

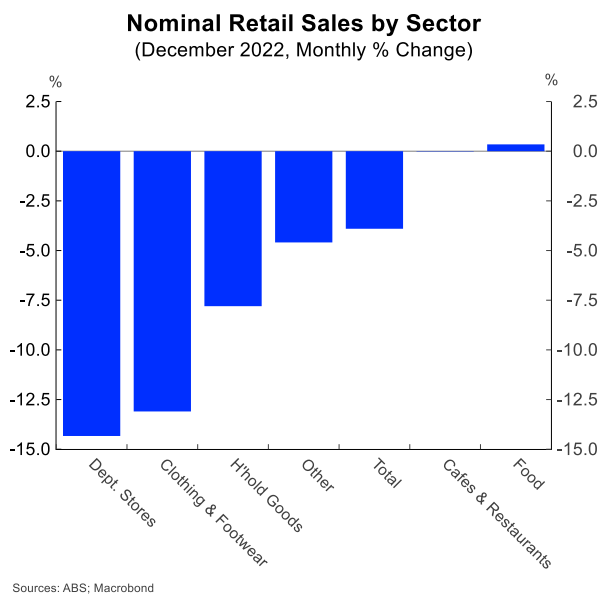
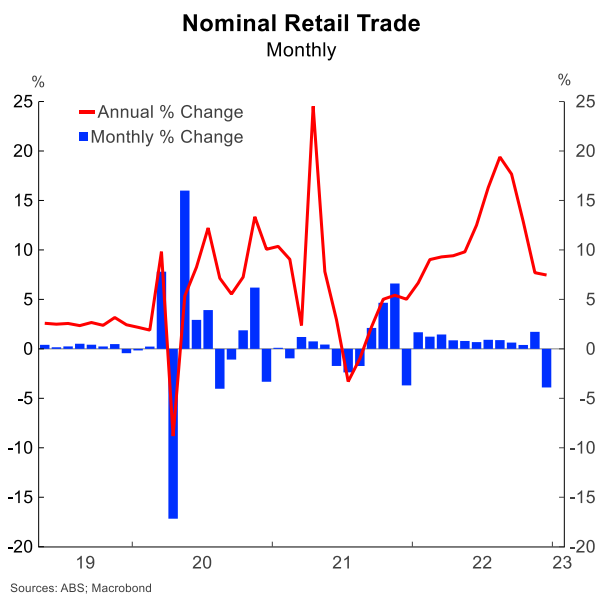
Tuesday, 31 January 2023



Retail Sales

Consumers Signal Tougher Times Ahead

- Retail trade fell by 3.9% over the month of December 2022 – the sharpest fall since August 2020. Last month we suggested that the strong outcome for November was largely due to a bring forward of Christmas spending, as households looked to take advantage of sales.
- Today’s outcome vindicates this view. In fact, on average over the last three months of 2022, retail trade has fallen by around 0.5% per month. As a basis of comparison, on average over the last three months of 2021 and 2020, retail trade grew by 1.8% and 1.1%, respectively.
- Over the quarter, retail trade grew by 0.9% over the December quarter. However, this includes both higher prices and transactions. We saw last week that the Consumer Price Index increased by 1.8% over the quarter. This suggests that retail trade over the quarter could be negative after adjusting for prices - actual volumes will be released next week.
- By industry, there were falls across the board except for food retailing that grew by 0.3% and hospitality services which were flat over the month. In a clear sign that consumers pulled forward Christmas spending to take advantage of the Black Friday and Cyber Monday sales, department store turnover declined by 14.3% in December, Clothing, footwear and personal accessory retailing declined by 13.1%, and household goods retailing declined by 7.8%.
- What does all this mean? The spending impulse from pent up demand has likely come to an end. There are now clearer signs spending is slowing and the RBA’s interest rate hikes are reducing demand. The full impacts of the 300 basis points of rate hikes from last year are yet to fully flow through to consumers. We continue to expect retail trade will ease over 2023 as consumers adjust to higher interest rates, higher rents and the higher cost of living.



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