

Australia

Seasonally adjusted retail sales rose by another 0.9% in April, in line with the market expectations, to be up 9.6% over the year and at the highest level on record.

According to the ABS, the April increase was driven by higher food prices and increased consumer spending over Easter.

Industry Groups

Retail sales rose across all industry groups, with the exception of household goods and department stores.

The strongest increase was recorded for cafes, restaurants and takeaway food, as Australians have started to dine out more, particularly during the holiday period. Turnover in cafes, restaurants and takeaway food industry has more than recovered from the pandemic and reached a record high in April, representing the rebalancing of sales back towards services.

Clothing, footwear and personal accessories, another industry hit hard by the pandemic, saw the second strongest increase in retail sales in April.

‘Other retailing’ recorded the slowest increase in the month but also managed to climb to a record high.

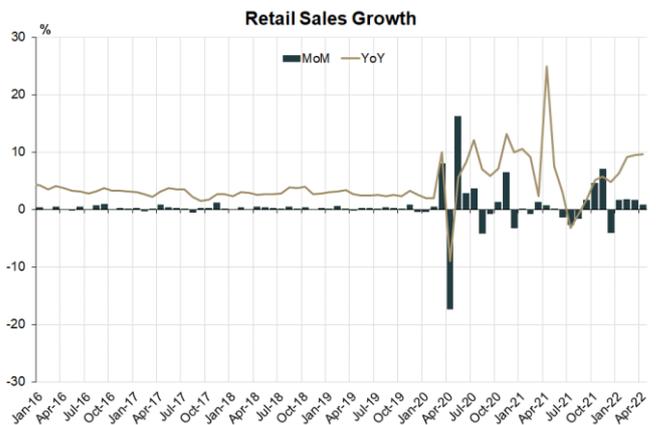
Seasonally Adjusted, %	MoM	YoY
Food	1.9	6.5
Household Goods	-2.7	7.4
Clothing, Footwear and Personal Accessories	3.1	14.7
Cafes, Restaurants and Takeaway Food	3.3	14.7
Department Stores	-2.5	5.4
Other Retailing	0.5	14.4
Total	0.9	9.6

States

Gains in retail trade were reported for all states but New South Wales, which saw solid increases in the previous months.

Western Australia recorded the strongest increase of all the states and continues to lead other states with respect to performance during the pandemic, with sales up 27.4% since February 2020.

Seasonally Adjusted, %	MoM	YoY
Western Australia	2.2	10.2
New South Wales	-0.3	8.6
Victoria	1.1	9.9
Queensland	1.6	11.8
South Australia	1.4	8.6
Tasmania	2.0	5.1



Comment

Retail sales remained strong in April, despite subdued consumer sentiment. Consumer spending is being supported by the strong labour market and a high level of savings accumulated over the course of the pandemic. Sales also continue to rebalance towards spending on services.

The Australian Bureau of Statistics again commented that, nominal sales are boosted by higher prices. A quantitative assessment of the impact of higher prices on spending is difficult, as sales volumes are available only on a quarterly basis.

The RBA and the Commonwealth government expect real household consumption growth to remain strong until mid-2023, before gradually normalising in the following quarters. Higher inflation coupled with the increase in mortgage rates and rents, is likely to weigh on spending going forward, particularly on sales volumes of discretionary goods.

The degree of this will be highly dependent on the willingness of households to draw on their elevated savings, as well as the inflation outlook and RBA decisions.

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