

## Economic Analysis

## Retail Trade June 2023

### Overview

Retail trade fell a seasonally adjusted 0.8% in June, which was a large disappointment to market participants who had expected no change.

The June drop in retail trade was partly a setback from the surprisingly strong increase of 0.8% in May (revised up from 0.7%), driven by earlier end of financial year sales and supersized sales related to Mother's Day.

The annual rate of growth slowed to 2.3% (the lowest since September 2021).

### Industry Groups

All industry groups but non-discretionary food retailing saw a decline in sales turnover in June. According to the ABS, higher food sales were most probably driven by higher prices rather than volumes.

The strongest decline was registered for department store sales (-5.0%), followed by clothing, footwear and personal accessories (-2.2%) and 'other retailing' (-2.2%).

At the same time, sales of household goods (-0.1%) as well as cafes, restaurants and takeaway food (-0.3%) saw modest declines.

Food and takeaway/eating out are the only industries to have contributed positively to annual retail sales growth.

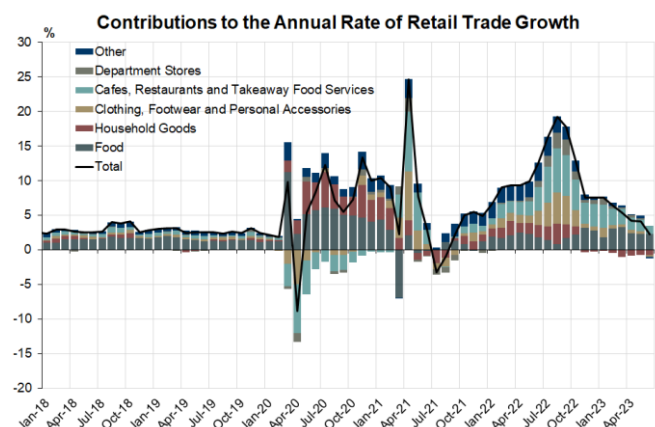
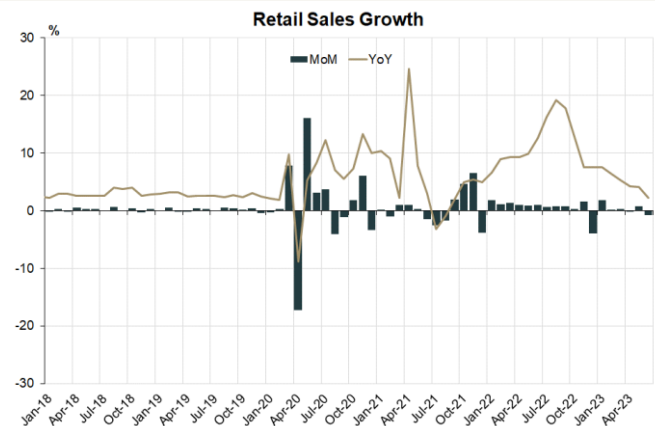
Seasonally Adjusted, %	MoM	YoY
Food	0.1	5.9
Household Goods	-0.1	-4.4
Clothing, Footwear and Personal Accessories	-2.2	-1.5
Cafes, Restaurants and Takeaway Food	-0.3	8.7
Department Stores	-5.0	-2.2
Other Retailing	-2.2	-1.1
Total	-0.8	2.3

### States

Retail sales fell in all mainland states except for Western Australia. Big falls were recorded in Victoria (1.3%) and New South Wales (1.1%), while South Australia saw the smallest decline (-0.2%).

Western Australian retail sales rose by another 0.5%, which was the sixth consecutive monthly increase. Western Australian sales are up 5.4% from a year ago, which is the fastest pace of growth of all the states (on a par with South Australia).

Seasonally Adjusted, %	MoM	YoY
Western Australia	0.5	5.4
New South Wales	-1.1	1.6
Victoria	-1.3	2.5
Queensland	-0.7	0.2
South Australia	-0.2	5.4
Tasmania	0.6	1.8



### Comment

The June retail sales report was a large downside surprise, though the figures were distorted by the impacts of end of financial year sales and Mother's Day celebrations in May.

Looking through these temporary factors, the annual rate of retail sales growth is the lowest in nearly two years and this growth is solely due to spending on food (in grocery stores, dining in or takeaway). Other industries contribute negatively to growth.

Since the monthly retail sales figures are nominal only, it is hard to disentangle the impacts of price growth and higher sales volumes. The broad-based decline in June could be partly due to lowered prices amid the ongoing end of financial year sales. However, the ABS suggests that the volume of spending on these sales was weaker than usual. This is likely to be confirmed by the quarterly retail sales volumes report for Q2 due next Thursday, with a 0.3% decline currently expected by the markets.

Following the disappointing retail sales figures, probability of a 25bps cash rate hike next week declined to around 20% and such move is no longer fully priced in for this tightening cycle.

28 JULY 2023

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