

Economic Analysis

Australia

Seasonally adjusted retail sales rose by another 1.8% in February, significantly above the market expectations of a 1.0% gain. Retail trade turnover is 9.1% higher than a year ago and at the second highest level on record.

Industry Groups

The February increase was driven by the industries most affected by the Omicron wave over east at the turn of the year. Turnover in clothing, footwear and personal accessories rose 11.2%, while department stores saw an 11.1% increase. A large gain was also recorded for cafes, restaurants and takeaway food (9.7%).

Food retailing dropped by 2.6%, unwinding most of the strength gained during the Omicron outbreak over east. Other retailing fell 1.1%.

Seasonally Adjusted, %	MoM	YoY
Food	-2.6	4.3
Household Goods	2.3	8.1
Clothing, Footwear and Personal Accessories	11.2	17.8
Cafes, Restaurants and Takeaway Food	9.7	15.9
Department Stores	11.1	5.0
Other Retailing	-1.1	14.4
Total	1.8	9.1

States

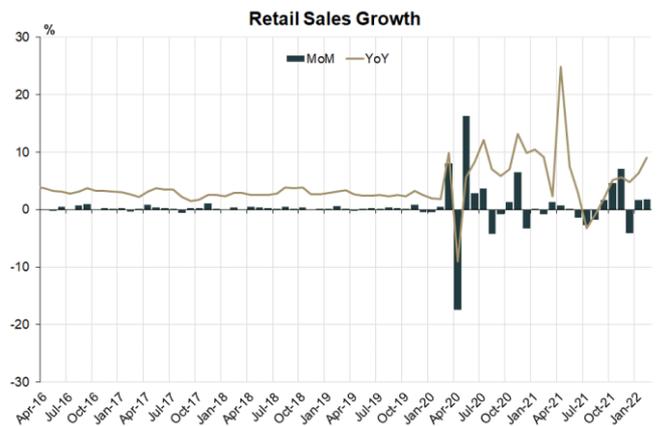
A rise in retail sales was recorded for all states but Western Australia.

Unsurprisingly, the largest gain of 3.9% was reported for New South Wales, which was recovering from a large Omicron outbreak. South Australia also saw a significant increase, of 3.1%.

The 2.9% decline in Western Australian retail sales followed a 4.4% surge in January. Despite this retreat in the month, Western Australian retail turnover was 10.5% higher than a year ago. Only Victoria saw a larger gain over the year. The annual increase in both states at least partly reflected a low base from February 2021, when lockdowns were imposed in Victoria and parts of Western Australia.

Seasonally Adjusted, %	MoM	YoY
Western Australia	-2.9	10.5
New South Wales	3.9	8.5
Victoria	1.7	13.1
Queensland	1.5	6.5
South Australia	3.1	7.6
Tasmania	1.1	3.5

Retail Trade February 2022



Comment

The February retail trade report reflects the ongoing recovery from the east coast Omicron outbreak that peaked in the first half of January. The pace of the recovery proved stronger than expected, however, confirming the underlying strength of Aussie consumer demand.

The resilience of household spending contrasts with the deterioration in consumer confidence over the past few months. The Westpac consumer sentiment index has been declining since November, with the pandemic, the floods and rising inflation weighing on confidence.

While rising inflation can push up retail sales in nominal terms, it poses a headwind to real household spending, particularly on discretionary goods. However, there are also factors supportive of private consumption, including the strong performance of the labour market and the high level of savings accumulated by many households over the course of the pandemic.

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