

Australia

Retail sales volumes rose a seasonally adjusted 1.4% in Q2, slightly more than the 1.2% expected by the market. The Q1 increase took retail sales volumes 5.5% higher than a year ago, to a new series record.

The Q2 increase came despite another strong 1.7% quarterly rise in prices, which followed the upwardly revised 1.8% surge in the previous quarter.

Nominal retail sales were 3.2% up in the quarter.

Industry Groups

For the second quarter in a row, a rise in retail sales volumes was observed across all groups but food and household goods.

The decline in household goods sales volumes in the past two quarters came after a sharp 8.4% increase in Q4 2021. In addition, as the Australian Bureau of Statistics noted, the rise in the cost of living could have played a role in the weaker results for this industry, where costlier discretionary items are traded.

Food retailing fell for the third consecutive quarter with weaknesses evident, especially in more high-end specialised food retailing.

Apart from that, there was again no evidence of higher prices constraining trade volumes in Q2. For instance, trade volumes for dining in and take away continued their post-lockdown recovery, with another 8.6% surge. There were also solid gains in clothing, footwear and personal accessories as well as department store sales.

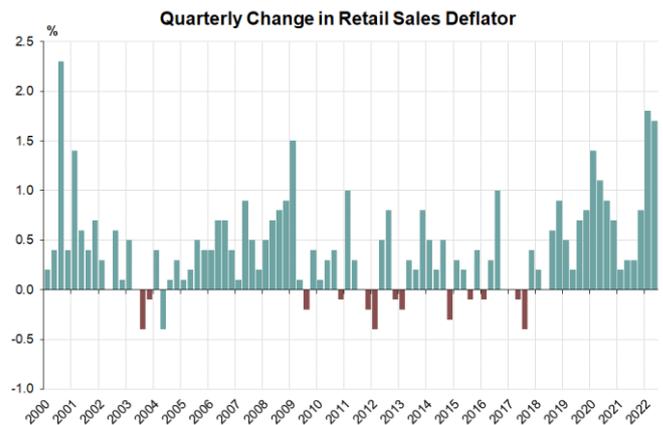
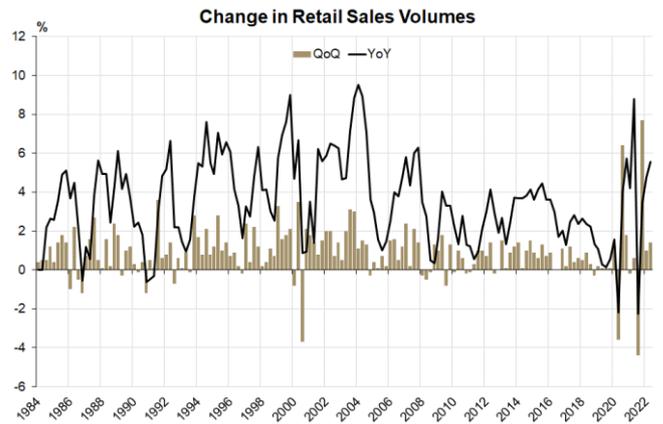
QoQ, Seasonally Adjusted, %	Nominal	Volume	Deflator
Food	1.3	-0.8	2.1
Household Goods	0.4	-1.8	2.3
Clothing, Footwear and Personal Accessories	6.5	3.9	2.5
Cafes, Restaurants and Takeaway Food	10.0	8.6	1.4
Department Stores	5.7	3.0	2.6
Other Retailing	2.6	1.2	1.4
Total	3.2	1.4	1.7

States

An increase in retail sales volumes was reported for all states, with Queensland seeing the strongest gain and New South Wales the weakest.

Western Australian retail sales volumes rose by 1.3% in the quarter, to be 5.2% up YoY. Western Australia continues to lead the other states in terms of retail sales volumes during the pandemic, with a 16.2% increase.

QoQ, Seasonally Adjusted, %	Nominal	Volume	Prices
Western Australia	2.7	1.3	1.4
New South Wales	3.0	1.1	1.9
Victoria	2.8	1.2	1.6
Queensland	4.3	2.4	1.8
South Australia	3.1	1.3	1.8
Tasmania	3.6	2.0	1.5



Comment

Retail sales volumes continued to rise at a solid pace in Q2, despite persisting cost-of-living pressures and a rise in some mortgage repayments amid the start of RBA tightening throughout the quarter.

Strong consumer demand is still supported by rising employment and the strong finances of the household sector, which helped to partly offset another strong increase in retail prices. The factors supportive of consumer demand should remain in place in the coming quarters.

Yesterday, RBA Governor Philip Lowe said that the central bank has downgraded its GDP growth forecasts. Despite the downgrade, growth is expected to remain strong at 3.75% this year, supported by resilient consumer spending and business investment.

However, the RBA have forecast that economic growth will decelerate to just 1.75% next year. The extent to which the RBA anticipates that this expected slowdown will come from lower consumption growth will be known after the RBA releases its detailed projections on Friday. Transactions data supplied by commercial banks already points to some weakness in consumer spending in the first month of Q3.

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