

Australia

Retail sales volumes rose a seasonally adjusted 1.2% in Q1, slightly more than the 1.0% gain expected by the markets. The Q1 increase took retail sales volumes 4.9% higher than a year ago, to a new series record.

The Q1 increase came despite a strong 1.7% quarterly rise in prices, the fastest since the introduction of the goods and services tax in 2000.

Nominal retail sales were 2.9% up in the quarter.

Industry Groups

A rise in retail sales volumes was observed across all groups but food and household goods.

The decline in retail trade volumes for household goods came after a strong rise in the previous quarter.

The fall in food sales volumes was caused by strong increases in prices for fresh food and grocery items, combined with more consumers choosing to dine in at hospitality venues. The sales volumes for cafes, restaurants and takeaway services saw the largest increase of all industries. At the same time, retail sales deflator for food rose the most of all categories.

Apart from food sales, there is no evidence of higher prices constraining trade volumes in Q1.

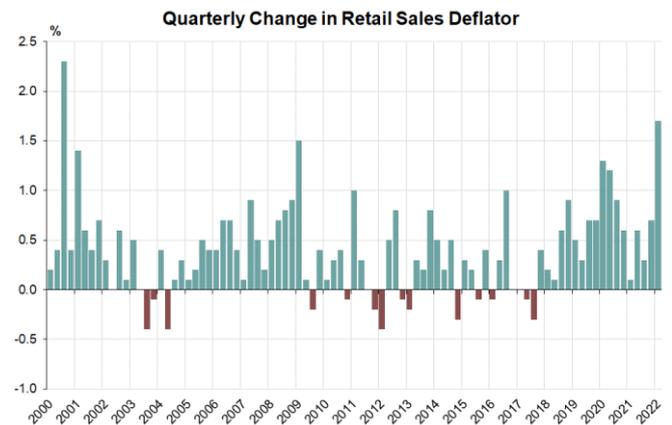
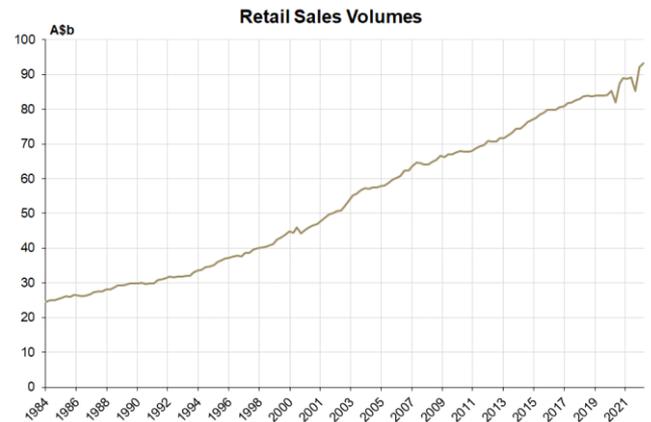
QoQ, Seasonally Adjusted, %	Nominal	Volume	Deflator
Food	1.1	-1.5	2.7
Household Goods	0.7	-0.9	1.6
Clothing, Footwear and Personal Accessories	4.4	3.6	0.8
Cafes, Restaurants and Takeaway Food	9.3	8.3	1.0
Department Stores	4.5	4.3	0.2
Other Retailing	3.4	2.3	1.1
Total	2.9	1.2	1.7

States

An increase in retail sales volumes was reported for all states but Western Australia and Tasmania.

Western Australia saw a slight decline amid the surge in Omicron cases during the quarter and one of the strongest price increases of all states. However, Western Australian retail sales volumes were still 14.9% up from pre-pandemic levels, the most of all states.

QoQ, Seasonally Adjusted, %	Nominal	Volume	Prices
Western Australia	1.6	-0.3	1.9
New South Wales	2.9	1.4	1.5
Victoria	3.5	1.5	1.9
Queensland	2.7	1.1	1.5
South Australia	3.2	1.7	1.5
Tasmania	0.4	-0.9	1.4



Comment

Q1 retail sales volume growth surprised to the upside, despite prices growing at the fastest pace in over two decades and consumer confidence deteriorating over the quarter.

Strong consumer demand is driven by pent-up demand, the savings accumulated over the course of the pandemic, and the very good labour market conditions.

This has helped offset the dampening impact of higher prices. However, there is some evidence that heightened inflation, along with a change in preferences, has translated into lower demand for food in the quarter.

The factors supportive of consumer demand should remain in place in the coming quarters. However, high inflation and rising interest rates, will increasingly drag on spending volumes, particularly for discretionary goods.

The RBA expects annual growth in household consumption to accelerate further this year, reflecting not only strong demand, but also the low reference base from 2021. Following that, consumer spending growth is expected to gradually normalise in 2023 and 2024, with inflation and higher interest rates being the major downside risk factors.

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