

Economic Analysis

Retail Trade July 2023

Overview

Retail trade rose a seasonally adjusted 0.5% in July, which was more than the 0.3% pencilled in by the market consensus.

The ABS explained the stronger-than-expected result with additional spending, at least partly related to the 2023 FIFA Women's World Cup.

Looking through this temporary factor, retail sales were unchanged in trend terms and the annual rate of growth slowed to 2.1%, the lowest since August 2021.

Industry Groups

Retail trade turnover was mixed across industries. There were strong increases in department store sales (+3.6%), as well as clothing, footwear and personal accessories (+2.0%), which followed declines in the previous months, partly due to end-of-financial-year discounting.

Cafes, restaurants and takeaway food services also saw a solid rise July (+1.3%), boosted by high demand for catering and takeaway foods related to the World Cup.

Sales of household goods continued to decline (-0.2%), while food retailing was flat in July.

Looking through the temporary volatility, food and dining in/takeaway food services were the only industries to contribute positively to annual growth in retail trade.

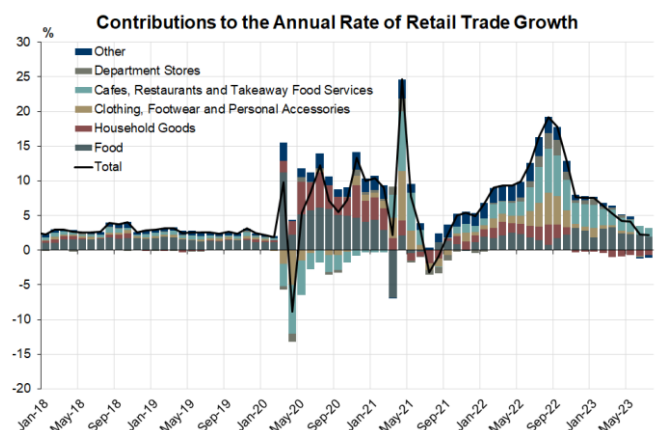
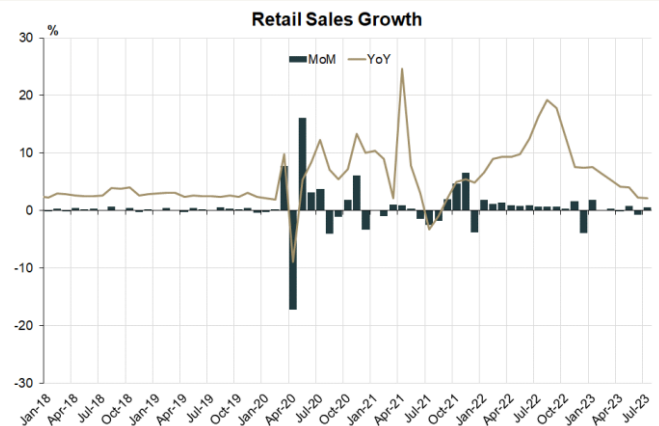
Seasonally Adjusted, %	MoM	YoY
Food	0.0	4.9
Household Goods	-0.2	-4.1
Clothing, Footwear and Personal Accessories	2.0	-0.4
Cafes, Restaurants and Takeaway Food	1.3	9.0
Department Stores	3.6	0.0
Other Retailing	0.3	-2.1
Total	0.5	2.1

States

Retail sales were mixed across states, with increases in the three states that held most of the high-profile World Cup games (New South Wales, Victoria and Queensland).

Other states, including Western Australia, saw declines in retail trade. The 0.4% decline in Western Australia was the first in seven months and the State continues to lead others in terms of retail sales performance over recent years, with a 36.6% gain since January 2020.

Seasonally Adjusted, %	MoM	YoY
Western Australia	-0.4	3.6
New South Wales	0.7	1.6
Victoria	0.8	2.5
Queensland	0.7	0.7
South Australia	-0.1	4.2
Tasmania	-0.7	0.9



Comment

The July retail sales report was distorted by the impacts of the 2023 FIFA Women's World Cup as well soft EOFY sales in June.

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 out or takeaway). Other industries continue to contribute negatively to growth.

Since the monthly retail sales figures are nominal only, it is hard to disentangle the impacts of price growth and sales volumes.

In its most recent projection, the RBA expected that private consumption will continue to weaken in the second half of 2023 due to a double whammy of high prices and mortgage rates. It is reasonable to expect that, after the temporary spike in July and possibly August, personal consumption will resume heading south towards the end of the year.

The retail sales report did not result in a change in RBA cash rate expectations, with the market still anticipating no change to the cash rate at the RBA Board meeting next week.

28 AUGUST 2023

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