantage from the heavy discounting.

Sales in department stores plunged by 14.3%, while clothing, footwear and personal accessories saw a 13.1% drop. Household goods sales fell by 7.8%. The scale of these declines was larger than the gains in November.

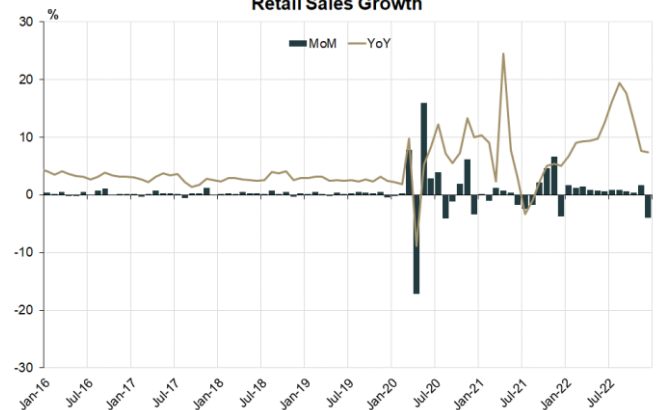
The weakness in retail trade turnover was also evident for other industries. 'Other retailing' fell by 4.6%, while sales in cafes, restaurants and takeaway food services were flat in December.

Food retailing was the only category to see an increase in trade turnover in December.

Annual rates of retail sales growth generally remained positive. Household goods were the only category, for which retail sales were lower than a year before.

Seasonally Adjusted, %	MoM	YoY
Food	0.3	6.8
Household Goods	-7.8	-1.2
Clothing, Footwear and Personal Accessories	-13.1	7.4
Cafes, Restaurants and Takeaway Food	0.0	25.5
Department Stores	-14.3	11.1
Other Retailing	-4.6	3.5
Total	-3.9	7.5

Retail Sales Growth



States

Retail sales declined across all states, but annual rates of growth remained positive and solid.

Western Australian retail trade turnover fell by 4.7%, to be 5.9% up through the year. Western Australia continues to lead other states in terms of retail trade performance since the start of the pandemic, with a 30.2% gain.

Seasonally Adjusted, %	MoM	YoY
Western Australia	-4.7	5.9
New South Wales	-3.4	9.0
Victoria	-4.7	6.5
Queensland	-3.8	6.6
South Australia	-2.5	10.9
Tasmania	-3.7	4.9

Comment

For several years now, the seasonal pattern of retail sales figures for the final months of the year has been distorted by the relatively new phenomenon of Black Friday sales.

The average for November and December was 0.1% lower than in the previous two months, which may suggest that the strong upward trend in retail trade turnover is turning. However, due to the seasonal distortions, it is going to be difficult to get any clear read on consumer spending for several months.

Looking ahead, the shock of high prices and rising mortgage rates is likely to be an increasing drag on household spending as we move through 2023, particularly as the heat comes out of the labour market.

31 JANUARY 2023

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