

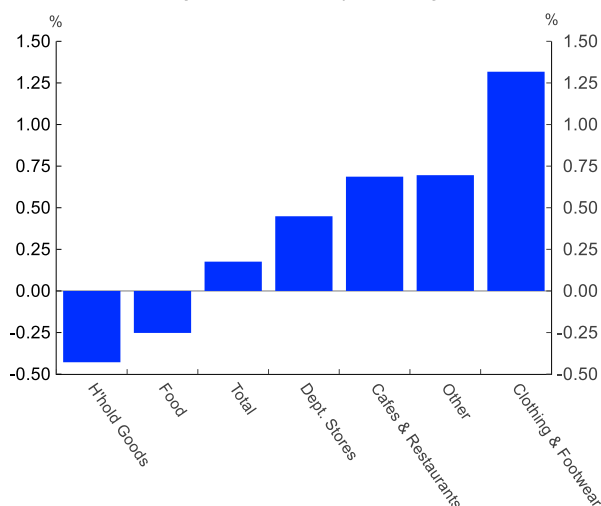
Thursday, 28 September 2023

Retail Sales

Annual Pace At 2-Year Low Despite WWC

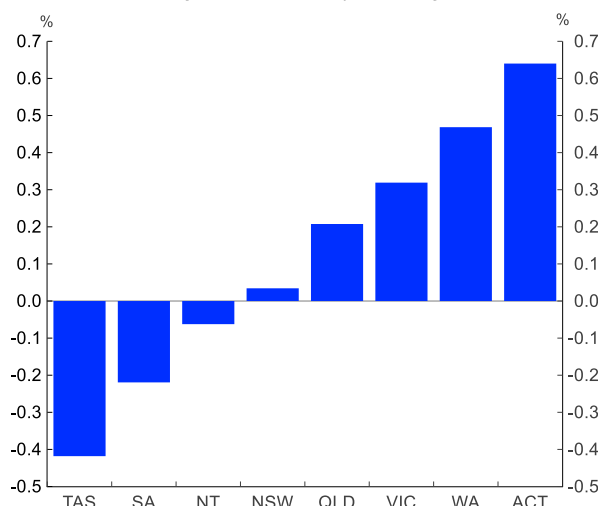
- Retail sales rose 0.2% in August, following a 0.5% gain in July. Temporary tailwinds again helped to support spending, as the 2023 FIFA Women’s World Cup (WWC) escalated to its climax in August, driving expenditure on sporting & fan apparel and at cafés & restaurants.
- Hospitality spending hit a new record. However, considering the tailwind from the WWC, the result suggests households substituted spending from other categories to the event. A flat outcome in NSW – which hosted major games during the knockout state – supports this view.
- Despite the tailwinds, aggregate growth stayed soft and also underwhelmed consensus expectations. In annual terms, nominal retail spending increased by only 1.5% – the weakest annual growth rate in two years.
- The picture deteriorates further once we adjust for record population growth and still strong price increases. Indeed, nominal per capita spending fell 0.1% in the month and 1.3% through the year – demonstrating the pressure households are under in an environment of elevated inflation and higher interest rates.
- In August, spending was driven by gains in clothing, footwear & personal accessories (1.3%), cafés, restaurants & takeaway and other retailing (both 0.7%), and department stores (0.4%). In contrast, spending on household goods (-0.4%) and food (-0.3%) both fell.
- Retail spending is expected to remain under pressure for quite some time, as tight monetary policy continues to be a strain on household budgets. Today’s result adds weight to our expectations that the Reserve Bank will stay on hold when it meets next Tuesday.

Nominal Retail Sales by Sector
August 2023, Monthly % Change



Sources: ABS; Macrobond

Nominal Retail Sales by State
August 2023, Monthly % Change



Sources: ABS; Macrobond

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