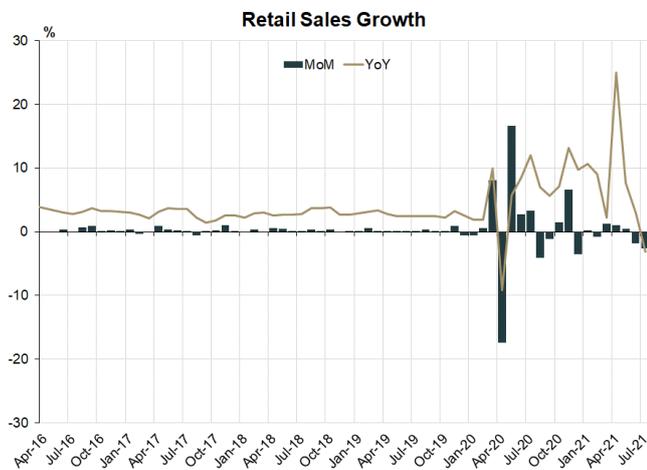


Economic Analysis

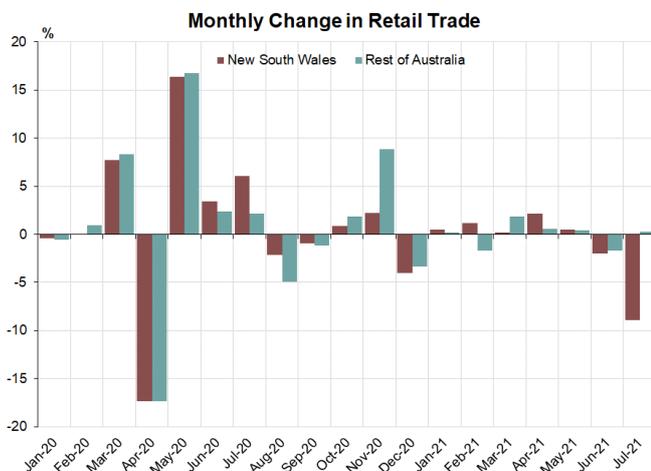
Seasonally adjusted retail trade fell by another 2.7% in July, the biggest monthly drop since December 2020. The annual growth rate turned negative (-3.1% YoY).



The weaker retail sales in July reflected the lockdowns in place across many parts of the country at various stages in the month. Unsurprisingly, the largest drop of 8.9% was recorded in New South Wales, which took retail turnover to the lowest levels since the nationwide lockdown in April 2020.

Region	Seasonally Adjusted, %	MoM	YoY
Western Australia		1.2	1.0
New South Wales		-8.9	-10.6
Victoria		1.3	3.5
Queensland		-0.9	-1.6
South Australia		-3.3	-6.3
Tasmania		2.7	0.7

Excluding New South Wales, retail sales increased 0.3% in July after declining by 1.7% in the previous month. The annual growth rate ex-New South Wales also remained positive 0.4%.



Retail Trade July 2021

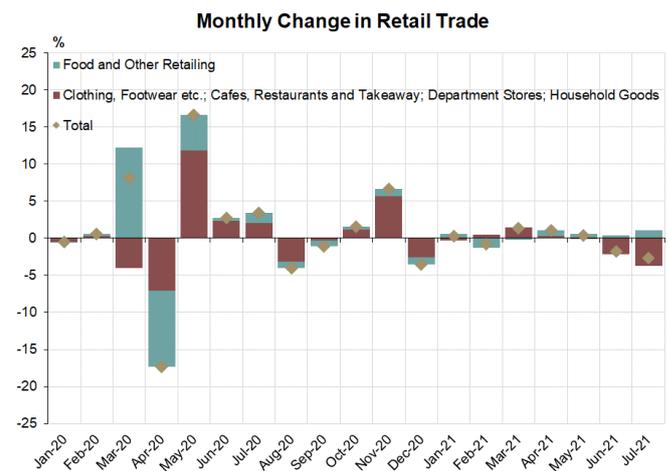
Similar to the previous lockdowns, online trade saw a significant rebound, rising 11.6% in the month.

Western Australia, where the lockdown was lifted at the beginning of the month, was one of three states to see a rise in retail sales in July.

The patterns across industries were similar to those observed during the previous lockdowns. The largest declines were recorded for clothing, footwear and personal accessories (-15.4%), followed by cafes, restaurants and takeaway foods (-12.3%) and department store sales (-11.4%).

Category	Seasonally Adjusted, %	MoM	YoY
Food		2.3	0.3
Household Goods		-2.2	-10.0
Clothing, Footwear and Personal Accessories		-15.4	-12.4
Cafes, Restaurants and Takeaway Food		-12.3	0.0
Department Stores		-11.4	-14.3
Other Retailing		0.6	2.4
Total		-2.7	-3.1

At the same time, food (+2.3%) and other retailing (+0.9%) picked up, reflecting stocking up and increased online sales.



Comment

Just one month ago it was hoped that the lockdowns would be a short-lived disruption to the economic recovery. However, the July retail sales report revealed that New South Wales sales fell back to the lowest level since the early stages of the COVID-19 crisis back in April 2020.

With Victoria now joining New South Wales in a prolonged lockdown, the upcoming retail sales reports will be equally dire. A drop in household consumption and, as a result, GDP in Q3 is almost certain now, with the Bloomberg consensus currently pencilling a 1.9% contraction and 15% probability of recession.

27 AUGUST 2021

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