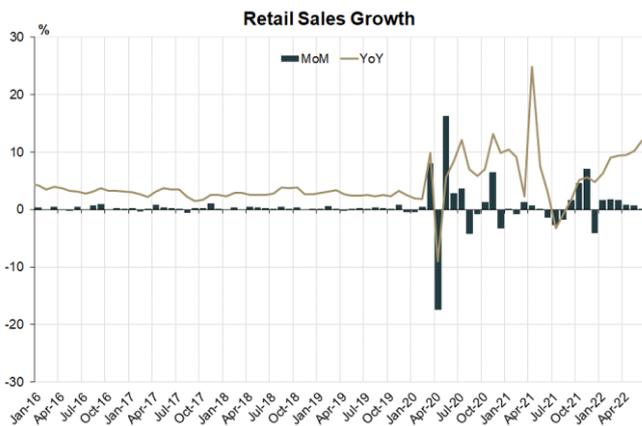


Australia

Seasonally adjusted retail sales rose by 0.2% in June in nominal terms, which was less than the 0.5% expected by the market participants and significantly slower than the downwardly revised 0.7% growth seen in May.

According to the ABS, the slower growth in sales probably reflected increasing cost-of-living pressures.

Retail sales is now up 12.0% through the year in nominal terms, thanks to strong increases in the previous months.



Industry Groups

The results were mixed across the industries, with some indication, though no clear evidence as yet, of softer spending for discretionary goods.

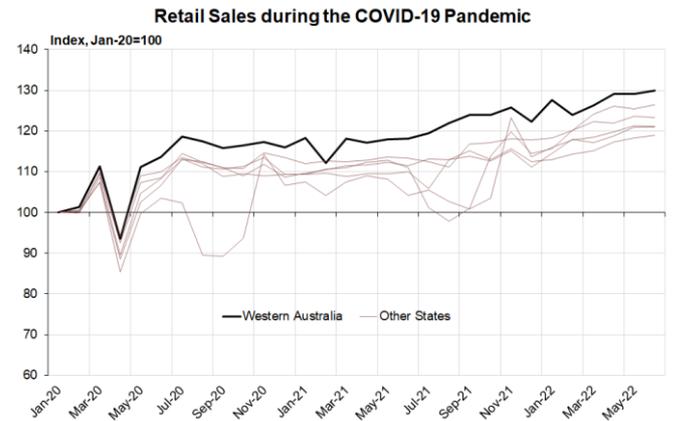
Turnover in department stores dropped by 3.7%, the most since the Omicron outbreak over east in December 2021. Spending for household goods fell by 0.3%. There was a similar decline in nominal food retail sales, which followed strong gains earlier in the year.

At the same time, retail sales growth accelerated back for dining in and eating out to 2.7%, after a brief slowdown to 1.8% in the previous month. Clothing, footwear and personal accessories bounced back by 1.3%, following a 1.4% decline in May, with the [CPI report](#) published yesterday suggesting acceleration in price growth for this category.

Seasonally Adjusted, %	MoM	YoY
Food	-0.3	4.0
Household Goods	-0.3	9.3
Clothing, Footwear and Personal Accessories	1.3	26.5
Cafes, Restaurants and Takeaway Food	2.7	26.3
Department Stores	-3.7	15.4
Other Retailing	0.5	16.8
Total	0.2	12.0

States

Results were also mixed across the states, with Western Australia being one of three to see an increase. Western Australia continues to lead other states in terms of retail trade performance during the pandemic, with a 29.9% gain since January 2020.



Retail sales remained unchanged in Victoria and South Australia, and fell in New South Wales.

Seasonally Adjusted, %	MoM	YoY
Western Australia	0.5	10.0
New South Wales	-0.2	11.1
Victoria	0.0	16.3
Queensland	0.7	11.6
South Australia	0.0	9.9
Tasmania	0.5	6.7

Comment

As signalled by the transactions data of the commercial banks for some time, retail sales growth slowed in June, impacted by the cost-of-living pressures. However, some of the weakness could have come from a shift of household spending towards the overseas travel.

The June numbers are in nominal terms and, given the lack of volume numbers, it is hard to disentangle the impacts of higher prices from real spending. However, it is prudent to assume that the June increase was purely due to higher prices. The retail sales volumes are scheduled for release on 3 August.

The cost-of-living pressures will continue to drag on household spending for some time. In his update to Parliament this morning, Commonwealth Treasurer Jim Chalmers said that CPI inflation is now forecast to peak at 7.75% in Q4, compared with 6.1% in Q2. The Commonwealth Treasury also estimates that real GDP rose by 3.75% in 2021-22, less than the 4.25% estimated in the pre-election economic and fiscal outlook.

28 JULY 2022

Disclaimer

Any opinions, judgments, conclusions, forecasts, predictions or estimations contained in this advice are made in reliance on information provided to Western Australian Treasury Corporation which Western Australian Treasury Corporation believes to be reliable. Western Australian Treasury Corporation, however, cannot guarantee the accuracy of that information. Thus, any recommendations are made in good faith but are provided only to assist you with any decisions which you make. These recommendations are not intended to be a substitute for professional advice on a particular matter. Before accepting or rejecting those recommendations you must discuss your particular needs and circumstances with Western Australian Treasury Corporation.